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Taiwan

Exporter Guide

Taiwan: Top Ten Market & Springboard to Asia

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Report Highlights:

In 2011, Taiwan was the sixth largest market for U.S. food and agricultural products with imports of US\$3.7 billion. While economic growth slowed in 2012, the economy is forecast to recover in 2013, so Taiwan will continue to offer good opportunities for a wide range of U.S. products. In addition, U.S. exporters have successfully used Taiwan as a springboard into China and other Asian markets, taking advantage of close cultural, language and business ties.

I. Market Overview

General Economy

Although it is a small island (about the size of Maryland and Delaware combined) with a population of only 23 million people, Taiwan has developed into one of the world's largest economic and trading entities. Over the past decade, Taiwan has transformed itself from a light industry-manufacturing base to a global center for the production of high technology products. With a nominal Gross Domestic Product (GDP) of \$466.9 billion in 2011, Taiwan is the world's 24th largest economy, as well as the 6th largest economy in Asia. In 2011, Taiwan had an estimated per capita GDP of \$20,782 (\$39,891 when calculated in terms of Purchasing Power Parity). Overall, Taiwan is the United States' 10th largest trading partner and 15th largest export market. To put these numbers in perspective, U.S. trade with Taiwan is greater than with either India or Brazil.

Because the Taiwan economy is heavily dependent on exports, external uncertainties related to the European debt crisis and the U.S. budget debate affected Taiwan's economic growth in 2011. With export growth starting to slow in the second half of 2011, Taiwan's economy grew by 4.07 percent in 2011 -- a pace lower than expected and well below the 10.76 percent expansion recorded in 2010. For 2012, Taiwan's GDP growth slowed further to an estimated 1.1 percent, but the economy is showing signs of recovery and GDP is now forecast to expand by about 3.1 percent in 2013. Inflationary pressures have been moderate, with consumer prices increasing by about 1.59 percent year-over-year in November 2012. Taiwan's unemployment rate was 4.33 percent in November compared with the 2011 average of 4.39 percent. Taiwan currently has the fourth-largest foreign exchange reserves in the world, with US\$401.0 billion as of December 2012. The New Taiwan dollar (NTD) exchange rate closed at NTD30.3 per USD at 2011 year-end, improving to about NTD29.1 per USD in December.

Taiwan's Economic Situation, 2008-2012:

| | 2008 | 2009 | 2010 | 2011 (estimated) | 2012 (forecast) |
|--------------------------------|---------|---------|---------|------------------|-----------------|
| GDP (\$billions) | 400.1 | 377.5 | 428.2 | 464.0 | 473.7 |
| GDP per capita (USD) | 17,399 | 16,359 | 18,503 | 20,006 | 20,364 |
| Economic Growth (%) | + 0.73 | -1.81 | 10.76 | 4.07 | 1.13 |
| USD → NTD Exchange Rate | 1 →31.5 | 1 →33.1 | 1 →31.7 | 1 →30.3 | 1 →29.1 |

Source: National Statistics Taiwan

Taiwan is the largest foreign investor in mainland China, where Taiwan companies have invested heavily in electronic parts and components, computers and optoelectronics, electrical equipment, metal products, plastics, food processing and other sectors. Official reports place the level of investment at nearly US\$113 billion, but unofficial estimates speculate the amount may be two to three times higher. Taiwan firms located in China are among China's largest exporters.

On June 29, 2010, Taiwan and China concluded the Economic Cooperation Framework Agreement (ECFA), a pact designed in part to help Taiwan exporters stay competitive with the Association of Southeast Asian Nations (ASEAN) following the signing of the "ASEAN plus 1" trade agreement with the PRC. ECFA is a preferential trade agreement designed to reduce barriers to trade and investment gradually. Only in its second year of implementation, the economic benefits of ECFA to Taiwan are not yet easily measurable.

The economy has created numerous jobs and economic opportunities, but the most ambitious currently believe that places like Shanghai and the Pearl River Delta offer greater rewards, with an estimated 1 million Taiwanese or about 5% of the population living in China on any given day. This drain of the best and brightest reduces the likelihood that the next great company created by Taiwanese will be started in Taiwan. The U.S. has benefited with companies such as Youtube, Yahoo, and Nvidia being started by Taiwanese Americans. In immediate terms, it means a shrinking middle class, albeit with growing income across the income spectrum. Taiwan has a far more balanced income distribution than the U.S., but growth will likely come in the luxury and budget categories of the retail market.

This specialization in high value added production, coupled with a limited supply of arable land and one of the more densely populated regions in the world has forced Taiwan to increasingly outsource agricultural production. Taiwan's services industry has been growing steadily from about 50% of GDP in 1988 to 68.7% of GDP in 2011. At the same time, agriculture and manufactured goods have been decreasing and now represent only 1.7% and 29.6% of GDP. Taiwan's major exports are industrial goods, while major imports are agricultural goods, industrial raw materials, and machinery.

Taiwan's Imports and Exports, 2008-2011:

| | 2008 | 2009 | 2010 | 2011 |
|-------------------------------------|---------|---------|---------|---------|
| Total Exports (US\$ million) | 255,629 | 203,675 | 274,600 | 308,300 |
| Exports to China (%) | 26 % | 27 % | 28% | 27% |
| Exports to the U.S. (%) | 12 % | 12 % | 11% | 12% |
| Exports to Japan (%) | 7 % | 7 % | 7% | 6% |
| Total Imports (US\$ million) | 240,448 | 174,371 | 251,236 | 281,600 |
| Imports from China (%) | 13 % | 14 % | 15% | 16% |
| Imports from U.S. (%) | 11 % | 10 % | 10% | 9% |
| Imports from Japan (%) | 19 % | 21 % | 21% | 19% |

Source: Directorate General for Budget, Accounting and Statistics (DGBAS)

Geography and Demographics

Taiwan is located off the southeast coast of mainland China, directly across the Taiwan Strait from Fujian province, southwest of Japan and north of the Philippines. About two-thirds of Taiwan is covered with mountainous terrain, while the remaining one-third is mostly gently rolling plains, where the bulk of the population lives. Taiwan has several outlying islands, including Jinmen, which is within sight of the city of Xiamen in China. Taiwan is prone to natural disasters, with a high frequency of earthquakes, typhoons and mudslides. The island is linked by a high-speed rail line that connects the two largest cities in 1.5 hours, and a good road network, allowing for easy movement of goods and people around the island.

