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Wine

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Product Brief

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Report Highlights:

Taiwan imports of wine are estimated at 16 million liters with a total value of US\$97 million in 2008. The wine import market has been growing at a 20% rate in terms of volume during 2003-2007, but encountered its first-time decrease in 2008 due to the slow economy. Despite the volume decrease, the price per liter was US\$5.88 on average in 2008, representing an increase of 20% compared to 2007. This is attributed to the fact that consumers are more sophisticated in wine tasting compared to five years ago, as a result of increased wine education efforts. Red wine maintains the largest share of around 70% of the still grape wine market, but white wine sales are increasing. France continues to dominate the market, but wines from Australia, Chile and Argentina are gaining popularity. As consumers become more knowledgeable, the demand for a wider variety of wines from different parts of the world is growing. Although sales in the hotel and restaurant sector are estimated to drop by 30% in 2009 due to weak economy, sales are gaining share in the retail sector.

General Information:

SECTION I. MARKET OVERVIEW

Market Size

Taiwan imports for wine are estimated at 16 million liters with a total value of nearly US\$97 million in 2008. The wine import market has been growing at a 20% rate in terms of the volume during 2003-2007 but encountered its first-time decrease by 14% in 2008 compared to the previous year, due to the slow economy. In terms of imports value, wine sales in Taiwan grew about 3.2% from 2007 to 2008. Red wine holds around 70% of the grape wine market. Sales are expected to keep growing at a healthy rate in the future for all types of wine.

Competition

In 2008, Taiwan imported nearly US\$97 million in total wine imports. France accounted for most of these imports with 60% of the total value. Australia was the next largest source in Taiwan, with 8% of imports, and the U.S. was the third largest, with 7% of wine import value (US\$7.1 million). After the U.S., Chile had 7%, Italy 5%, Spain 4%, Argentina 2%, Germany 2%, South Africa 1% and Japan 1%. While France has dominated the Taiwan wine market, many consumers are open to try wines from other countries, and wine from places like Australia, Chile and Argentina are growing quickly in popularity.

Channel

The share in volume of on-premise (food service sector) and off-premise (retail sector) is around 34% and 66% respectively, according to Euromonitor International. Due to current weak economy and dropping consumer visits to hotels and restaurants, growth is expected to continue to be higher in the retail sector than the food service sector. There are several reasons for this, including consumers being more cost-sensitive during the economic downturn, preferring to dine and drink wine at home with family and friends, hotels and restaurants having limited wine lists at higher prices, and retail stores adding more variety to their wine selection. Wine importers and distributors also complain of strict conditions placed on them by 5 star hotels, especially related to increased "consignment" sales that places all risk on the distributor.

Product Portfolio

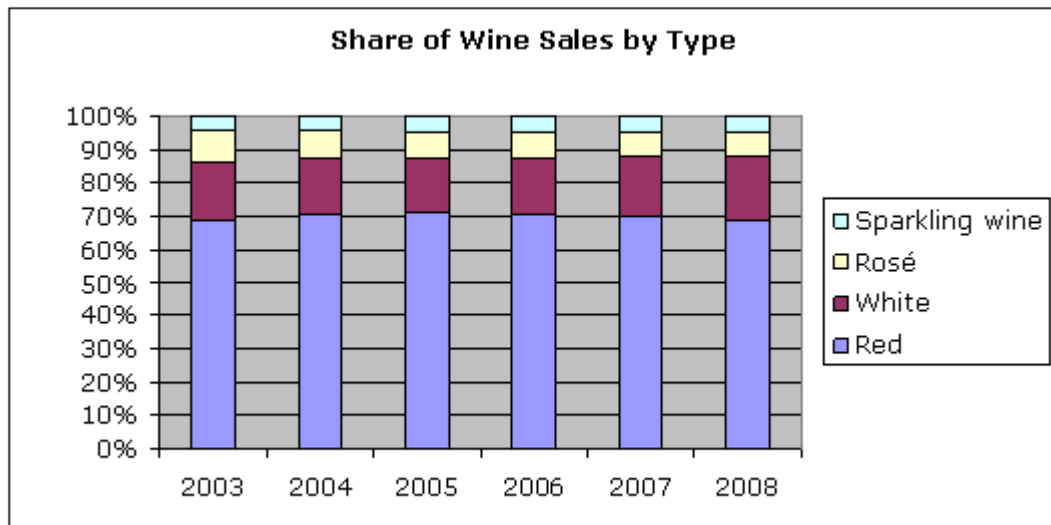
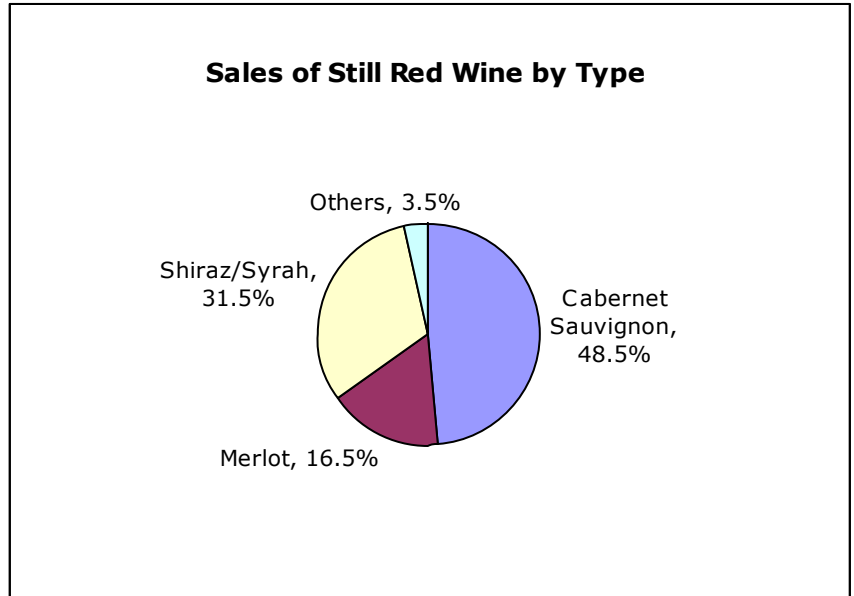
According to Euromonitor International, each type of wine in Taiwan is dominated by two or three main varieties. Many retail and food service stores offer limited choices, which is why there is not as much variety. For example, rosé wines are dominated by zinfandel (42% of sales) and merlot (33% of sales).

