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Taiwan

Promotion Opportunities

Update on Promotion Opportunities and Retail Trends

2003

Approved by:

**Stan Cohen, Director, ATO
American Institute in Taiwan**

Prepared by:

Amy Hsueh, Marketing Specialist

Report Highlights:

The ATO will do its first ever Food Ingredients Show in March 2003. Other opportunities include the FAS Pavilion at the Taipei International Food Show, a marketing seminar, and restaurant menu and in-store promotions.

Tomato juice overtook orange juice as the number one fruit drink in 2002. Health claims made for tomato products boosted local sales. The demand for home meal replacement (HMR) items grew strongly in 2002. With 7,000 outlets and sales of \$4.2 billion in 2002, convenience stores continue to develop new products for the HMR market.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report

Executive Summary**I. Upcoming Promotional Activities/Events**

The promotional activities listed are provided for informational purposes only. No endorsement is implied unless specifically stated. Terms and conditions of participation are the responsibility of the activity organizer. Please contact the organizer directly for further information.

A. Trade Shows

Event: 2003 Taipei International Food Show
Date: June 11-14, 2003
Venue: Taipei World Trade Center Exhibition Hall
Contact: Agricultural Trade Office
American Institute in Taiwan
Room 704, 7F, 136 Renai Road, Section 3, Taipei, Taiwan
Tel: (886-2) 2705-6536; Fax: (886-2) 2706-4885
E-Mail: ato@mail.ait.org.tw
<http://ait.org.tw/ait/AGRI/ato.htm>

The Taipei International Food Show is the largest and most popular trade and consumer (open to consumers for one day) food show in Taiwan, providing excellent access to local food importers, wholesalers, distributors, and retailers. The 2002 event had a total of 607 participants from 28 countries and attracted nearly 53,000 visitors. The organizer of the 2003 show is CETRA Taipei. ATO Taipei will organize the American Pavilion at the 2003 Show. Pre-show activities planned by the ATO Taipei include a media briefing, exhibitor lunch seminar, retail tour, and reception aimed at promoting the American Pavilion, as well as providing U.S. exhibitors with additional opportunities to learn about the market and gain access to potential local business partners.

Event: 2003 U.S. Food Ingredient Show
Date: March 19, 2003 - Taipei
March 21, 2003 - Tainan
Venue: Taipei - Howard Plaza Hotel
Tainan - Ritz Landis Hotel
Contact: Agricultural Trade Office
American Institute in Taiwan
Room 704, 7F, 136 Renai Road, Section 3, Taipei, Taiwan
Tel: (886-2) 2705-6536; Fax: (886-2) 2706-4885
E-Mail: ato@mail.ait.org.tw
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The ATO Taipei will organize a U.S. Food Ingredient Show in March 2003. ATO Taipei will invite

local food executives representing baking, food service, food processing, catering, and food importing sectors to the Show. U.S. food ingredient suppliers who are interested in promoting their products are welcome to contact the ATO Taipei for more detailed information about this event.

Event: Bio Taipei 2003
Date: July 24-27, 2003
Venue: Taipei World Trade Center Exhibition Hall
Contact: Agricultural Trade Office
American Institute in Taiwan
Room 704, 7F, 136 Renai Road, Section 3, Taipei, Taiwan
Tel: (886-2) 2705-6536; Fax: (886-2) 2706-4885
E-Mail: ato@mail.ait.org.tw
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The "Bio Taipei 2003" mainly features biotech products, concepts, and technology. ATO Taipei will organize an information booth at the Show. U.S. companies are encouraged to present their biotech products, technology and/or catalogues at the ATO information booth. For further information on participation in this show, please contact the ATO Taipei.

B. Retail In-Store Promotions

Event: "America Week" In-store Promotion
Date: March 2003
Venue: Sung Ching Supermarket Chain
Contact: Christina Chou, Planning Manager
Sung Ching Supermarket Chain
23F, 100 Hsin-tai 5th Road, Section 1, Shih-tze
Taipei, Taiwan
Tel: (886-2) 2696-8388 x 6254
Fax: (886-2) 2696-7912

Wei Chuan Foods Group's affiliate Sung Ching and Marukyu joined in a strategic alliance with each other in late 2000. The Sung Ching and Marukyu chain has become the second largest and one of the most aggressive supermarket chains in Taiwan. The two chains formed a joint purchasing team to develop joint purchasing plans. Currently, Sung Ching/Marukyu has 66 supermarket outlets mainly in Northern and Central Taiwan. In addition to supermarket outlets, Sung Ching/Marukyu operates a food wholesaling and distribution business that supplies Sung Ching/Marukyu supermarkets as well as other food retail outlets.