With a population of just over 23 million and a total land area of nearly 36,000 square kilometers, Taiwan is very densely populated -- about 637 persons per square kilometer. Located in the northern part of Taiwan, the capital, Taipei, has a population of over 2.6 million. The second and third largest cities in Taiwan are Kaohsiung in the south, with about 1.5 million people, and Taichung, in the center of the island, with one million people.

Taiwan has one of the lowest birthrates in the world at 7.21 births per 1000 people, which is causing a rapidly aging population. Senior citizens already make up over 10% of the island's population, a figure that will continue to rise. Over the last 30 years, the median age of Taiwan has increased from 23 to 37. The numbers of births have fallen by half in the last 15 years. There is also a significant increase in age of motherhood, as the number of children born of women younger than 24 has fallen by 90% in the last 30 years. The most common age bracket for giving birth is now 30-34 with the greatest growth coming from the 35-39 range. Average household size has also dropped from 4.66 to 2.92 in that 30-year span.

This low birthrate is due to a number of changes in the family structure of Taiwan including the increasing frequency of women working outside of the home, couples deciding not to have children, and the growth of nuclear families. Eating and consumption patterns have changed to reflect these trends with a growth in the number of people frequenting restaurants, consuming prepared foods, trying more foreign dishes, and eating healthier food in the pursuit of ways to spend their increasing level of disposable income.

Taiwan Demographics

| | 2007 | 2008 | 2009 | 2010 |
|------------------------------|------|------|------|------|
| Birth Rates (%) | 8.9 | 8.6 | 8.3 | 7.2 |
| Death Rate (%) | 6.2 | 6.3 | 6.2 | 6.3 |
| Age 0 – 14 years (%) | 18 | 17 | 16 | 15.7 |
| Age 15 – 64 years (%) | 72 | 73 | 73 | 73.6 |
| Age 65+ years (%) | 10 | 10 | 11 | 10.7 |

Source: DGBAS

II. Exporter Business Tips

Import Agents

Except for large exporting companies that maintain their own representative offices in Taiwan, the appointment of an import agent is a critical decision for most exporters. The U.S. Agricultural Trade Office (ATO) in Taipei, the local offices of U.S. commodity groups or other trade associations such as the American Chamber of Commerce or the Import and Export Association of Taipei can provide invaluable background information and assist in other ways.

Although factors will vary from case to case, key issues to be considered include:

- What is the extent of the agent's network of distributors, owned or leased storage capacity, and owned or leased transport arrangements? In particular, does the agent have strong contacts with the responsible purchasing officers in the target sales channels?
- Does the agent have a high proportion of direct-to-market channels or are they heavily dependent on multiple distribution levels?
- Is the agent developing added-value communications and promotions or are they dependent on price discounts as the major sales tool?

- Does the agent have complementary product lines? Although cases vary, exclusivity can provide better incentives to the agent and can help the exporter to maintain improved supervision over price and product integrity.
- Does the agent have connections to the mainland China market for future sales expansion opportunities?

