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Taiwan

Wine

Wine Product Brief

2001

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Report Highlights:

In 2000, Taiwan imported a total of US$ 27.6 million worth of grape wine. With 20 percent of the market, the United States is the second largest supplier to Taiwan. Despite the front-runner position of French wines, US wines continue to gain consumer recognition and acceptance.

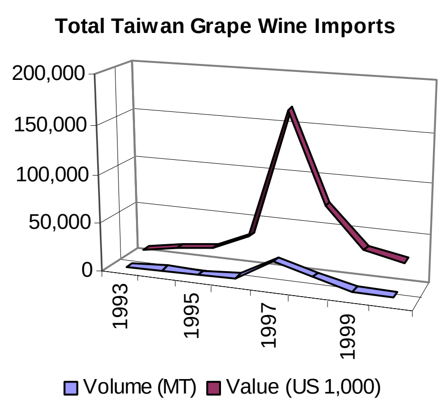
Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei ATO [TW2], TW

Executive Summary

In 2000, Taiwan imported 5,701 metric tons (US$ 27.6 million) worth of grape wine. US wines accounted for 20 % of grape wine by value and 30% by volume, making the United States Taiwan's 2nd largest wine supplier after France. Taiwan realized unprecedented growth in the consumption of red wine leading up to the 1997 Asian financial crisis. This growth was fueled by the perception that red wine is good for health. Growth in red wine consumption has since moderated and is now relatively flat. Sales of white wines have generally languished despite industry promotion.

Market Overview

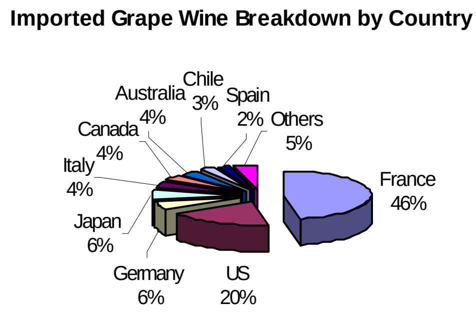
Taiwan grape wine imports in 2000 were valued at US $ 27.6 million, continuing a decline from the peak of US $167.5 million in 1997. Within the grape wine segment, red wine dominates, accounting for 85% to 90% of the sales and volume. Wine production in Taiwan is limited to an extremely low quantity of Asian-style "home brew", marketed typically through local cooperatives or by individuals. The Taiwan Tobacco and Wine Bureau (TTWB) sells three grape wine products (all imported wines) as: "Yih-chen Rose" (produced in France), "White Wine", and "Superior Rose" (produced in California). In 2000 TTWB products represented 85% of total alcoholic beverage sales (including beer, distilled alcohol, spirits, and grape wines). The TTWB holds around a 40% share of the grape wine segment. The TTWB share of total wine sales has been declining since the market opened to competition a decade ago and is expected to continue to decline.



According to TTWB figures, in 2000 Taiwanese consumed 35 liters of alcoholic beverages (worth US$106) per person. This is significantly lower than per capita consumption in Europe and the US. The alcoholic beverage market breaks down as follows in terms of market shares: beer (77%); whiskey (10%); grape wine (4%); brandy (3%); and others (6%).

Constraints	Opportunities
Cultural differences which inhibit grape wine consumption. Lack of proper wine storage, display, and chilling /refrigeration. The depreciation of the NT dollar against the US dollar has increased import cost and prices. Insufficient knowledge and product information about US wine. White wine health benefits not widely appreciated (versus red wine) by consumers.	Changing lifestyles: globalization and westernization. Increased availability of wine. Entry level and mid priced wines with a light, sweeter taste.

Market Sector Opportunities And Threats



Trade and Competition

In 2000, Taiwan imported 5,701 metric tons of wine valued at US$ 27.6 . The US represents 20% of the grape wine imports in value and 30% in volume. In terms of value, France dominates the imported grape wine market with 46% of the market, followed by the US (20%), Germany (6%), and Japan (6%).