C. Sample Tasting/Educational Seminars

Event: U.S. Seafood Sample Tasting
Date: April 2003
Venue: Taipei and Kaohsiung/Taiwan

Contact: Agricultural Trade Office
American Institute in Taiwan
Room 704, 7F, 136 Renai Road, Section 3, Taipei, Taiwan
Tel: (886-2) 2705-6536; Fax: (886-2) 2706-4885
E-Mail: ato@mail.ait.org.tw
<http://ait.org.tw/ait/AGRI/ato.htm>

The ATO Taipei will co-sponsor a U.S. seafood sample tasting with U.S. seafood trade associations and the State Departments of Agriculture to introduce new-to-market and already-established seafood species from the United States. U.S. seafood suppliers are encouraged to present their seafood products at the event and/or pay a visit to Taiwan to meet with potential Taiwan seafood buyers. The event will be held at an international 5-star hotel in both Taipei and Kaohsiung. ATO will invite executive chefs from the hotel to prepare seafood dishes, using sample products shipped from the United States, for tasting.

Event: Global/USA Consumer Market Retail Trends
Date: September 2003
Venue: National Normal University Conference Room
Contact: Shirley Huang, Secretary General
Taiwan Chain Stores and Franchise Association (TCFA)
7F, 197 Nanking East Road, Section 4
Taipei, Taiwan
Tel: (886-2) 2712-1250 ext. 102
Fax: (886-2) 2717-7997
E-mail: shirley.huang@tcfa.org.tw

Agricultural Trade Office
American Institute in Taiwan
Room 704, 7F, 136 Renai Road, Section 3, Taipei, Taiwan
Tel: (886-2) 2705-6536; Fax: (886-2) 2706-4885
E-Mail: ato@mail.ait.org.tw
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The Taiwan Chain Stores and Franchise Association (TCFA) is currently the most prominent and influential trade organization in Taiwan. The TCFA comprises 200 retail store chains representing approximately 21,000 stores island-wide. The TCFA includes several noted food-related chain stores in Taiwan, such as 7-Eleven, Wellcome Supermarket, Carrefour Hypermarket, McDonald's, Pizza Hut, and several other food and non-food retail chains in Taiwan.

The seminar is designed by the TCFA to educate its members about global and U.S. trends in the retail business. A keynote speaker, specializing in retail technology, will be invited from the United States. In conjunction with the seminar, ATO Taipei and the TCFA will cosponsor a catalogue show. U.S. suppliers who are interested in promoting their food and agricultural products through the seminar should send their product catalogues to ATO Taipei. For further information on the event, please

contact ATO Taipei.

D. HRI Promotions

The most popular pastime in Taiwan is eating. Socializing in hotel restaurants is a popular custom in Taiwan. As a result, in-house restaurants in hotels have become an important dollar-earning business for Taiwan's international hotels. Competition among the various hotel restaurants in Taiwan has become intense. Consequently, innovative promotions, such as country theme promotions, Taiwan/western holidays and 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 restaurant menu promotions in Taiwan are welcome to contact the ATO Taipei for information on upcoming events or hotels interested in hosting activities.

Event: TGI Friday's Summer Menu Promotion
Date: July 1 - September 30, 2003
Venue: TGI Friday's
Contact: Sophia Chang, Marketing Director
TGI Friday's Taiwan
3F, 77 Tunhua South Road, Section 2
Taipei, Taiwan
Tel: (886-2) 2700-3579 ext. 851
Fax: (886-2) 2702-0088
E-mail: sophia_chang@tgifridays.com.tw

Davis Wu, Director
U.S. Meat Export Federation (USMEF) Taiwan
7C-25/26, 5 Hsin-yi Road, Section 5
Taipei, Taiwan
Tel: (886-2) 2723-2250
Fax: (886-2) 2723-2251
E-mail: Taiwan@usmef.org

Rosaline Chen
Wine Institute of California
7D-07, 5 Hsin-yi Road, Section 5
Taipei, Taiwan
Tel: (886-2) 8789-8939
Fax: (886-2) 2725-2155
E-mail: tpe@prcon.com

TGI Friday's Taiwan will co-sponsor with the U.S. Meat Export Federation, the U.S. Potato Board, and the Wine Institute of California a summer menu promotion from 7/1-9/30, 2003 at its 11 outlets island-wide. U.S. suppliers are encouraged to contact the organizers above or ATO Taipei for detailed

information on this promotional event.