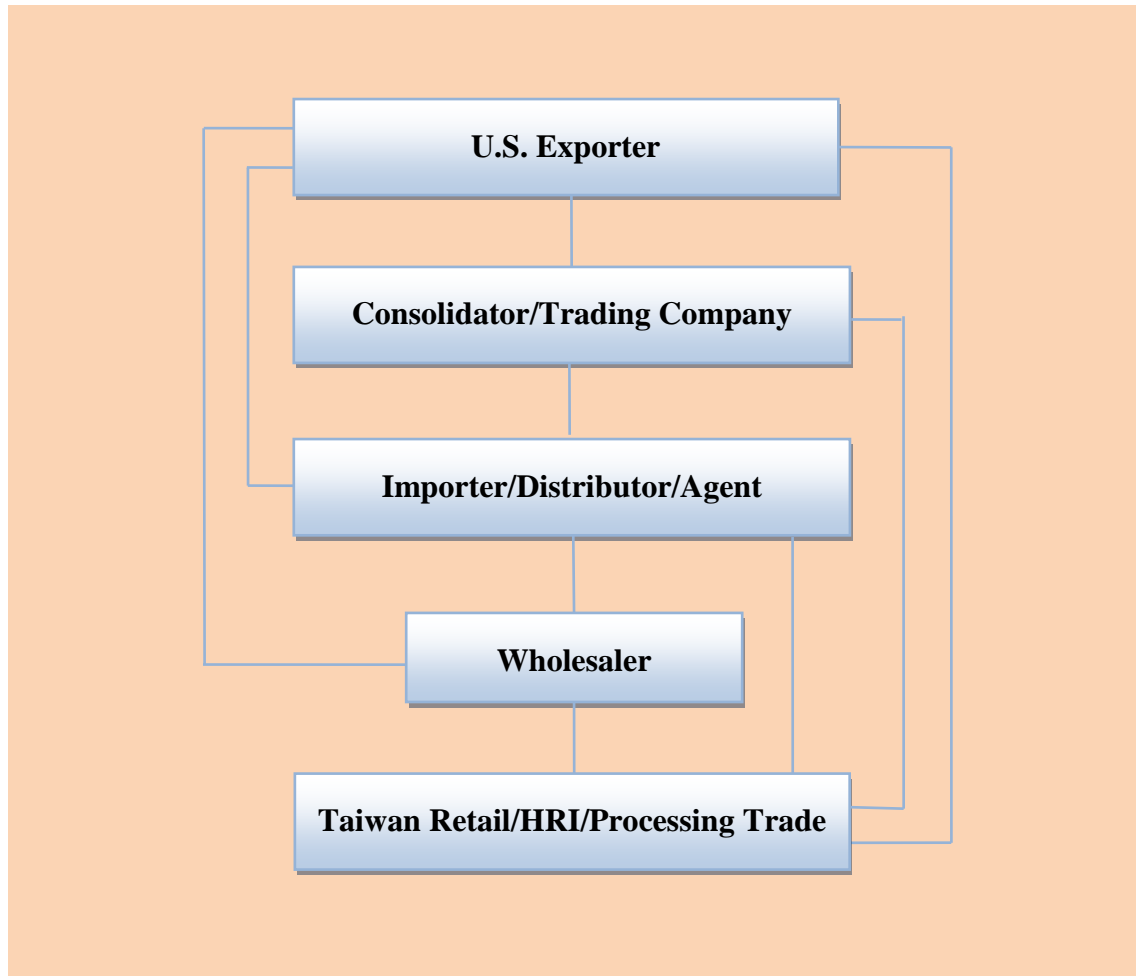
Entry Strategy

Taiwan's convenience store, supermarket, and hypermarket chains generally purchase from local importers, wholesalers, and manufacturers. The company may attempt to import directly if they are convinced on the suitability of the product. The best method to reach Taiwan's retail buyers and prospective importers initially is to contact them directly via e-mail or fax. Product catalogues and price lists are essential, and samples are very helpful. U.S. suppliers can obtain lists of Taiwan retail stores and importers from the ATO in Taipei.

A visit to Taiwan is imperative in establishing meaningful relationships with Taiwan buyers. Personal relationships and face-to-face meetings are very important in Asian cultures. It is advisable to bring along samples to meetings with potential buyers while visiting Taiwan, as many importers and retailers rely heavily upon subjective factors when deciding on new products to represent. Product design and packaging is important. Taiwan is very densely populated with a high cost of urban housing. The average Taiwanese lives in an apartment with their family, and space is at a premium. Taiwanese keep a low inventory of food and in general prefer smaller units than would be typically sold in the U.S. Taiwan is very rich retail environment, and the average urban resident lives within a block or two of a convenience store or supermarket, in addition to a number of restaurants. It is necessary for producers of packaged goods to understand the market and its constraints to tailor their products to the Taiwanese consumer.

The typical Taiwan businessman usually has several interests rather than a single product line. As the incomes of Taiwanese consumers increase, so does their taste in new products. In order to meet the increasing demand, importers constantly keep seeking for new products, including new-to-market products and new brands of certain products. For new products, it is important that they are supported by advertising and promotion budget to generate brand awareness. On the other hand, many importers follow the customary Taiwanese pattern of collecting basic information (samples, catalogues, prices, supply schedules, etc.) and a trial order may be used to test the market response. Companies might ask the producer to support the costs associated with stocking and selling new products. Importers generally specialize in a certain product category, and often join with other importers to consolidate shipments for lower overall risks and costs.

Taiwan Import Distribution Channel Flow Diagram



Sales and Marketing

Although sales and marketing techniques in Taiwan are in a process of evolution and development, there remains a high reliance on price discounts in promotional strategies. To minimize reliance on discounting strategies, U.S. food and beverage suppliers, particularly those in higher added-value categories, may benefit from a focus on market education and sales training to develop brand recognition (demand-pull) and consumer preference. Advertising and promotion are essential for new products.

In the sale of new food products, cooking demonstrations are very important in educating the consumer in how to properly utilize the product. Especially with higher cost items, Taiwanese are unlikely to buy an item that they are not comfortable using in the kitchen. Japanese chefs often perform demonstrations in supermarkets for new products. If you are considering selling a product not traditionally used in Taiwanese cooking, be prepared to overcome initial obstacles as you devise a strategy to educate consumers.

Consumer concerns for personal and family health means that foods and beverages believed to provide specific health or nutritional benefits can and often do earn a retail premium above what the market normally bears. Taiwanese consumers tend to be less concerned about cost when

shopping for products believed to provide benefits and may alter purchasing habits in order to include these foods and beverages in their diets. Bakery products, confectioneries, soups, oils and fats, and a wide range of nutritional supplements are just a few examples of product categories for which marketing strategies founded in nutritional and health messages have proven highly successful. Consumers also receive a great deal of sensational news about food safety, which is causing increased concerns and skepticism. This may provide opportunities for U.S. companies to promote brand value through emphasis on natural products and food safety issues.

Taiwan Business Customs

Taiwan businessmen are often refreshingly direct and informal in their business approaches, and do not have strict business rituals found in other countries. Nonetheless, there are some local customs that are well worth observing. Greetings and gifts to mark major festivals such as the Mid-Autumn Moon Festival and Chinese New Year are common. These holidays are key sales periods, similar to Thanksgiving and Christmas. U.S. companies should consider advanced timing of introducing new products to coincide with these busy holiday gift giving seasons. For example, baking companies will purchase ingredients as early as April or May for moon cake sales during the Mid-Autumn Moon Festival period, which falls around October. Therefore, the introduction of a new ingredient in August to be used in moon cake production would most likely not be considered until the next year.

Although agents and purchasing managers are always searching for new products, they are also very thorough in their evaluations of products. They prefer to see product samples whenever possible and will often place small initial shipments to test the market response.

