USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 04/26/2018
GAIN Report Number: TW18015

Taiwan

Food Processing Ingredients

Post:
Taipei ATO

Approved By:
Mark Petry

Prepared By:
Katherine Lee

Report Highlights:
Taiwan's food processing industry produced an estimated USD18.4 billion of processed food and drinks in 2017. In the face of an aging population and consumer desire for convenience, the industry is forging ahead by introducing more healthy, functional, and ready-to-eat products. Post foresees the following products would have significant sales potential for U.S. suppliers: cheese, tree nuts, dried and frozen fruits, grains and seeds.

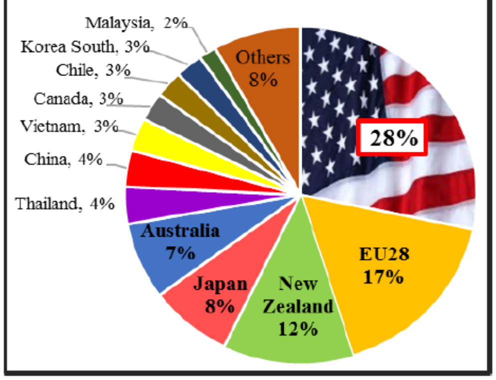
Market Fact Sheet: Taiwan

Executive Summary

Though with only a population of 23.5 million, Taiwan is the United States' 8th largest trading partner in overall goods. It is also the 11th largest U.S. export market overall and the 7th largest export market for agricultural products. In 2017, Taiwan imported US$3.54 billion of food and agricultural commodities from the United States, which is 31percent of the total import market share and makes the United States the leading foreign supplier.

Imports of Consumer-Oriented Products

In 2017, Taiwan imported consumer-oriented agricultural products worth nearly US$6 billion. The United States leads the market with 28 percent of market share.



Food Processing Industry

The 6,215 food processing companies employee 160,000 people, together producing an estimated US$18.4 billion of processed food and drinks, accounting for 3.2 percent of the gross domestic product (GDP) in 2017. The top five largest subsectors by value were: animal feed, non-alcohol beverages, rice/grain milling, flour milling, and frozen & chilled meat, representing 14, 14, 7, and 6 percent of food processing industry's total production value, respectively.

Food Retail Industry

Taiwan's retail sector topped US$41 billion in 2017, a new record high, up 1.2 percent from 2016. The retail food sector is dominated by chain operators like Costco, 7-Eleven, PX Mart, Carrefour and Wellcome. The density of Taiwan's 10,454 convenience stores is the highest level in the world, around one convenience store for every 2,304 local residents[1]. For more information, check on GAIN Retail Foods Report.

Quick Facts CY 2017

Imports of Consumer-Oriented Products (USD)
$5.97 billion

Lists of top 10 Growth Products in Host Market (> USD 1 million)

1) Areca Nuts
2) Coffee (Roasted)
3) Chicken Eggs
4) Offal of Sheep, Goats, Horses
5) Homogenized Composite Food Prep
6) Tongues of Bovine Animals
7) Coconuts
8) Almonds
9) Coffee Extracts
10) Juice of Citrus Fruit

Food Industry by Channel (USD billion) 2017

Food Industry Output	$18.4
Food Exports	$2.6
Food Imports	$11
Retail	$41
Food Service	$16

GDP/Population

Population (millions): 23.5
GDP (billions USD): $601
GDP per capita (USD): $24,337
2018 Economic Growth Rate (estimate): 2.42%

Sources: GTA; Directorate-General of Budget, Accounting, and Statistics, Executive Yuan of R.O.C.; Department of Statistics, MOEA

SWOT Analysis

Strength	***Weakness***
America is the market leader in consumer-oriented products, which continue to show robust growth.	Many U.S. companies are unwilling to provide low volume, consolidated shipments of high-value products to importers/end users.
Opportunity	***Threat***
There is increasing growth of fast food chains and casual dining restaurants, boosting consumption of food ingredients.	Low-tariff advantage from those competitors signing potential FTAs with Taiwan could dampen importers' interest in purchasing U.S. products in the future.

Exchange rate:
1 USD = 29.0 New Taiwan Dollar

Contact:
ATO Taipei, American Institute in Taiwan
ATOTaipei@fas.usda.gov

[1] Data: 2016, Ministry of Economic Affairs

Section I—Market Summary

In 2017, Taiwan's food processing industry employed 160,000 people and produced an estimated USD18.4 billion of processed food and drinks, accounting for 3.2 percent of the gross domestic product (GDP)[1]. Aging population, consumer desire for convenience, and growing attention to food safety has influenced the industry to gear toward developing healthier food and beverage products with easy-to-prepare concepts and through clean label initiatives. Among 21 sub-sectors across the food processing industry, the top five largest sub-sectors by value were: animal feed, non-alcohol beverages, rice/grain milling, flour milling, and frozen/chilled meat, respectively representing 14 percent, 14 percent, seven percent, and six percent of food processing industry's total production value. In terms of potential growth, dairy, wine/liquor, and frozen/chilled seafood together showed significant growth at seven percent, exceeding overall industry's meager growth of one percent.