Market Information

General Economy in Brief

-- Taiwan became a full member of the World Trade Organization (WTO) in January 2002. The average agricultural tariffs dropped immediately from the previous 20 percent to the current 14 percent. They will gradually be reduced to around 12 percent by the end of 2005. Twenty two agricultural products are still subject to import quota restrictions. The 22 farm products under quota restrictions include banana, betel nuts, coconuts, garlic, azuki bean, mangoes, pineapple, oriental pear, longan pulp, persimmons, peanuts, pomelos, sugar, dried mushrooms, dried dandelion, chicken, pork belly, mackerels, sardines, horse mackerel, liquid milk, and offal.

-- Taiwan's General Directorate of Budget, Accounting and Statistics (GDBAS) estimates that the economy will grow 3.5 percent in 2003 due to a stable domestic recovery. The unemployment rate is anticipated to be 4.5 percent and per capita GNP is estimated to reach US\$13,305.

Food Market In Brief

Non-Alcoholic Beverages

In spite of the overall economic slowdown, the total sales of non-alcoholic beverages grew 2.6 percent in 2002 reaching US\$1.4 billion in sales. With consciousness rising about health, tomato juice became the best selling fruit and vegetable drink with US\$14 million in sales in 2002, up 169 percent from the level a year earlier. Fruit and vegetable drinks recorded a 10% growth in 2002 and for the first time surpassed coffee drinks in overall sales value. The following table represents the best selling soft drinks and their market shares and growth rates in 2002:

	Total sales (Million US\$)	Market Share (growth rate)
Tea drinks	391	28.8% (+3.8%)
Carbonated drinks	246	18.1% (-1.7%)
Fruit & vegetable juices	219	16.1% (+10%)
Water	151	11.1% (+0.2%)
Coffee	148	10.9% (-2%)
Sport drinks	90	6.6% (-8.8%)

Source: Hey Song (Beverage) Corporation

The Taiwan soft drinks industry introduced 732 new items in 2002. Of these new items, 537 were

domestically made drinks and 195 items were imported drinks.

Tomato Juice, the Hottest Drink in 2002

In 2002, tomato juice replaced orange juice to become the most popular fruit and vegetable drink in Taiwan. Its current market size is estimated at US\$14 million. Due to the current shortage of fresh tomato supplies in Taiwan, many local juice manufacturers have shifted to purchasing tomato paste from overseas suppliers in the United States, Turkey, Southeast Asia, and South/Central America.

Hypermarkets 2002/2003

Competition among Taiwan's hypermarkets continued to intensify in 2002. This segment of the retail food market generated US\$3.2 billion in sales in 2002. Due to the overall economic slowdown, the average per store sales of almost all hypermarkets dropped by 10-20 percent in 2002. Six new stores opened in 2002. Makro Taiwan decided to shut down two poorly performing outlets in January 2003.

Industry executives indicated that mergers and strategic alliances are likely to continue over the next few years. Some store chains have chosen to restructure to meet competitive challenges rather than open new venues. Growth in the hypermarket sector will remain flat with an additional 6-8 new stores being opened in 2003. To lower operating costs, as well as to differentiate themselves from their competitors, many hypermarkets have increased their volumes of imported and private label items. Currently, there are 110 hypermarket outlets in Taiwan. The following French chains continue to dominate the market: Carrefour (27 stores, 40% market share); RT Mart/Auchan (21 stores, 23%); and Aimai Geant (13 stores, 15%).

Convenience Stores 2002/2003

Taiwan's five major convenience store chains--7-Eleven (3,180 outlets, 47% market share), Family Mart (1,293, 19%), Hi-Life (809, 12%), Circle K (677, 10%), and Niko Mart (318; 5%)-- will continue to focus on expanding and promoting convenience foods, home delivery, and on-line shopping in 2003. Taiwan's "eat-out" market is valued at approximately \$9 billion and is growing significantly. Convenience stores, currently account for 8 percent of the market, and continue to make efforts to develop and market new convenience food items, especially for lunch boxes and dinners. As of the end of 2002, there were nearly 7,000 convenience stores in Taiwan. This segment generated approximately US\$4.1 billion in sales in 2002. (Note: figures inside the parentheses represent the number of outlets as of November 2002 and market share).

Supermarkets 2002/2003

At the end of 2002 there were nearly 1,000 supermarket stores (including chain and independent stores) in Taiwan. This sector generated approximately US\$3.2 billion in sales in 2002. In the face of strong competition from hypermarkets and convenience stores, supermarkets will continue to focus on expanding their fresh sections (fruit and vegetables, seafood, meat, and already prepared meals) as a way to differentiate themselves from their competitors and to entice customers. With 122 outlets, the Wellcome Supermarket chain continues to be the leader of this sector.