One of the most popular recreations in Taiwan is eating. Even first meetings may often be over lunch or dinner. In Taiwan, entertaining is not only a basic tool to influence business relationships, but also considered essential to building friendships that can enhance mutual understanding. Food and eating are important parts of Taiwanese culture and every type of Chinese cuisine is available in the Taiwan market. More and more ethnic foods are becoming popular every day, but a local "Taiwan flavor" is maintained. Taiwan businessmen are always very gracious and will invite trade contacts to dinner and drinking toasts can usually be expected, although the high alcohol content "gao-liang" is reserved for special occasions. However, it is common to enjoy red wine with meals and a light amount of toasting each other is important in developing trust and long-term relationships.

In establishing a relationship with a Taiwanese business, focus on the long term benefits to both parties. During this current time of economic difficulty in the U.S., many companies are branching out to new export markets. When the U.S. market recovers, it is important that companies maintain the relationships that they have built, and not again retreat into the U.S. market. Some Taiwanese companies have complained that U.S. producers only look to Taiwan during times of distress and ignore them during normal cycles. This forces the Taiwanese firms to purchase from more stable supplies, regardless of price or quality benefits of the U.S. producer. Exporting to any market is difficult in the initial set up, but also needs to be maintained over the years.

Language

Speaking Mandarin is not essential to doing business in Taiwan. Many people in Taiwan speak English, and translators are easy to find. However, written materials such as business cards and

product brochures will be far more helpful if translated into Mandarin. Unlike mainland China, Taiwan uses traditional Chinese characters.

Many Taiwanese strive to send their children to the U.S.'s finest universities for higher education with Taiwan ranked 6th in number of foreign students in the U.S. Therefore, a large percentage of Taiwan residents speak fluent English, have lived or studied in the United States, and are intimately familiar with American customs, food, and culture. For example, Costco Wholesale currently has six successful stores throughout Taiwan that are constantly full of customers demanding access to the same products they were accustomed to finding at U.S. Costco stores. It is estimated that more than 70% of Costco's inventory is imported, mostly from the United States.

Due to the high level of recognition of English words in Taiwan, western brands will often maintain their original names. For example, McDonalds in Taiwan is not called Mai Dang Lao as it is in China, but will be spelled identically with a Taiwanese accented pronunciation. The same occurs for Starbucks, as opposed to Xin Ba Ke in China. Kuang Chuan dairy uses the slogan I (heart) Milk in English as it is widely understood and provides a certain cachet to the product. Many Taiwanese singers will use English words and phrases to add flavor. Most Taiwanese in Taipei will also have English names and will commonly use them, even with other Taiwanese. These short English phrases or names are used for effect, in much the way and American would throw in a Spanish expression.

Foods Standards and Regulations

U.S. companies are advised to keep in mind the strict product labeling requirements enforced in Taiwan, which require that any health or nutritional claim be first assessed and approved by the Taiwan Department of Health (DOH) prior to inclusion on product packaging. The label must also be translated into Mandarin. For more information regarding DOH labeling requirements and food standards, especially for recently imposed requirements for organic food products, please contact our Agricultural Trade Office or see our latest Food and Agricultural Import Regulations and Standards (FAIRS) report:

<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

III. Market Sector Structure and Trends

Food Imports

Because only one quarter of the land is arable, Taiwan relies heavily on imports for many of its food products. Taiwan's economy is geared to technology and manufacturing, and agriculture is a minor and diminishing aspect of the domestic economy. Taiwan is focused on other areas of growth with the long-term trend favoring greater imports. Domestically, Taiwan produces rice, sugar, yams, tea, pork and poultry, and fruits and vegetables. Taiwan's main agricultural imports come from the U.S. and consist of soybeans and coarse grains.

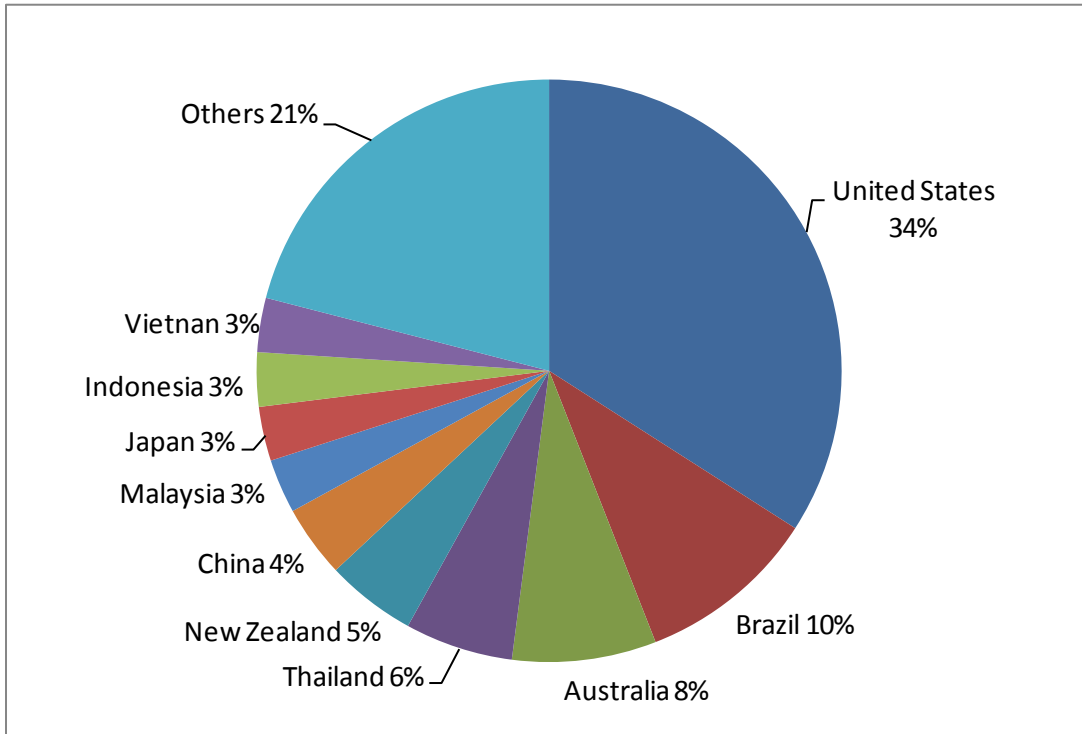
Taiwan in particular is a attractive market for pork, tree nuts, dairy products, pet food, and fresh fruit, and due to the large number of Taiwanese that have lived, studied, or have relatives in the U.S., knowledge and familiarity of U.S. brands and products is strong.

