

Voluntary Report – Voluntary - Public Distribution

Date: November 03,2020

Report Number: TW2020-0055

Report Name: Young Taiwan Consumers Say Cheers to Craft Beer

Country: Taiwan

Post: Taipei ATO

Report Category: Agricultural Trade Office Activities, Beverages, Agricultural Situation

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Report Highlights:

Taiwan imported a record 211 million liters of beer (1.8 million barrels) in 2019 with a corresponding value of \$197 million. Though industrial beer dominates over 98 percent of the market, imported and domestic craft beer enjoy a reported 50 percent annual revenue growth. Moreover, rapidly growing local craft beer are selling out on every retail shelf and the trend shows no sign of abating. This craft beer phenomenon provides export opportunities for American craft beer and U.S. ingredients, such as malted barley, yeast, and hops. Taiwan's craft beer market has many advantages, but market barriers include a lack of refrigeration (i.e. cold chain), education and awareness (on part of consumers and domestic brewers), and price sensitivity.

Overall Market

Overall, the Taiwan beer market comprises local production of 348 million liters (3 million barrels) and imports of 211 million liters of beer (1.8 million barrels). Taiwan Beer, a typical amber lager, is the island’s most recognizable and best-selling beer, enjoying 55 percent market share¹. Taiwan Beer is brewed by the state-owned Taiwan Tobacco and Liquor (TTL) Corporation, which enjoyed historic long-term monopoly advantage until 2002. However, demand for this style of beer is believed to be saturated, which resulted in local production declining by five percent in 2019. On the other hand, the imported beer volume continues to grow, with an annual compound growth rate of five percent since 2015.

Table 1. Beer Market Size in Taiwan (Unit: liter)

Category	2015	2016	2017	2018	2019
Local Production	380,043,200	374,442,000	378,816,400	366,546,600	348,073,500
Imported Beer	171,588,468	187,642,581	200,703,187	193,526,800	211,425,556
Exported Beer	99,459	5,770,528	7,665,238	6,176,884	6,005,423
Total	551,532,209	556,314,053	571,854,349	553,896,516	553,493,633

(source: Trade Data Monitor, Taiwan’s Ministry of Finance)

Locally Brewed Beer Market

Until 2002, TTL as the state brewer of Taiwan Beer, enjoyed a state-sanctioned monopoly on Taiwan’s beer market and was the sole beer manufacturer. Taiwan Beer successfully cultivated Taiwan consumers’ palate for “easy drinking” lager beer. Though Taiwan Beer still holds a leading market share of 55 percent, it has been gradually losing the share to the imported beers and local craft brewers.

Since 2002, the number of local microbreweries has grown from six to approximately 70. In 2009, Sun Mai, one of the pioneering local microbreweries, won a Gold Medal at the Tokyo International Beer Competition, promoting awareness of Taiwanese craft beers locally and overseas. In 2017, Starbucks partnered Taiwan-based Taihu Brewery to launch Kenya Grapefruit IPA, first sold in Starbucks Shanghai and then to selective Starbucks outside of Taiwan. In addition to international recognition, these Taiwanese craft beers are quickly gaining a strong local foothold in traditional taprooms, retail channels, high-end supermarkets, and Taiwan’s 12,000+ convenience stores.

Taiwan relies almost entirely on the imported ingredients to make beer. Australia is the main supplier of malted barley due to its competitive cost advantage. The United States is well recognized for its wide selection of hops by local craft beer brewers and holds 22 percent market share, trailing Germany (77 percent). German hops are likely bound for Taiwan Beer production. Other than basic ingredients, local

¹ Source: Euromonitor International

craft brewers also aspire to experiment with exotic supplementary ingredients, such as Oregon apricot puree or Michigan tart cherry concentrate, to concoct creative seasonal beers. Despite this enthusiasm, it was mentioned to ATO Taipei several times that the Taiwan craft beer industry could improve its basic understanding of unique craft beer making practices. Seminars on utilization of U.S. hops and/or other brewery inputs would be well received in the Taiwan market.

Imported Beer Market

In terms of imported volume, the United States ranks as the fourth largest supplier of imported beer with six percent market share, behind China (37 percent)², the Netherlands (37 percent), and Japan (seven percent). In 2019, Taiwan imported approximately 12 million liters of beer from the United States (\$12 million), 97 percent of it being traditional (i.e. non-craft) beer, Budweiser as the majority. The American craft beers have been a stalwart presence in Taiwan's increasingly popular and growing taprooms since 2014. Importers look to meet enthusiastic demand by expanding from just a handful of initial brands to a current wide variety of selections and recognizable names, such as Anchor Steam, Stone, Sierra Nevada, Deschutes, Lagunitas, Kona, Angry Orchard, and others. The average retail pricing for American craft beers is around US\$3.90 (473-ml can), nearly 50 percent higher than local craft beers priced around US\$3.90 (500-ml can). Though pricing poses a barrier, imported craft beers make appearances on lifestyle media and the branding is attractive to consumers. Local industry representatives interviewed for this report commented that the demand for American craft beers remains strong and anticipate annual double-digit growth in the years to come.