Advantages and Challenges for U.S. Food Ingredients

Advantages	Challenges
Perception that U.S. grading systems are transparent and consistent.	The negative perception of GMOs by some consumers may cause some to shy away from products that use U.S. ingredients.
U.S suppliers have better technical support and offer more diversified ingredient specifications than other suppliers.	Some pesticides allowed for use in the United States are not approved for use in Taiwan. Taiwan's lack of established MRLs for pesticides hinders U.S. exports.
Taiwan food processors already have long-standing relationships with U.S. ingredient suppliers.	Shelf life after import matters; retailers demand that at least 50 percent of the shelf life be remaining by time of stocking. Food processors therefore would require specific expiration dates of ingredients, which challenges the U.S. suppliers to accommodate their need.

Section II—Road Map for Market Entry

Entry Strategy

U.S. suppliers are advised to evaluate the market and product potential through studying the applicable tariffs, market access restrictions, and regulatory requirements pertinent to the products. Below is the list of useful websites for suppliers to start with:

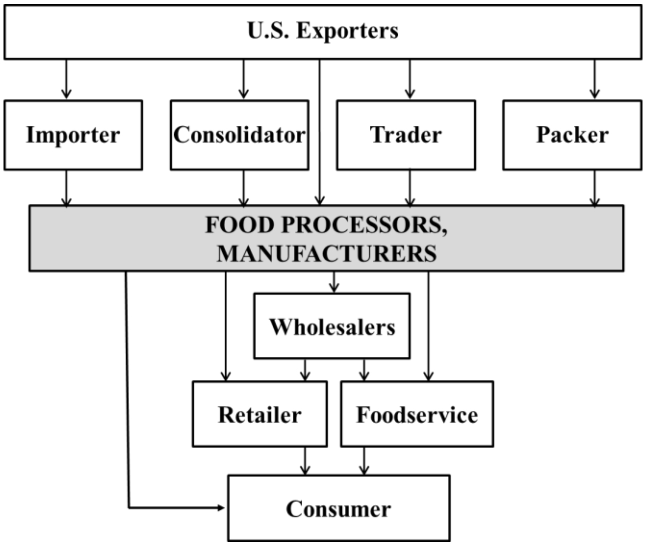
- Taiwan's Tariff Rate Quota (TRQ) Implementation
- Taiwan Customs On-line Tariff Database
- USDA Food and Agricultural Import Regulations and Standards (FAIRS) Report
- Taiwan's Bureau of Trade - Statistics
- The U.S. State Regional Trade Groups (SRTG) Support

The Taipei Agricultural Trade Office (ATO) maintains a list of potential importers for the suppliers to approach. It is highly recommended to visit the market and meet in-person with potential buyers.

[1] Source: Department of Statistics of Ministry of Economic Affairs; the data does not include slaughtering sub-sector.

The USA Pavilion at the Taipei International Food Show every June serves as a platform to promote the overall USA image and is an efficient way to connect exhibitors to local buyers.

Distribution Channel Flow Diagram



Company Profiles

Among 6,215 registered food processing plants in the market, 70 percent of them are small to medium-sized. Companies selected below have a diversified product portfolio and are leading publicly listed food manufacturing companies in Taiwan.

Company	Annual Revenues	Official Website/Profile
Uni-President Enterprises Corp.	US$1.4 billion	http://www.uni-president.com https://www.reuters.com/finance/stocks/companyProfile/1216.TW
Standard Foods	US$913 million	http://www.sfc.sfworldwide.com/en/ https://www.reuters.com/finance/stocks/company-profile/1227.TW
Namchow Group	US$592 million	http://www.namchow.com.tw/ https://www.reuters.com/finance/stocks/companyProfile/1702.TW
HeySong Corp.	US$314 million	http://www.heysong.com.tw/en-US/Index https://www.reuters.com/finance/stocks/overview/1234.TW
Lian Hwa Foods	US$162 million	http://www.lianhwa.com.tw/ https://www.reuters.com/finance/stocks/companyProfile/1231ta.TW

Sector Trends

- **Sourcing Shifts to Direct Importation**

  An increasing number of food manufacturers start to display QR codes on product packaging for consumers to track the ingredient sources and product distribution. The manufacturers are inclined to import ingredients on their own, as opposed to sourcing from an importer, to secure product traceability and regulatory compliance.

- **Product Development Aims for Clean Labels**

  In response to consumer desire for less artificial additives in food products, the industry offers foods with more straightforward ingredients and promotes this "authenticity." A certifier, Tze Yue, just launched a clean label certification service starting in 2017. So far, there have been twenty-two food processors applying for this type of certification.

- **Marketing Highlights Healthy, Functional Benefits**

  More and more food manufacturers are adding new twists to traditional products by incorporating wholesome ingredients and promoting health benefits. For example, Standard Foods's Quaker brand offers a "Chicken Essence Drink," which promotes the energy restoring effects of American ginseng. Namchow's microwavable rice product incorporates high-beta glucan U.S. barley, appealing to elderly consumers for lipid and blood sugar control.