Advantages and Challenges for U.S. Exporters

| Advantages | Challenges |
|--|--|
| Taiwan consumers maintain a generally positive perception of and consume many U.S. food and agricultural products. | U.S. exporters face low price competitors in areas such as juice and vegetables. |
| Consumers are strongly attracted by novelty and fashion in food products and services. | High market fragmentation makes it hard for U.S. exporters to achieve scale and scope advantages in terms of volume. |
| Taiwan is highly dependent on agricultural imports from the United States, particularly grain and oilseed products. | Taiwan is the United State's 6th largest market for agricultural exports, but is often overlooked by U.S. suppliers eager to export directly to mainland China. |
| Taiwan importers are familiar with and trust U.S. grading and food safety standards. | U.S. exporters are sometimes reluctant to change product specifications to comply with Taiwan requirements/consumer preferences. |
| Taiwan consumers are brand-conscious and America is a leader in food brands that set trends. | Many U.S. companies are unwilling to provide low volume, consolidated shipments of high-value products to food service companies. |
| Taiwan's population is highly educated, well-traveled and extremely aware of global foodservice brands. | Geographically, the U.S. is much farther from Taiwan than many major competitors, and the lack of direct air links by major American airlines reduces the profile of Taiwan to U.S. exporters. |
| The popularity of American holidays and culture/lifestyle lead to promotional events organized around these themes by Taiwan restaurants and hotels throughout the year. | Taiwan's emerging "green" tendencies have a potential to favor domestic foods by discouraging the consumption of imported foods and reducing the "carbon footprint" associated with imported products. |
| A wide variety of U.S. chains or American-themed restaurants in Taiwan provide opportunities to sample "authentic" American cuisine and beverages. | Taiwan's birth rate is among the lowest in the world, and population growth is expected to become negative in coming years. |
| Taiwan enjoys higher purchasing power and a growing tourism sector. | Taiwan consumers maintain a preference for "fresh" food products over "frozen." |
| Increasing growth of fast food chains and casual dining restaurants is key to sector growth. | |

The chart below illustrates Taiwan's top ten suppliers of food and agricultural products:

Taiwan Food and Agricultural Imports - 2011 Market Share



Source: Global Trade Atlas (GTA)

Imports from the United States: Of the nearly US\$3.9 billion of U.S. agricultural products exported to Taiwan in 2011, approximately US\$2.3 billion was comprised of bulk commodities. About 46 percent of Taiwan's total bulk commodity imports came from the United States, including US\$888 million of corn and US\$731 million of soybeans. The United States also exported US\$1.16 billion in consumer-oriented agricultural products, primarily red meats and poultry meat, fresh fruits, fresh vegetables, tree nuts, and processed fruits and vegetables.

Taiwan became a member of the World Trade Organization (WTO) on January 1, 2002 as a customs territory with the name "Chinese Taipei." The lowering of tariffs and non-tariff trade barriers for imports has provided improved market access for a wide range of U.S. agricultural products including fresh produce, dairy products, meat, seafood, and processed food products. Given Taiwan's relatively small agricultural sector, Taiwan's dependence on imports is expected to continue to grow. Taiwan's continued modernization and increased adoption of American and Western food tastes make the country an extremely attractive market for U.S. exporters. In addition, WTO accession has also improved access to the Taiwan market for many competitors of the U.S.

Consumer Goods

Due to a long period under Japanese rule and a strong trading relationship since WWII, the

Taiwanese have adopted many Japanese habits and follow their lead on consumer trends. Older Taiwanese learned Japanese customs during occupation, but unlike the rest of Asia, harbor no ill will for the experience. The younger generation studied Japanese in school and looks to Tokyo for fashion and entertainment clues. Similarity in urban density and compact residential spaces have allowed for overlapping desire for small, well packaged products found in convenience stores. When 7-11 wanted to a new package for their private label, they established the design center in Tokyo. 7-11 estimates that over 95% of their imported product is from Japan due these reasons, and believes that U.S. companies would do better to focus on well packaged, single serving items for the market. On the other hand, Korean designed products, despite their appeal to many Asian consumers, do not test well in the Taiwan market.

Food Processing

Taiwan food processors continue to battle fluctuating global commodity prices, but Taiwan authorities occasionally provide relief in the form of tariff reductions for key imported inputs such as wheat, barley, corn, and soybeans.

Taiwan's food processing industry is seeking opportunities overseas to offset a more competitive domestic market. Top Taiwan firms such as Uni-President and Great Wall have enjoyed great success in developing infrastructure and large scale agriculture and food processing facilities in China.