Total Taiwan Grape Wine Imports in Value (US$1,000)

	1993	1994	1995	1996	1997	1998	1999	2000
US	$1,886	$3,379	$3,395	$5,396	$14,577	$9,122	$5,445	$5,492
World	$7,389	$14,926	$18,453	$36,072	$167,470	$75,386	$35,204	$27,612
US Market Share	26%	23%	18%	15%	9%	12%	15%	20%

Total Taiwan Grape Wine Imports in Volume (MT)

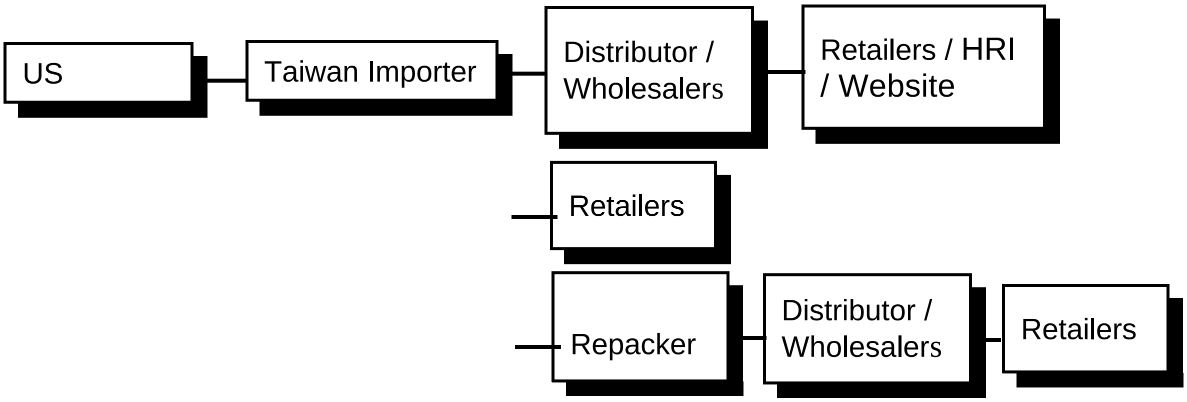
	1993	1994	1995	1996	1997	1998	1999	2000
US	1,004	1,542	1,435	2,103	5,584	4,103	2,218	1,687
World	2,257	3,375	3,624	5,379	27,095	16,427	7,968	5,701
US Market Share	44%	46%	40%	39%	21%	25%	28%	30%

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

Distribution Channels

Wine is available to consumers through hypermarkets, supermarkets, alcoholic beverage chain stores, convenience stores such as 7-Eleven, specialty shops and small Mom and Pop stores. The industry estimates that about half of grape wine is sold through retail store channels and the other half is sold through the HRI segment. Low-end wine is sold in mainly in convenience stores, supermarkets and hypermarkets whereas high-end wine is sold through hotel restaurants, individual restaurants featuring western cuisines, specialty shops, and websites.

Hypermarkets and supermarkets typically import directly only a small portion of the wine they carry; with much of their wine supplied by importers and wholesalers. While generally only 10%-15% of wine sales are white wines, this percentage can go as high as 30% in some stores if non-Taiwanese are their primary customers. With the increasing bargaining power of hypermarkets, some importers have opened their own specialty stores to sell wine directly to consumers, and thereby boost margins.



Industry Preferences and Trends

In 1997 many importers brought in large volumes of wine in an attempt to capitalize on the health benefits claimed for red wine -- heavily promoted at the time to consumers. Since demand failed to keep pace with imports, the result was a glut in distribution channels. Finally after 3 years, these inventories have been worked down and reportedly supply is now in line with demand.

When Taiwan joins the WTO, Taiwan will permit for the first time imports of rice wine. Importers believe that rice wine imports will have great growth potential. China will likely become a major supplier of rice wine.

Japan-origin wines are handled and distributed by the TTWB. The Japanese grapes wines are reported to be produced from the same rootstock as the German Moselle and Rhine wines resulting in a lighter sweet taste typical of those German wines.

The HRI sector is eager to get more training and knowledge about US wines to educate their service staff. Knowledge about wines is generally low throughout wine distribution channels.

Marketing strategies recommended by *Food Market Information* for marketing grape wines in Taiwan include:

I. Hold joint promotions with wedding-related businesses (caterers), cigar clubs, and restaurants.
II. Hold educational seminars/tastings and promotions for consumers.
III. Sell through websites and catalogues.
IV. Sell directly to members of wine tasting / appreciation organizations.
V. Promote to wine servers in the HRI segment.

Consumer Preferences And Trends

TTWB and some importers sell inexpensive wine to less affluent and less knowledgeable consumers. Drinking wine at home as a beverage by itself or before, with, and after meals is not an established custom.