Red wine dominates the grape wine market in Taiwan with 70% of total sales. As seen in the pie chart on the right, the most common red wine is cabernet sauvignon.

White wine had the highest growth rate in 2008 (10%), partly due to retail outlets stocking wider ranges of white wine. White wine also had the highest growth rate because of its low sales base,

and there is still less volume in the market than red or rosé wines. Chardonnay has the largest share of white wine sales at 36% of the market, followed by Sauvignon Blanc with 27% and Riesling at 26%.

Sparkling wine has a good growth rate in Taiwan (5% from 2007-2008), but it is still a small market. It is gradually being offered more at special occasions and gatherings, and is becoming trendy among women and young adults. Growth will continue as more consumers associate sparkling wine with celebrations. Sparkling wines are also growing faster than champagne because of their generally lower prices.



Source: Euromonitor International

Advantages	Challenges
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American wines continue to gain in prestige at the top levels of the market	France still dominates the market with a 60% share of the market
The California Wine Institute has a local PR company that launches positive marketing campaigns to enhance the image of American wine	Chilean wine has aggressively expanded its distribution in the past few years and leads in the bulk wine market with very aggressive pricing
The movie "Sideways" left a positive impression on consumers towards U.S. wine	Price beating in the retail sector is intensive
"Wine pairing food" dinners are on the rise and the International Sommelier Guild began operations in Taiwan in 2008	Buyers in the food service sector tend to adopt a "consignment" policy to market wines, resulting in a limited margin for importers and reflecting a low commitment in branding
Consumers are becoming more knowledgeable and confident choosing wine from the New World	The wine storage condition and education is still poor for the retail sector (i.e. supermarkets, hypermarkets, etc.)
The Northwest Wine Coalition is becoming more active in the Taiwan market, promoting high quality wine from Oregon and Washington state	Australia, Chile and several European countries continue to aggressively promote their wine in the Taiwan market

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Entry Strategy

Taiwan's retail and food service outlets purchase from local importers and distributors. The best method to reach Taiwan's buyers and prospective importers initially is to contact them directly via e-mails or faxes. Product catalogues and price lists are essential, and samples are very helpful. U.S. suppliers can obtain lists of major Taiwan retail stores and potential importers from the ATO Taipei. A visit to Taiwan is imperative in establishing meaningful relationships with potential 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. Packaging and prestige are very important to Taiwan consumers. More knowledgeable consumers are very familiar with Robert Parker and other wine rankings and will pay no attention to wine not on these prestigious lists.

