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Craft Beers Increase in Taiwan

Report Categories:

Product Brief
Promotion Opportunities

Approved By:

Mark Ford

Prepared By:

Katherine Lee

Report Highlights:

Taiwan's beer market increased to 517 million liters (137 million gallons) in 2013, among which imports accounted for 28% and a compound annual growth rate of 8% over the previous four years. The demand for imported beer continues to grow, which bodes well for the diversity of U.S. high-end craft beers. In 2014, Taiwan's beer import volume increased nearly 7% compared to 2013 (amounting to 159 million liters or 41 million gallons), and this trend is expected to continue throughout 2014 and into 2015. At present, craft beer holds less than 1% market share but is expected to grow nearly 30% in volume in 2015. According to several trade experts, the market share of craft beer is less than 1%, yet consumption has a nearly 20% annual growth over the past three years and is estimated to continue to increase rapidly.

Market Overview

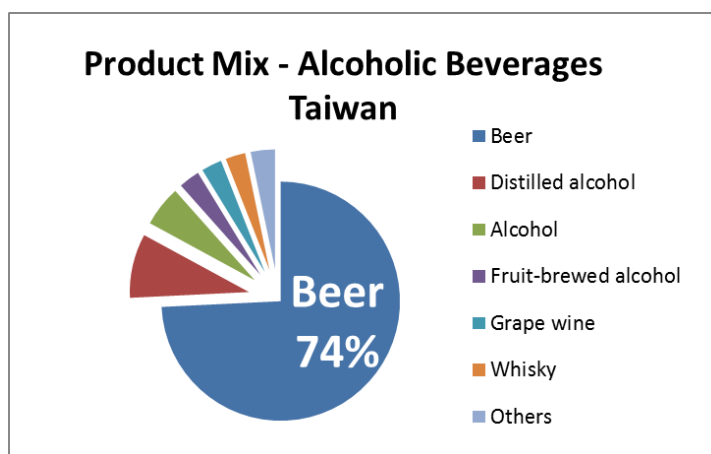
Taiwan's beer market increased to 517 million liters (137 million gallons) in 2013, among which imports accounted for 28% with a compound annual growth rate of 8% over the previous four years. The demand for imported beer continues to grow, which bodes well for the diversity of U.S. high-end craft beers. In 2014, Taiwan's beer import volume increased nearly 7% compared to 2013 (amounting to 159 million liters or 41 million gallons), and this trend is expected to continue throughout 2014 and into 2015. At present, craft beer holds less than 1% market share but is expected to grow nearly 30% in volume in 2015. In 2014, the United States is expected to export approximately US\$7.5 million of beer to Taiwan.

Table 1: Beer Market Size – Taiwan
(unit: thousand liters)

Year	2009	2010	2011	2012	2013	CAGR%
Local Production	404,439	390,923	370,136	402,659	375,362	-1.8%
Import	110,023	128,249	141,460	143,728	148,967	7.9%
Export	6,999	8,948	7,027	7,027	7,091	0.3%
Market Size	507,463	510,225	504,569	539,360	517,238	0.5%

(source: Taiwan's Ministry of Finance, Global Trade Atlas)

In addition to steady consumption growth, beer is also the most popular alcoholic beverage in Taiwan. In terms of product mix by volume, beer holds the largest share, which is 74% among all types of alcoholic beverages. Taiwan's per capita consumption of beer is only around 22 liters (5.8 gallons) but shows potential growth, especially when compared to Japan's 43.5 liters (11.5 gallons). Historically, Taiwan has shown that they typically model the consumption patterns of Japan so a higher consumption rate in Japan bodes well for potential U.S. exports to Taiwan.