Food Retail Sector

Taiwan has a very competitive retail sector, with global players active in most phases of the industry. Most Taiwanese consumers live within an easy walk of a retail store and shop regularly to compensate for the lack of space to store food items. Most notable is the large number of convenience stores, as Taiwan has the greatest density in the world, at one per 2500 consumer. These stores offer a much wider variety of goods and services than commonly found in the U.S. At a convenience store, a consumer can pay his child's college tuition, pay any utility bill, purchase train tickets, arrange an overnight delivery, or even hire a driver to make sure than an inebriated consumer will get themselves and their car back to their residence. The sector currently has in excess of 9000 stores and is dominated by 7-11 with a greater than 50% market share, with Family Mart, Hi-Life and OKS each having half the share of the next largest company. The market is mature and currently focused on improving customer experience rather than adding new stores. Taiwan's hypermarket is led by Costco, RT Mart and Carrefour. Costco sells mostly U.S. products and has some of the busiest stores in the global chain. The supermarket sector is notable for the luxury divisions CitySuper and Jasons, as well as in the Sogo and Mitsukoshi Department Stores that have premium supermarkets targeting high income consumers. PX Mart, focused on price conscious retailers has also grown quickly, from 68 stores in 1998 to just under 600 this year. The traditional wet markets continue to serve large number of customers, and sell the majority of fresh fruit in Taiwan. Sales over the next few years are expected to grow 25% for hypermarkets and 5% for supermarkets. All of the major segments have added private label brands in recent years, to both differentiate themselves from competitors, and to improve margins on select items.

HRI Food Service Sector

The Taiwan food service sector has rebounded back from the recession and focused on availability, innovation, prices, and promotions in meeting consumer demands. Food services have added

breakfast menus, delivery services, and a wider variety of foods. Innovative promotions such as country theme promotions, Taiwan/Western holiday promotions, and seasonal promotions are popular year-round. These promotions offer market opportunities for high quality U.S. food and beverage products.

Taiwanese consumers are gradually dining out more due to increases in double-income families, who generally do not have time on weekdays to buy fresh produce and cook meals. With access to many different places to dine out, the range of food options is abundant. There are many more independent stores than chains, varying from street stalls and night markets to convenience stores to tea shops, all of which are generally very affordable. In the future, the cafe sector is expected to grow a great deal, as many have added meals instead of only carrying breakfast. Now, when consumers stop by for morning coffee, they can grab a quick breakfast as well.

Due to the increasing percentage of the workforce located in cities, another large area of growth is in sales of “biandang,” or prepared lunchboxes, sold at small shops and convenience stores around Taiwan. Most of these lunchboxes consist of a large portion of rice or noodles, topped with a meat dish and two to three vegetables dishes on the side. A large percentage of office workers tend to purchase these cheap, quick, and filling lunchboxes usually around 2-3 USD, rather than pay full price for a restaurant meal.

Organic Foods Sector

Currently, a dominant trend in Taiwan is the demand for healthier products and healthier lifestyles. Organic foods are becoming popular in Taiwan as consumers crave more natural and environmentally friendly products. The organic sector of the Taiwan food market is rapidly growing as consumers become increasingly aware of available products. However, most organic products are imported because there is limited domestic production. Higher prices for organic foods limit demand during periods of uncertainty.

The Agricultural and Food Agency (AFA) of the Council of Agriculture (COA) announced on March 18, 2009 that the U.S. Department of Agriculture’s (USDA) National Organic Program (NOP) has officially been recognized by the COA as equivalent to Taiwan’s new organic standards through a special export arrangement. However, in order to claim “organic” legally on the labeling for imported organic agricultural products, importers are required to notify the COA of each shipment and coordinate documentation with their U.S. suppliers and certification agencies on each batch of imported products.

For more information, please review the GAIN report #9024: 2009 Taiwan/Updated Import and Labeling Requirements for “Organic” Products.

IV. Best High-Value Product Prospects

| Product | 2010→2011 Imports (US\$million) | Import Tariff Rate | Constraints over Market Development | Market Attractiveness for U.S. |
|---------|---------------------------------|-------------------------|--|--|
| Wine | \$92 → \$124 | 10% - 35%, depending on | France dominates red market. General knowledge about wines | Growth from low base. Consumer sophistication is |

| | | | | |
|------------------------------------|---------------|---------------------------|--|---|
| | | value and alcohol content | still low. | improving. Perceived health benefits a driver. |
| Cheese | \$92 → \$110 | 5% | New Zealand (29%) and Australia (21%) cheeses dominate market. | Taiwan does not produce cheese in commercial quantities. Consumer knowledge increasing, but nascent market with large potential growth. |
| Pork | \$84 → \$104 | 12.5% or 15% | Domestic producers are efficient and price competitive. Import barrier due to feed additive ractopamine. | Opportunities exist for U.S. pork exports that meet local food processors' needs. |
| Fresh Fruit | \$385 → \$399 | Varies by type | There is increased competition from new suppliers & varieties, both domestic and foreign, especially premium fruit from Japan and Korea. | U.S. is largest supplier. Effective marketing programs emphasizing reliable quality, competitive pricing, and recognized brands have improved market for U.S. fruit. |
| Poultry | \$129 → \$143 | 20% | Import quotas on chicken meat were eliminated in 2005, but special safe guard (SSG) raises tariff to about 26%. | U.S. enjoys 89% market share and is one of only six countries certified to export poultry meat to Taiwan. |
| Tree Nuts | \$80 → \$92 | Varies by type | Cashews from Asia have shifted some market share from U.S. tree nuts. Competition to U.S. pistachios coming from Middle East and Australia | U.S. dominates market for almonds, pecans, and walnuts. Almonds and pecans have great potential growth, but baking industry needs to learn how to use pecans in products. |
| Beef | \$466 → \$546 | 10 NTD per kilo | Partial resolution of market access issues has allowed imports of U.S. beef to recover sharply. Primary competitors are New Zealand / Australia with perceived acceptable quality and lower price. | U.S. beef typically seen as higher quality, but import restrictions have allowed Australia and New Zealand producers to create strong inroads into the market. |
| Fish & Seafood Products | \$668 → \$730 | 9% to 38% | With bias toward fresh fish and Asian crustaceans, U.S. suppliers must work hard to gain market shares in Taiwan. | HRI outlets with Western orientation and up-market positioning offer best opportunities for U.S. exporters. Lobster and other high value shellfish have greatest potential. |