Traditionally, it has not been considered proper for women to drink recreationally. Younger consumers are less affected by traditional mores, so habits are expected to change over time as continued "westernization" takes place. It is common for women to drink during western-style occasions (receptions, weddings, parties) and in western venues (hotels, restaurants). Since they are generally not comfortable or familiar with wine, women will tend to follow the suggestions of men when ordering. Reportedly, women have a preference for sweeter, fruitier wines over drier varieties. Female consumers also prefer fashionable bottle designs such as the slender bottles commonly used for "ice" wines. Additionally upscale western themed restaurants like French, Italian, American, and modern Asian cuisines will carry wine lists and suggestions for wines to accompany the meal.

Wine as an item for gift-giving is very popular, especially during Chinese New Year or Valentine's Day. Many displays feature gift boxes with wine glasses or sets of several wine bottles.

According to a survey of 1,200 consumers conducted by the Food Industry Research & Development Institute in 2000 among 1,200 consumers, 42% reported drinking grape wine–an increase of 23% over 1998 and 30% over 1999. However, another study[1] conducted in 1999 showed that, despite a high trial-use of grape wine, the average consumer purchases wine infrequently (once every four months or less). The study also confirmed that consumers prefer to buy low-price, domestically-bottled grape wine in supermarkets and convenience stores while buying imported grape wines in specialty stores and hypermarkets. Taste and price are the most important reasons given when selecting a wine. The most prevalent price range for imported grape wine is NT$500-700. (One US$ equals about NT$34.)

The Taiwan consumer has not developed a taste for white wine, as is the case in many other countries. Red wine did benefit significantly from the rise in consumer interest due to health claims. Regular wine drinkers are primarily well-educated men (30 to 45) living in urban areas with the income to afford imported wine purchases. Reportedly, some of these men were initially cognac, liquor, or brandy drinkers who were attracted to the positive health message associated with red wine and its lower alcoholic content.

Information about wine is available to consumers through wine magazines such as *Joker* and *Wine Spectator*, some wine-specific websites, and occasionally newspaper articles or television.

Costs And Prices

Importers must pay a monopoly tax (in lieu of tariffs and other taxes) on all alcoholic beverage imports. The monopoly tax is NT $119 per liter for fermented wine and NT $45 per liter for wine coolers. Under terms of Taiwan's accession into the WTO, Taiwan will cancel TTWB's monopoly sales, replacing the monopoly tax with a 20% tariff (based on CIF value) on imported wine coupled with an NT $7/degree market tax. While the market tax is expected to remain in force, the wine import tariff will drop to 10% within 2 years of WTO accession. Implementation of TTWB dissolution is currently pending by the Executive Yuan implementation and Taiwan is under no specific obligation to implement this until the island achieves WTO membership. The industry estimates that under the new system, grape wine prices will increase by 10~20% as a result of the new tariff, market tax, and 5% VAT (value-added tax).

The following is a list of harmonized system codes and the respective import tariffs for grape wine. The import tariff is levied on a CIF basis, ad valorem, unless it is 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 Accession	WTO Final
22042100005	Other wine of fresh grapes, in containers under 2 liters	0% (refer to Monopoly tax discussion above)	20%	10%
22042900007	Other wine of fresh grapes, in containers over 2 liters	0% (refer to Monopoly tax discussion above)	20%	10%

Market Access
Currently import application of alcoholic beverages can be made only by the TTWB, or with an approval from TTWB.

Labeling Requirements
Imported wine shall conspicuously note, in Chinese and easily-understood symbols, the following information on the container or packaging:
- Product name
- Name and weight, volume or quantity of the content and (in the case of a mixture of two or more ingredients) each of the ingredients
- Name, telephone number, and address of the manufacturer and importer.
- Production date must be printed in the order YEAR, MONTH, DAY. To distinguish the month from the day, the Chinese character for "month" and "day" must be included in the label.
- For bulk, foodservice, or other sales where product is to be repackaged or processed prior to sale, the requirement for Chinese labeling is waived.

Key Contacts: Taiwan Importers of Grape Wine

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

Footnotes:

1/ Food Market Information, Grape Wine Market Analysis At the End of the Century, Jan 2000.
2 / Taiwan Grape Wine Demand Forecast and Consumption Trend Analysis by Tzungju Lee, Jan., 1999.