Retail sales of wine have been growing more than food service sales as Taiwanese consume more wine at home. This is expected to continue as supermarkets and hypermarkets expand new choices of wine. In terms of volume, 66% of sales are retail and the other 34% are food service sales. However, the value of wine sales in food services is slightly more than retail, as seen in the chart below. The retail sector is expected to grow more than the food service sector over the next few years. This is because supermarkets and hypermarkets are offering economy brands, gift sets and a wider assortment of wines to choose from for consumers. Many people have also started drinking more wine at home with meals because of

its healthy reputation. Food/drink/tobacco specialty shops have also gained more share of the wine market, as consumers seek advice about which wines to buy. Two larger specialty retailers are Formosa Drinks Wine & Spirits (32 outlets) and Corning Wine House (14 outlets), which imports California Beringer wine in Taiwan.

Sales of Wine by Off-Trade (Retail) Sector and On-Trade (HRI Food Service) Sector (*these numbers include sales of non-grape wines, for example sake)

	Volume (liters)	Value (US\$)	Growth '07-'08	Growth '03-'08
Off-trade/Retail	52.5 million	539.7 million	4.7%	18.2%
On-trade/HRI	24.4 million	618.5 million	1.9%	4.8%
Total	77.0 million	1,158.3 million	3.2%	10.7%

Source: Euromonitor International

Market Size & Structure

The amount of grape wine produced domestically is limited. The wine which is exported from Taiwan is primarily foreign wine that was first imported to Taiwan. As trade relations between Taiwan and mainland China improve, wine distributors are taking advantage of using Taiwan as a test market for their products. From 2003 to 2007, imports rose by 111% as grape wine has been successfully promoted as a healthy product. The increase in demand has led to retailers and food service stores looking for more variety and brands of imported wine to offer.

Sales by Subsector: Total Value, Volume and Growth in 2008

Type of Wine	Value (US\$ million)	Volume (million liters)	Growth 07/08
Still light grape wine	365.3	12.7	4.1%
- red	264.1	8.9	2.8%
- white	73.4	1.4	10.2%
- rosé	27.7	2.3	1.6%
Sparkling wine	18.2	0.3	5.1%
- Champagne	12.9	0.1	4.1%
- Other	5.3	0.2	7.5%
Total	383.5	13.0	3.2% [1]

Source: Euromonitor International

Trends

- Increasing consumer awareness and interest in pairing wine with meals
 - As Taiwan consumers attempt to live healthier lives, many are changing from drinking spirits to drinking wine. Promoting the healthy benefits of wine will stimulate future growth in the Taiwan market. In addition, consumers are more sophisticated in tasting wine and pairing wine with meals, instead of drinking wine “bottoms up.” More consumers are drinking wine at home while dining with family and friends, which is also increasing in popularity in Taiwan. The International Sommelier Guild started operations in Taiwan in 2008 and it offers

a series of certification wine and food pairing classes. Consumers are learning more about wine, and as they grow more knowledgeable, are choosing different types of wine from a wider variety of countries. Young adults and white-collar women are currently fast growing markets to target (the legal drinking age in Taiwan is 18). The French are implementing well established training programs in Taiwan and offer sophisticated certification programs/tests for sommeliers and other specialists interested in increasing their knowledge of wine.

- Gaining market share by taking advantage of the U.S. dollar depreciation
 - Import prices of wine are increasing because of rising global demand and the appreciation of the New Taiwan dollar against the U.S. dollar. Over the next five years, the unit prices of wine are expected to continue to increase. The unit prices of U.S. wine in Taiwan grew about 18% from 2007-2008.
- More and more diversified sources of wine information
 - In the past, consumers used to rely on the suggestion of wine sales representatives at stores to choose wine. Nowadays, consumers have more diversified sources of information such as specialized wine magazines, blogs, and wine books written by local wine specialists. In addition, a popular Japanese comic book, "Drop of Wine," has been popular among young wine lovers, who seriously follow every episode and purchase wine introduced in each episode of the comic book. Because the comic book is so successful in Japan and other Asian countries, the story has been adapted into a drama and will likely be aired in Taiwan before 2010.
- New world wines are on the rise
 - New world wine has been increasing market share and is expected to keep growing, although old world wine still leads in grape wine sales. This is partially because new world wine is priced competitively with catchy, English labels such as the aggressively priced Yellow Tail wine from Australia. Wine from Argentina and Chile is also being promoted aggressively to importers and retailers. Of the old world wines, France is still the dominant country of origin, and it is also attractive because it is offered at a wide range of prices.