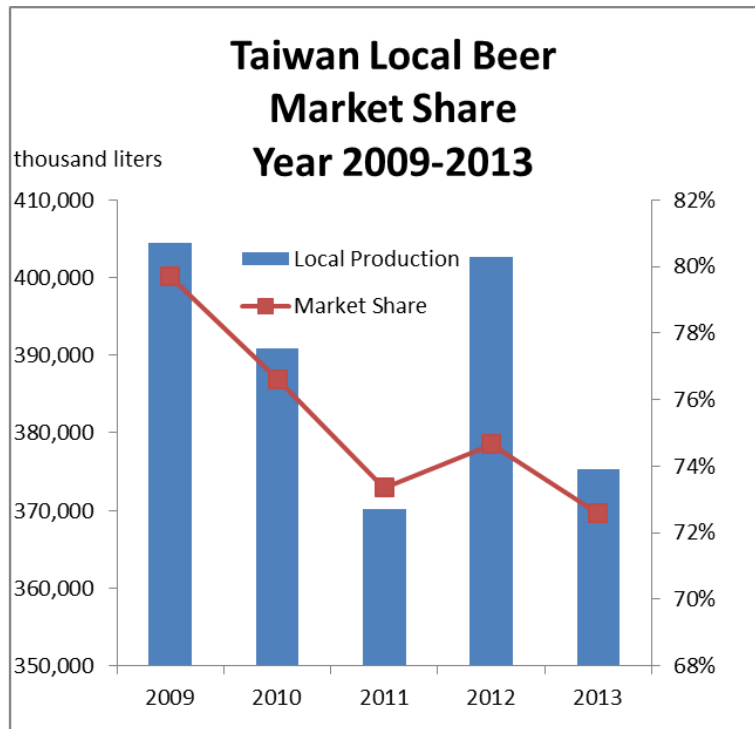


(source: Taiwan's Ministry of Finance)

Local Production

Taiwan traces its beer production history back to 1919, when Taiwan was a colony of Japan. Since then, the beer market had been monopolized and governed by the Taiwan Tobacco and Wine Monopoly

Bureau until Taiwan acceded to the World Trade Organization (WTO) in 2002. Although the beer market is now liberalized with 47 local manufacturers licensed by Taiwan’s National Treasury of Ministry of Finance, the Taiwan Tobacco & Liquor Corporation (TTL) still enjoys the largest market share, taking in around 70% due to an extensive distribution and consumers’ familiarity with the taste. However, TTL has been losing market share to foreign beer manufacturers due to intensive competition and a lack of attractive new products.



(Source: Taiwan’s Ministry of Finance)

In addition to TTL, local independent breweries are rapidly increasing from small production scales. These local craft beer brewers are dedicated to producing diversified, high-quality craft beers in order to differentiate themselves from the commercialized lager beers produced by TTL. Some of the breweries sell their homemade beers through affiliated brewery restaurants (Table 2) and some sell bottled craft beers through distributors to restaurants, coffeehouses, and bottle shops. Since most of the ingredients are imported (plus an unfavorable alcohol tax), the production cost of local craft beer is extremely high, resulting in a retail price of approximately US\$5.4 per 330ml glass bottle. A handful of expats also contract local brewers to produce quality craft beers and sell them to the Taiwan market. Many of these expats are aiming at other neighboring Asian markets. Though production of local craft beer is insignificant, it provides an opportunity for consumers to taste








Taiwan’s locally brewed craft beer continues to receive international accolade. Jay Duan, Brewer of the North Taiwan Brewery, won Gold and Silver medals in the Belgium craft beer category in 2014 Asia Beer Cup, hosted by the Japan Craft Beer Association. His beer is also available in Singapore and extremely popular.

the

diversified styles of premium beer and pair them with meals. The fad of pairing beer/food is expected to create ripple effects, boosting the demand for more craft beer selections.