Taiwan Starbucks Coffee

Starbucks Coffee is Taiwan's largest coffee shop chain, with currently 102 stores in Taiwan and 30

stores in China. Reportedly, Starbucks Taiwan generated annual sales of US\$44 million in 2002. Starbucks plans to expand by more than 10% in Taiwan and China next year. Currently, 80% of Starbucks Coffee outlets are located in Northern Taiwan, and 20% are located in central/southern Taiwan. The main customers of Starbucks Coffee are in the 20-40 year old consumer group.

Home Meal Replacement (HMR)

Many of Taiwan's supermarkets, hypermarkets, and convenience stores now offer a variety of Chinese New Year (mainly Taiwanese-style) dishes. The prices range from US\$58 to US\$175. This holiday home meal replacement market is expected to reach US\$6 million this year, almost 4-5 times the market size a year earlier. The convenience store is the only retail store category that provides a home delivery service during this holiday season. The Chinese New Year begins on January 31, 2003. A traditional Chinese New Year menu includes fish, chicken, pork, rice, vegetables and alcoholic beverages.

The HMR market continues to expand significantly. To help local food manufacturers and retailers further explore the market, the Taiwan Council of Agriculture (COA) has co-sponsored since June 2002 with local food manufacturers' associations and retail stores a sample tasting and press conference as well as inviting well known chefs to develop new dishes for the market.

Best Prospects

Based on market research by the Food Industry Research and Development Institute (FIRDI), the following products have the most immediate market potential in Taiwan:

- dairy
- baked products
- edible oil
- condiments
- non-alcoholic beverages
- potato and products

III. Newly Released Reports

The following updated market briefs are currently available from the ATO Taipei on the FAS homepage (<http://www.fas.usda.gov>):

- Taiwan Fresh Deciduous Fruit Apples 2002

Executive Summary, production, consumption, price & marketing, statistical data

- Taiwan Exporter Guide 2002

Executive summary, exporter business tips, market sector structure and trends, best high value product prospects, key contacts & further information.

- Taiwan Recent Trends and Developments in Food Retailing 2002

Retail development in food retailing, trends in food retailing

-- Taiwan Alcoholic Beverage Manufacturing Sector Liberalized 2002

-- Taiwan Solid Wood Products 2002

Executive summary, solid wood products situation and outlook, competition, market segment analyses

-- Food and Agricultural Import Regulations and Standards (FAIRS 2002)

Taiwan food laws, labeling requirements, packaging and container requirements, food additive regulations, pesticide and other contaminants, other regulations and requirements, other specific standards, copyright/trademark laws, and import procedures.

-- Taiwan Sweet Corn 2001

Market Overview, trade and consumption, product usage and distribution channels, industry preferences and trends, consumer preferences and trends, costs and prices, and market access.

-- Taiwan Seafood Market 2001

Market overview, trade and competition, domestic production, consumer preferences, market trends, distribution channels, market access, cost and prices

-- Taiwan Juice Product Brief - June 2001

Market overview, market sector opportunities and threats, distribution channels, consumer preferences and trends, costs & prices

-- Taiwan HRI Food Service Sector Report 2001

Market (restaurants, retail food outlets, coffee/tea shops, hotels, other eating & drinking places) summary, market entry, competition, best product prospects

-- Taiwan Wine 2001

Market overview, trade and competition, distribution channels, industry/consumer preferences and trends, costs and prices, market access

-- Taiwan Dried Fruits 2001

Market overview, trade and competition, distribution channels, industry/consumer preferences and trends, costs and prices, market access

-- Almonds, Sweet 2001

Market overview, trade and competition, distribution channels, industry/consumer preferences and trends, costs and prices, market access

-- Essential Oils and Odiferous Substances 2001

Market sector opportunities and threats, product uses and distribution channels, industry preferences and trends

-- Taiwan Dairy and Products 2001

Executive summary, production, consumption, trade, competition, marketing & prices, statistics

-- Frozen and Fresh Potatoes 2001

Market overview, market sector opportunities and threats, product usage and distribution channels, industry/consumer preferences and trends, costs and prices, market access

-- Taiwan Retail Food Sector 2001

Market overview, market entry strategy, competition, best product prospects

-- Taiwan Export Guide 2000

Market overview, exporter business tips, market sector structure and trends, best high value product prospects, key contacts and further information

-- Taiwan Lobster Market 2000

Market overview, market sector opportunities and threats, costs and prices, market access, and Taiwan importers

-- Taiwan Pet Food Market 2000

Market overview, market sector opportunities, costs and prices, market access, and Taiwan importers.