Section III—Competition

Given Taiwan's relatively limited agricultural land (less than two million acres), Taiwan is highly dependent on imports of ingredients and feed. For bulk commodities, such as soybeans, corns, and wheat, Australia and Brazil are key competitors with stable supply that provide trade promotional support. For dairy products, the U.S. faces significant price competition from New Zealand. New Zealand's price advantage results from a free-trade pact signed with Taiwan in 2013. The pact eliminates tariffs over a 12-year implementation period.

For more trade statistics information, please visit: https://cus93.trade.gov.tw/FSCE000F/FSCE000F

Section IV—Best Product Prospects

Category A: Products Present in the Market Which Have Good Sales Potential

Product Category (HS Code)	2017 Market Size (MT)	2017 Imports (US$ Million)	Key Constraints over Market Development	Market Attractiveness for the USA
Cheese (0406)	32,335	$153.0	Compliance with allowable levels of preservatives in processed cheese	Expanding consumption driven by ready-to-eat sector of convenience store chains
Tree Nuts (0802/0801.32)	21,978	$120.3	Price competition from Australia and Iran	Versatile applications in either snack, beverage, or baking industry
Non-GMO Soybeans (12019000925)	79,444	$47.5	Price competition from Canada	Growing demand for plant-based protein (significant vegetarian market)
Product Category (HS Code)	2017 Market Size	2017 Imports (US$	Key Constraints over Market Development	Market Attractiveness for the USA

	(MT)	Million)		
Dried Fruit (0813/0806.20)	11,960	$24.4	Compliance with allowable uses/level of pesticides	Growing demand from baking industry
Premixes & Frozen dough (190120)	11,343	$23.3	Lack of localization and adaptation to local tastes	Local industry pursuing standardization
Malt, roasted (110720)	46,437	$19.8	Price competition and lack of awareness towards U.S. sources	Local craft breweries and distilleries getting popular and gaining international recognition
Cereal Grains (1104)	24,806	$15.4	Compliance with allowable MRLs	Increasing health awareness

Category B. Products Not Present in Significant Quantities but Having Good Sales Potential

Product Category (HS Code)	2017 Market Size (MT)	2017 Imports (US$ Million)	Key Constraints over Market Development	Market Attractiveness for the USA
Food Barley (100390)	54,909	$10.9	Pricing competition from Australia	Increasing health awareness
Frozen fruit (081190)	4,509	$9.1	Lack of awareness of U.S. suppliers	Industry pursuing lower ingredient cost for pastry making and dried fruit processing
Whey Protein Concentrate (350290)	541	$4.1	Lack of awareness about product specs and applications	Increasing nutritional needs from aging population
Flaxseed/Linseed (1204)	3,433	$2.4	Lack of awareness of U.S. suppliers	Increasing health awareness
Quinoa (100850)	902	$2.6	Price competition and ample supplies from South America	Increasing health awareness
Preparations of Soybeans Protein (2106909120)	701	$1.9	Price competition from China	Growing demand for plant-based protein (significant vegetarian market)

Section V—Post Contact and Further Information

Contact Information for FAS Offices in Taiwan

- *For Trade Policy/Market Access and General Agricultural Issues:*

American Institute In Taiwan, AIT, Taipei	
Office Hours:	8:00 AM – 5:00 PM
Telephone:	(011-886-2)2162-2316
Fax:	(011-886-2)2162-2238
Email-FAS:	agtaipei@fas.usda.gov

- *For Market Development Assistance:*

American Institute In Taiwan, ATO, Taipei	
Office Hours:	8:00 AM – 5:00 PM
Telephone:	(011-886-2)2705-6536
Fax:	(011-886-2)2754-4031
Email-FAS:	atotaipei@fas.usda.gov

Headquarters Contact Information:

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

Contact Information for Local Food-related Organizations & Media:

Name	Official Website
Taiwan Food Industry Development Association	http://www.tfida.org.tw/
Food Association of Taiwan	http://www.foodtw.org.tw/
Taiwan Quality Food Association	http://www.tqf.org.tw/tw/#1
Taiwan Beverages Industry Association	http://www.bia.org.tw/zh-tw/about-10647/English.html
Taiwan Vegetable Oil Manufacturers Association	http://www.tvoa.org.tw/index.php/en/
Taiwan Flour Mills Association	http://tfma.industry.org.tw/
Taiwan Feed Industry Association	http://www.taiwanfeed.org.tw/default/default.asp
Food Industry Research and Development Institute(FIRDI)	http://www.firdi.org.tw/En_Firdi_History.aspx
China Grain Products Research & Development Institute	http://www.cgprdi.org.tw/english/english.htm
Food Next Media	http://www.foodnext.net/

Other relevant USDA FAS GAIN reports:

- Exporter Guide 2017
- Food and Agricultural Import Regulations and Standards – Narrative
- Retail Foods 2017