Table 1. Popular Brewery Restaurants in Taiwan

Brew Pub	Established Year	Number of Stores	Features
<p>Jolly</p> 	2002	3	<ul style="list-style-type: none"> • Feature homebrew German-style craft beer, pairing it with Thai food
<p>Le Blé d'Or</p> 	2004	<p>7 (Taiwan) 1 (Suzhou, China)</p>	<ul style="list-style-type: none"> • The parent company is Taiwan's first legalized locally private brewery after Taiwan's accession to the WTO • Feature homebrew German-style craft beer, and also sell its namesake beer (1 liter glass bottle) to high-end supermarkets
<p>Bravo Beer</p> 	2006	5	<ul style="list-style-type: none"> • Feature Belgium craft beers exclusively, carrying over 170 SKUs of imported Belgium craft beers
<p>Gordon Biersch</p> 	2008	3	<ul style="list-style-type: none"> • GB selected Taipei as its first overseas market in Asia • Feature homebrew German-style craft beer, pairing it with seasonal American-style cuisines • Partnered with 7-Eleven convenience store chains to launch its namesake bottled craft beers (Hefeweizen, Pilsner) as promotional items in 2012
<p>Paulaner Brauhaus</p> 	2009	<p>3 (Taiwan) 3 (Shanghai, China)</p>	<ul style="list-style-type: none"> • Owned and operated by Taiwan's NamChow Group through a strategic alliance with German's Paulaner brewery • Feature homebrew German-style craft beer

Trade

In 2013, Taiwan's imported volume of beer was 149 million liters (39 million gallons), worth approximately US\$166 million. While the local production has declined slightly, Taiwan's beer imports have grown steadily by 4% and are expected to continue. Netherlands is the largest foreign supplier of beer to Taiwan with 53% market share, and most of that credit goes to Heineken's consistent, successful marketing campaigns and continuous new product introductions to Taiwan. Following the Netherlands is China (22%), the United States (7%), and Japan (5%). (Note: A portion of Budweiser beers are produced in China and exported from China to Taiwan.) The main U.S. beer brands in Taiwan are Budweiser, Michelob, Busch, Coors, and Miller. According to several trade experts, the market share of craft beer is less than 1%, yet consumption has a nearly 20% annual growth over the past three years and is estimated to continue to increase rapidly. Most of the imported craft beers are from Europe (i.e., Belgium, France, Germany, UK, etc.). There is a limited selection of U.S. craft beers available in Taiwan, but consumers continue to request more. The available American craft beers include Anchor Steam, Elysian, Kentucky Bourbon Barrel Ale, and Samuel Adams.

Policy

Tariff & alcohol tax for beer:

- Tariff: 0
- Alcohol tax: NT\$26 (=US\$0.88) per liter

Hygiene Standards: Importers are required to comply with the Hygiene Standards for Alcohol Products. Failure to comply may result in penalties of up to NTD\$90,900 (=USD\$3,080). Importers may submit documentation for sanitary inspections or safety assurances from officials or recognized associations in the exporting country as an alternative to customs clearance product inspection. The link to Taiwan's Hygiene Standards for Alcohol Products follows: [Hygiene Standards for Alcohol Products](#)

Consumption

Taiwan's per capita consumption of beer is around 22 liters (5.8 gallons), which shows potential to grow, comparing to Japan's 43.5 liters (11.5 gallons). The main consumer group is 25-44 year-old males. Upon purchase, most consumers' comment they prefer taste and purchase conveniences¹. Lager dominates the Taiwan beer market with approximately 97% market share, which is attributed to the long-term monopoly and promotion of TTL's Taiwan Beer that has cultivated local consumers' preference for lager. However, for the potential craft beer market, target consumers are younger, more urban and open-minded (mainly between 30-39 years old). Many of these potential consumers also studied overseas.

Several industry experts comment that lager will remain the most popular, but premium lagers show better potential. However, female consumers typically prefer beers



¹ Chao-Pin Ko, 2011, A study of the profile of Taiwan beer market and the selected factor of imported beer brands, *Journal of Hospitality and Tourism*