Competition

The U.S. ranks 3rd in the value of wine sold in Taiwan, and 4th in the volume sold. France has the largest share of the market by far, with 60% of the value sold and nearly 50% by volume. Australia and Chile are the other top competitors in the wine market. Both Australia and the U.S. lost some of their share of the market in 2008 due to the slow economy, as did many countries, but Chile was still able to grow by almost 4%. Some countries, like France

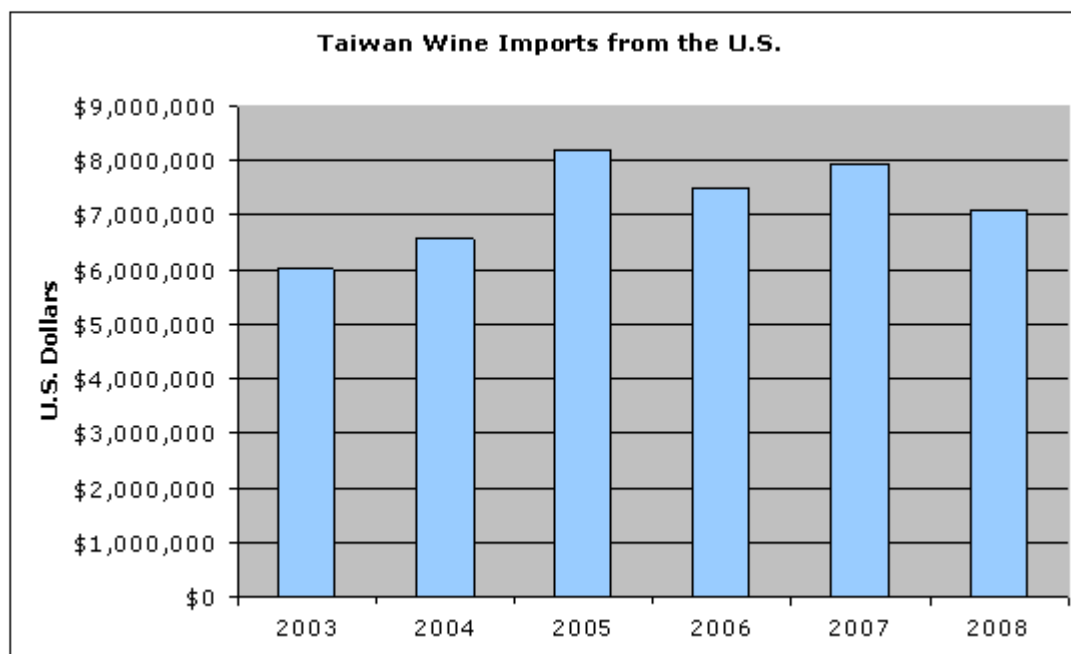
and Germany, did not ship as much in terms of volume in 2008 as in 2007, but were forced to discount prices on high end wine due to weak global sales, resulting in higher unit prices than in the past.

The Top 10 Countries Taiwan Imports Wine From; value, volume and growth

Country	Rank (value)	Value (US\$)	Growth 2007/2008	Rank (vol.)	Volume (liters)	Growth 2007/2008
France	1	57,480,899	10.5%	1	7,879,182	-14.4%
Australia	2	8,174,124	-16.6%	3	1,437,050	-26.9%
United States	3	7,099,580	-10.4%	4	1,376,823	-24.1%
Chile	4	6,849,814	3.4%	2	2,142,316	3.3%
Italy	5	4,819,916	1.9%	6	767,778	-19.1%
Spain	6	3,768,523	23.4%	5	1,296,876	1.1%
Argentina	7	2,325,162	1.7%	7	587,654	-4.9%
Germany	8	1,560,597	13.1%	10	167,354	-8.8%
South Africa	9	1,204,619	-1.4%	8	226,044	-17.0%
Japan	10	960,063	-19.9%	9	211,986	-24.1%
Others		2,538,496			352,452	
Total		96,781,793	3.65%		16,445,515	-14.15%

Source: Global Trade Atlas

The chart below shows the value of U.S. wine that was imported by Taiwan. In 2007, Taiwan imported nearly US\$8 million, and in 2008 that number dropped to just over US\$7 million.



Source: Global Trade Atlas

According to Euromonitor International, the top brands of wine sold in 2007, by percent of total volume sold, are:

- 24.1% - Yu Chuan (Taiwan Tobacco & Liquor Corp, Taiwan)
- 14.7% - Yellow Tail (Casella Wines Pty Ltd, Australia)
- 10.5% - Cathedrale Flamenco Deluxe (Sea & Land Wine & Spirits Co Ltd, French wine/ Taiwan company)
- 3.6% - Ernest & Julio Gallo (E & J Gallo Winery, U.S.)
- 2.9% - Jacob's Creek (Pernod Ricard Groupe, Australian wine/French company, Jacob's Creek is also the leader of sparkling wine with 26.5% of that market)
- 2.8% - Monsieur William (Sergio Valente Inc, France)
- 2.6% - Premium Choice Rosé (E & J Gallo Winery, U.S.)
- 4.3% - Foster's Group Ltd, Australia has three fairly large brands, Lindemans 1.9%, Penfolds 1.8% and Rosemount Estate 0.6%