Consumption

Taiwan consumers generally prefer lager due to TTL's historic long-time monopoly advantage and marketing effort. However, thanks to the boom of local craft beer breweries, the young generation is becoming more open-minded appreciative of diversified styles and consider "craft" beer a trendy symbol to share on social media. Influenced by American craft beers, many local craft beers feature hoppy tastes infused with local or exotic flavors, like tropical fruits or tart cherries. The IPA-style dominates the local craft beer market with 80 percent market share. The eye-catching packaging and ever-changing flavors attracted young generation's attention because they aspire to taste something novel with friends or social media followers. The target consumers for craft beer fall on 30-39 year-old, middle-class group. This consumer group seeks individual experiences and tastes to set them apart from general lager beer consumers, who are not considered trendy with "bottoms up" Taiwan Beer. In addition to conventional beer, there is new-to-market introduction of non-alcohol beer, represented by Heineken 0.0 and Barvaria, targeting wellness-conscious consumers.

² Note that foreign suppliers, including Budweiser and Kirin, have established beer manufacturing plants in China, which resulted in an increasing imported volume from China to Taiwan in recent years.

Distribution

Convenience chain stores are the major outlet where Taiwan consumers buy beer. Taiwan enjoys the highest density of convenient stores in the world, with more than 12,000 stores island-wide. Every summer, the major convenience store chains simultaneously launch international beer promotions to attract consumers. Most of the promotional beers are priced under NT\$100 (US\$3.60/500-ml can) and the order volume can be upwards of 72,000 cans for the 7-Eleven convenience store chain (encompassing 5,915 stores). The industry also commented that to meet convenient store chain's stringent shelf-life requirement for acceptable level of drinking quality, importers prefer beers that can offer at least a nine-month long shelf-life. It is well-noted that these convenience stores are unable to guarantee refrigerated storage over that full time period.

As for imported craft beer specifically, distribution is 80 percent through on-trade channels and 20 percent through off-trade channels, such as bottle shops and upscale supermarkets. Major distribution on-trade outlets include taprooms, bars, cafes, bistros, and brewery restaurants. Craft beer on-tap is anticipated to be popular with growing casual-dining restaurants. However, the industry commented that, given Taiwanese restaurants are smaller in physical and customer size, craft beer in a 10-liter keg is easier to fit in and sell before the best-before date. In discussions with U.S. craft beer importers, a repeated concern is the lack of guaranteed refrigeration throughout the island. Especially outside Taipei, refrigeration options are somewhat limited and can be too expensive to provide the certainties that many U.S. producers request.

Suggestion

Export growth will depend on not only how successfully the United States can tap into craft-driven demand growth for American hoppy fare, but also how well it can empower local brewers to integrate the ingredients into their beers. By promoting "craft" as a lifestyle in conjunction with local craft brewers, the whole industry will lift the entire market segment, which benefits both U.S. ingredient suppliers and American craft beer importers.

For imported craft beer, though there is plenty of room to grow, suppliers must take into consideration storage temperature conditions and requirements. Not every retail outlet can guarantee refrigeration for the entire storage or shelf period, which may deteriorate the quality of beer, especially those that feature hops. ATO Taipei suggests suppliers identify reliable importers for long-term partnership and manage expectations in terms of committed purchase volume upon entry of the market.

In order to take advantage of "Products of USA" branding opportunity, Post suggests U.S. suppliers participate in ATO Taipei's coordinated USA Pavilion activities at the Taipei International Food Show,

which takes place in June every year. The activities aim to promote a wide variety of American food and beverage products targeting importers, retail buyers, and the hotel/restaurant industry.

Tariff & Tax

Beer (HS code: 2203)

- Tariff: 0
- Alcohol tax: NT\$26 (=US\$0.93) per liter
- Business value-added tax: 5%

Hop (HS code: 121010)

- Tariff: 15%

Hop, ground or powdered (HS code: 121020)

- Tariff: 7.5%

Regulation

- Hygiene Standards: [Hygiene Standards for Alcohol Products](#)
- Labeling: [Labeling Rules for the Alcohol Products](#). Note Certificate of Country of Origin is required for every shipment.
- [Tobacco and Alcohol Administration Act](#)

More Information

- [Food and Agricultural Import Regulations and Standards Country Report \(FAIRS\)](#)

Attachments:

No Attachments.