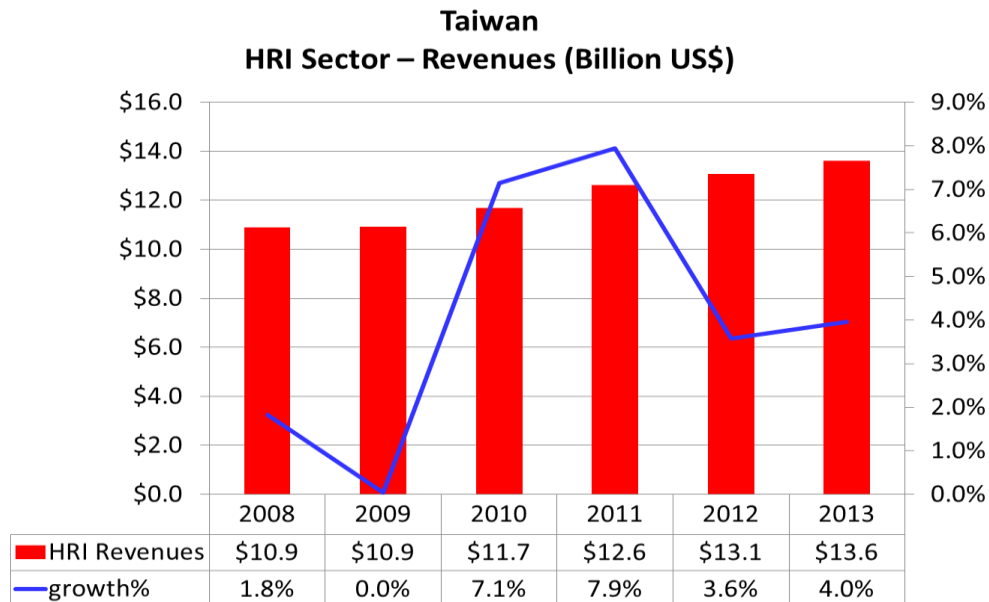
that taste fresh, clean (or fruity) and include apple cider, pear cider, and other fruity flavors.

Trends & Opportunities

Take Advantage of “Products of USA” Branding: Post suggests the U.S. beer suppliers promote American culture when introducing beer to Taiwan. Taiwan consumers, especially those in urban areas, are familiar with the American culture. With a population of 23 million, Taiwan is the seventh largest market for U.S. food, beverage, and agricultural product exports. Among the exports to Taiwan, consumer-oriented products show the most rapid year-to-year growth at 15% and expected to increase. One of the contributing factors is a broad population, who have either studied or traveled in the United States. These consumers understand the American culture and would like to purchase food and beverage products from the United States when they are back in Taiwan.

In order to take advantage of this great 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 (HRI). For more information, please view: USDA GAIN Report: [Taipei International Food Show Evaluation 2014](#).

Prioritize Hotel & Restaurant Channels: Opposite to commercialized beer, the distribution of craft beer is 75% in on-premise channels, and 25% in off-premise channels. Retail outlets have stringent requirements for the effective dates on beer and request high listing fees. Except for branding purposes through retail channels, most craft beer importers prefer to target restaurant diners and position beer as a meal-pairing choice to overcome the pricing barrier. Post suggests U.S. craft beer suppliers choose a partner who has built a solid distribution network in HRI, which will help break through the market more effectively. Craft beer, in kegs, is also expected to be popular with American style restaurants and continues to grow with increasing chain restaurant expansions. (For more information, please view: USDA GAIN Report: [Taiwan Food Service Industry 2013](#).)



(Source: Taiwan’s Ministry of Economy)

Reach Influential Groups & Spread Word-of-Mouth: As craft beer is at its infancy stage, in Taiwan, and also a niche market, Post suggests U.S. suppliers engage influential groups, who tend to be more willing to share their opinions. Although craft beer is a hot trend in the United States, Taiwan consumers have little knowledge about it, except for information from craft beer enthusiasts' postings on Facebook. On the bright side, it will allow U.S. suppliers to be the first to work with stakeholders in a more contained market. Taiwan's craft beer lovers are enthusiastic about sharing their tasting notes on various Facebook communities (ex. Taiwan Craft Beer Club). There are also craft beer enthusiasts who write craft beer books in Chinese, which even reach out to readers in China (<https://zh-tw.facebook.com/elainecraftbeer>). In addition, the Taiwan Wine Academy is planning to launch Cicerone Certification courses. Integrating resources with various stakeholders will help U.S. suppliers promote U.S. craft beers more effectively and economically, even reaching out to neighboring Asian markets.

Contact Information of USDA's Foreign Agricultural Service Office in Taiwan

- For Trade Policy/Market Access and General Agricultural Issues, please contact the Agricultural Affairs section via email at: agtaipei@fas.usda.gov.
- For Market Development Assistances, please contact the Agricultural Trade Office via email at: atotaipei@fas.usda.gov.