Source: Global Trade Atlas

V. Key Contacts and Further Information

American Institute in Taiwan

Agricultural Section

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Website: <http://www.usfoodtaiwan.org>

Agricultural Trade Office
Room 704, 7F, 136 Ren-Ai Road, Section 3, Taipei, Taiwan
Tel: (886) 2-2705-6536 Fax: (886) 2-2706-4885
E-mail: ATOTaipei@usda.gov
Website: <http://www.usfoodtaiwan.org>

Taiwan Central Authority Agencies

Food and Drug Administration (FDA)
Department of Health (DOH), Executive Yuan
161-2 Kun-Yang Road, Taipei, Taiwan
Tel: (886) 2-2653-1318
Website: <http://www.fda.gov.tw/eng/index.aspx>

Council of Agriculture (COA), Executive Yuan
37 Nan-Hai Road, Taipei, Taiwan
Tel: (886) 2-2381-2991 Fax: (886) 2-2331-0341
E-mail: COA@mail.coa.gov.tw
Website: <http://eng.coa.gov.tw>

Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ)
COA
9F, 51 Chung-Ching South Road, Section 2, Taipei, Taiwan
Tel: (886) 2-2343-1401 Fax: (886) 2-2343-1400
E-mail: BAPHIQ@mail.baphiq.gov.tw
Website: <http://www.baphiq.gov.tw>

Bureau of Standards, Metrology and Inspection (BSMI) /
Ministry of Economic Affairs (MOEA)
4 Ji-Nan Road, Section 1, Taipei, Taiwan
Tel: (886) 2-2343-1700 Fax: (886) 2-2356-0998
Website: <http://www.bsmi.gov.tw>

Bureau of Foreign Trade (BOFT) / MOEA
1 Hu-Kou Street, Taipei, Taiwan
Tel: (886) 2-2351-0271 Fax: (886) 2-2351-3603

E-mail: BOFT@trade.gov.tw
Website: <http://eweb.trade.gov.tw>

Directorate General of Customs (DCG) / Ministry of Finance (MOF)
13 Ta-Cheng Street, Taipei, Taiwan
Tel: (886) 2-2550-5500 Fax: (886) 2-2550-8111
E-mail : MGR@webmail.customs.gov.tw
Website : <http://eweb.customs.gov.tw>

Food Industry Research and Development Institute (FIRDI)
331 Shih-Pin Road, Hsinchu, Taiwan
Tel: (886) 3-522-3191 Fax: (886) 3-521-4016
Website: <http://www.firdi.org.tw>

Major Taiwan Trade Associations

Taiwan External Trade Development Council (TAITRA)
5-7F, 333 Kee-Lung Road, Section 1, Taipei, Taiwan
Tel: (886) 2-2725-5200 Fax: (886) 2-2757-6245
Website: <http://www.taiwantrade.com.tw>

Taiwan Chain Stores and Franchise Association (TCFA)
4F, 180 Nan-King East Road, Section 4, Taipei, Taiwan
Tel: (886) 2-2579-6262 Fax: (886) 2-2579-1176
Website: <http://www.tcfa.org.tw>
Importers and Exporters Association of Taipei (IEAT)
350 Sung-Chiang Road, Taipei, Taiwan
Tel: (886) 2-2581-3521 Fax: (886) 2-2523-8782
E-mail: IEATPE@ieatpe.org.tw
Website: <http://www.ieatpe.org.tw>

Importers and Exporters Association of Kaohsiung (IEAK)
4F, 472 Chung Shan Second Road, Kaohsiung, Taiwan
Tel: (886) 7-241-1191 Fax: (886) 7-201-6193
E-mail: KIEANet@ms15.hinet.net

Tainan Importers and Exporters Chamber of Commerce
5F, 50 Cheng Kong Road, Tainan, Taiwan
Tel: (886) 6-226-7121 Fax: (886) 6-226-7124
E-mail: A2267121@ms17.hinet.net

U.S. Government

Foreign Agricultural Service (FAS)
United States Department of Agriculture (USDA)
1400 Independence Avenue, SW
Washington, D.C. 20250
E-mail: info@fas.usda.gov
Website: <http://www.fas.usda.gov>

Appendix – Statistics, 2011

| | |
|---|----------------|
| Agricultural Imports from All Countries (\$Mil) / U.S. Market Share (\$Mil) | 14,825 / 3,990 |
| Consumer Food Imports from All Countries (\$Mil) / U.S. Market Share (\$Mil) | 4,423 / 1,855 |
| Edible Fishery Imports from All Countries (\$Mil) / U.S. Market Share (\$Mil) | 1,114 / 49 |
| Total Population (Millions) / Annual Growth Rate (%) | 23.162 / 0.18 |
| Urban Population (Millions) / Annual Growth Rate (%) | 5.2 / 0.4 |
| Number of Major Metropolitan Areas <u>1/</u> | 3 |
| Per Capita Gross Domestic Product (U.S. Dollars) | 19,175 |
| Unemployment Rate (%) | 5.21 |
| Per Capita Food Expenditures (U.S. Dollars) | 1,830 |
| Percent of Female Population Employed | 49.9 |
| Exchange Rate | 29.5 |

1/ Population in excess of 1,000,000

2/ Footnote how the middle class is "defined."