Taiwan Tobacco & Liquor Corp is a dominant local player in wine sales, with about 25% of the total volume sold in 2007. It sells many products like rice wine, whisky and brandy, but its grape wine brand is Yu Chuan. The corporation has a winery in Taiwan called Nantou winery. It has started bundling gift sets and adding value to its goods to hold on to its large market share. The company is also planning on launching more types of grape wine to compete with the large amount of imported wine.

The unit prices of U.S. wine rose about 18% from 2007 to 2008. The average U.S. unit price is still slightly lower than the world average, but has grown a significant amount over the past few years. In 2007 the unit price for U.S. wine was US\$4.37, and in 2008 that price is now at US\$5.16. The chart on the right shows the U.S. price compared with its top foreign competitors.

(Source: Global Trade Atlas)

Country	Unit Value 2008 (US\$)	Change 2007-2008
Germany	9.33	24%
France	7.30	29%
Italy	6.28	26%
World Average	5.88	21%
Australia	5.69	14%
South Africa	5.33	19%
United States	5.16	18%
Japan	4.53	5%
Argentina	3.96	7%
Chile	3.20	0%
Spain	2.91	22%

SECTION III. COSTS AND PRICES IN 2008

- Tariffs/Import Tax: 10% for grape wine or 20% for sparkling wine
- Excise tax: NT\$7 per 1% alcohol content per liter (NT\$7≈US\$0.21)
- VAT Tax: 5% of [CIF*10% + alcohol vol. degree*NT\$7]

<http://www.dot.gov.tw/display/show.asp?id=1090&lang=2&expand=2&thisitem=70&modify=1>

SECTION IV. MARKET ACCESS

- Labeling of Alcohol Products

- Advertisements
- Hygiene Standards for Alcohol Products

Labeling Requirements:

Labeling of Alcohol Products: Alcohol labels must be in Traditional Chinese and include brand name, product type, alcohol content, origin of imported alcohol products, names and addresses of manufacturers and importers, volume, expiration date for products with alcohol content of 7% or less, health warning (examples include “excessive drinking endangers health,” “to be safe, don’t drink and drive,” or “please do not drink if you are a minor”), and other labeling required by the central competent authority. The brand name must be printed in large, broad or bold typeface that is larger than that of other labeling. Importers may also label year, age or geographical indication. English can be used as a secondary language on the label. Items that do not need to be labeled in Chinese are brand name, names and addresses of foreign manufacturers and geographical indication. Volume should be stated in liters, centiliters or milliliters.

(Source: <http://www.nta.gov.tw/dbmode93/ShowContent.ASP?CatID=377>.)

Other Regulations and Requirements:

Advertisements: Health warnings, like the ones required for labels, are also required when advertising on TV and other broadcast media. Alcoholic drinks can only be advertised on TV between 9 pm – 6 am. Radio advertisements are only allowed between 9 am – 5 pm during the day, except in February, July, August and on public holidays, when advertising is restricted to between 9:30 pm – 6 am. Radio programs targeted at young people may not carry any alcoholic drinks advertisements. (Source: Euromonitor International)

Other Specific Standards:

Hygiene Standards for Alcohol Products: As of January 1, 2008, importers are required to comply with the Hygiene Standards for Alcohol Products. Failing to comply can result in penalties of up to NT\$90,900 (≈US\$2,780). Importers may submit documentation of sanitary inspections or safety assurances from officials or recognized associations in their home countries, as an alternative to customs clearance product inspection. The standards for wine are: the content of methyl alcohol shall not exceed 2,000 mg per liter; the content of lead shall not exceed 0.3 mg per liter; sorbic acid residue shall not exceed 0.2 g per liter; benzoic acid residue shall not exceed 0.4 g per liter (if alcohol content is 15% or less); lutein residue shall not exceed 10 mg per liter; and sulphur dioxide residue shall not exceed 0.4 g per liter. In addition, beverages shall not have toxic or other substances harmful to human health, or that have not yet been proven to be safe to human health. More regulations about the inspection of imported alcohol can be found

at: <http://www.nta.gov.tw/dbmode93/ShowContent.asp?CatID=379>.

(Source: <http://www.nta.gov.tw/dbmode93/ShowContent.ASP?CatID=382>.)

SECTION V. CONTACT INFORMATION:

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