Taiwan Demographic Information, 2011

| | |
|---|--------|
| Total Population (thousands) | 23,162 |
| Population Increase Rate (%) | 0.18 |
| Population Density (persons/km ²) | 640 |
| Birth Rate (%) | 7.21 |
| Death Rate (%) | 6.3 |
| Labor Force (thousands) | 10,493 |
| Unemployment Rate (%) | 5.21 |

Source: DGBAS

Taiwan: Key Trade Information, 2010 / 2011

| | |
|------------------------------------|-------------------|
| GDP (million USD) | 430,100 / 467,263 |
| GDP per capita (USD) | 19,175 / 20,154 |
| Economic Growth Rate (%) | 10.72 / 4.03 |
| Exports (million USD) | 274,600 / 308,300 |
| Imports (million USD) | 254,240 / 281,600 |
| Agricultural Imports (million USD) | 3,538 / 3,870 |

Foreign Exchange Rate (USD = NTD) 1 USD = 32.03 / 29.47 NTD
Source: DGBAS

Taiwan: Imports of Consumer Food and Edible Fishery Products, 2009-2011

| | World Imports (US\$million) | | | U.S. Imports (US\$million) | | | U.S. Market Share (%) | | |
|---|--------------------------------|--------|--------|-------------------------------|-------|-------|--------------------------|------|------|
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| CONSUMER-ORIENTED AGRICULTURAL TOTAL | 3,032 | 3670 | 4170 | 915 | 1121 | 1157 | 30.1 | 30.6 | 27.8 |
| Dairy (excl. Cheese) | 202 | 297 | 395 | 7 | 12 | 16 | 3.7 | 4.0 | 4.1 |
| Cheese | 68 | 92 | 110 | 10 | 14 | 23 | 14.2 | 15.4 | 21.1 |
| Eggs | 11 | 13 | 15 | 4 | 4 | 3 | 36.8 | 29.0 | 19.4 |
| Fresh Fruit | 360 | 385 | 399 | 154 | 157 | 166 | 43.0 | 40.7 | 41.6 |
| Processed Fruit | 214 | 250 | 283 | 81 | 104 | 115 | 38.1 | 41.4 | 40.6 |
| Fresh Vegetables | 80 | 78 | 69 | 30 | 34 | 31 | 37.9 | 43.0 | 45.0 |
| Fruit & Vegetable Juices | 37 | 45 | 53 | 9 | 11 | 9 | 26.1 | 24.6 | 16.7 |
| Breakfast Cereals (incl. Pancake Mix) | 14 | 15 | 17 | 9 | 9 | 10 | 59.1 | 60.3 | 59.3 |
| Red Meats (Fresh / Chilled / Frozen) | 524 | 670 | 788 | 194 | 264 | 240 | 37.0 | 39.4 | 30.4 |
| Red Meats (Prepared / Preserved) | 4 | 5 | 6 | 3 | 3 | 4 | 72.5 | 63.9 | 63.3 |
| Snacks (excl. Nuts) | 133 | 164 | 189 | 21 | 23 | 27 | 16.1 | 14.3 | 14.6 |
| Tree Nuts | 50 | 80 | 92 | 22 | 35 | 43 | 44.7 | 43.1 | 47.3 |
| Wine & Beer | 175 | 219 | 276 | 17 | 18 | 21 | 9.7 | 8.4 | 7.5 |
| Pet Food | 78 | 88 | 100 | 31 | 33 | 37 | 40.1 | 37.7 | 37.3 |
| Other Products | 1,082 | 1,269 | 1,378 | 323 | 400 | 412 | 29.9 | 31.5 | 29.9 |
| | | | | | | | | | |
| FISH & SEAFOOD PRODUCT TOTAL | 571 | 668 | 730 | 15 | 19 | 32 | 2.7 | 2.8 | 4.4 |
| Crustaceans | 200 | 232 | 233 | 3 | 5 | 9 | 1.5 | 2.0 | 3.9 |
| Groundfish & Flatfish | 70 | 75 | 84 | 0.1 | 0.4 | 0.2 | 0.1 | 0.6 | 0.3 |
| Molluscs | 86 | 105 | 133 | 2 | 2 | 3 | 2.3 | 2.4 | 2.4 |
| Salmon | 52 | 72 | 88 | 0.9 | 1 | 2 | 1.7 | 1.4 | 1.9 |
| Other Products | 163 | 184 | 192 | 9 | 11 | 18 | 5.5 | 5.8 | 9.5 |
| | | | | | | | | | |
| AGR PRODUCTS TOTAL | 7,657 | 9,662 | 1,352 | 3,151 | 3,538 | 3,870 | 41.2 | 36.6 | 34.1 |
| AGR, FISH & FORESTRY TOTAL | 9,102 | 11,630 | 13,475 | 3,215 | 3,626 | 3,977 | 35.3 | 31.2 | 29.5 |

Source: Global Trade Atlas

Top 15 Suppliers of Consumer Foods to Taiwan, 2009-2011 (US\$)

| # | Origin | 2009 | 2010 | 2011 |
|----|---------------|-----------|-----------|-----------|
| -- | WORLD TOTAL | 3,032,080 | 3,670,316 | 4,169,610 |
| 1 | United States | 915,328 | 1,121,187 | 1,156,904 |
| 2 | New Zealand | 339,736 | 448,171 | 547,989 |
| 3 | Australia | 259,427 | 312,072 | 407,582 |
| 4 | Japan | 224,719 | 249,133 | 250,104 |
| 5 | Netherlands | 142,682 | 174,944 | 202,279 |

| | | | | |
|----|--------------|---------|---------|---------|
| 6 | France | 117,105 | 142,394 | 194,495 |
| 7 | Thailand | 131,904 | 165,090 | 183,745 |
| 8 | China | 149,891 | 162,539 | 181,730 |
| 9 | Canada | 124,352 | 121,808 | 129,043 |
| 10 | Korea, South | 80,753 | 86,124 | 103,126 |
| 11 | Chile | 67,823 | 91,106 | 97,727 |
| 12 | Malaysia | 40,792 | 51,866 | 68,734 |
| 13 | Italy | 42,789 | 54,208 | 66,050 |
| 14 | Singapore | 35,872 | 53,274 | 60,798 |
| 15 | Vietnam | 47,052 | 52,575 | 58,844 |