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## **Taiwan**

### **Exporter Guide 2014**

#### **Taiwan: Top Ten Market & Springboard to Asia**

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**Report Highlights:**

In 2013, Taiwan was the seventh largest market for U.S. food and agricultural products with imports of US\$3.2 billion. So far, this trend has continued throughout 2014. While the overall economy is recovering at a slow pace (2.82% - 2014 forecast), Taiwan is still a significant market with serious growth potential in consumer-oriented products, worth US\$4.6 billion in 2013 (Table 1). 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 63% the size of Lake Michigan) 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 \$489.2 billion in 2013, Taiwan is the world's 20th largest economy, as well as the 5th largest economy in Asia. In 2013, Taiwan had an estimated per capita GDP of \$20,958. Overall, Taiwan is the United States' 11th largest trading partner and 15th largest export market. To put these numbers into perspective, U.S. trade with Taiwan is greater than with India.

Since the Taiwan economy is heavily dependent on exports, external uncertainties related to the U.S. budget debate in 2013 continued to affect Taiwan's economic growth in 2014. Even though export growth picked up in the fourth quarter of 2013, Taiwan's economy only increased slightly, 2.11%. Inflationary pressures continue to intensify, and consumer prices have increased nearly 1.07% in 2014. Taiwan's GDP growth is currently estimated to remain close to 2.82% for the remainder of 2014.

However, Taiwan's unemployment rate was only 4.09% in 2013, and this trend is expected to continue throughout 2014. Taiwan also currently has the sixth-largest foreign exchange reserves in the world, with US\$419 billion as of March 2014. The New Taiwan dollar (NTD) exchange rate closed at NTD29.5/USD in 2013, appreciating to approximately NTD29.7/USD in March 2014.

The 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 65% of GDP in 2013. At the same time, agriculture and manufactured goods have been decreasing and now represent only 1.6% and 29.6% of GDP, respectively. Taiwan's major exports are industrial goods while major imports are agricultural products, industrial raw materials, and machinery.

### Taiwan's Economic Situation, 2010-2014:

	2010	2011	2012	2013	2014 (forecast)
<b>GDP (\$billions)</b>	428.2	464.0	474.3	489.2	495.0
<b>GDP per capita (USD)</b>	18,503	20,006	20,386	20,958	21,153
<b>Economic Growth (%)</b>	10.76	4.07	1.32	2.11	2.82
<b>USD → NTD Exchange Rate</b>	1 → 31.7	1 → 29.5	1 → 29.6	1 → 29.77	1 → 30.37

Source: National Statistics, Ministry of Executive, Taiwan

Taiwan is the fourth 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\$5.25 billion in 2013, 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) trade agreement. ECFA is a preferential trade agreement designed to reduce barriers to trade and investments gradually. However, the Cross-Strait Service Trade Agreement, which is one of the first parts of the ECFA, has not yet been signed due to a highly-publicized student protest against Taiwan’s involvement with China. The pending negotiation of this agreement will also affect the development of another treaty, the Cross-Strait Goods Trade Agreement, which is foreseen to bring more significant economic benefits for Taiwan. Currently, there is no timetable when the Cross-Strait Service Trade Agreement will be signed.

On July 10, 2013, Taiwan and New Zealand signed a new free trade agreement (FTA), The Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC). Under this agreement, Taiwan will eliminate rates on 99.88% of its tariff lines over the 12 year implementation period, including tariffs on key agricultural imports from New Zealand. Agricultural imports from New Zealand (and the United States) into Taiwan currently face tariffs of between 5-20%, on average. The majority of tariff lines will be reduced to zero upon entry into force of the ANZTEC with other high value or sensitive products facing longer tariff reduction timelines. For more information, please check GAIN TW13035: [Taiwan/New Zealand Free Trade Agreement Reveals Taiwan's Strong Trade Ambitions.](#)

**Taiwan’s Imports and Exports, 2009-2013:**

	2009	2010	2011	2012	2013
<b>Total Exports (US\$ million)</b>	203,675	274,600	308,300	301,181	287,259
<b>Exports to China (%)</b>	27 %	28 %	27%	39%	27%
<b>Exports to the U.S. (%)</b>	12 %	11 %	12%	11%	11%
<b>Exports to Japan (%)</b>	7 %	7 %	6%	6%	6%
<b>Total Imports (US\$ million)</b>	174,371	251,236	281,600	270,473	269,306
<b>Imports from China (%)</b>	14 %	15 %	16%	16%	16%
<b>Imports from U.S. (%)</b>	10 %	10 %	9%	9%	9%
<b>Imports from Japan (%)</b>	21 %	21 %	19%	18%	16%

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 (rank 216 out of 224) at 0.85%, which is causing a rapidly aging population. Senior citizens already make up over 11% of the island’s population, a figure that will continue to rise. Over the last 10 years, the median age of Taiwan has increased from 33 to 38. The numbers of births have fallen by half in the last 15 years. There is also a significant increase in the age of motherhood. 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 3.09 to 2.82 in the past 10 years.

This low birthrate is due to a number of changes in Taiwan’s family structure, including: the increasing frequency of women working outside of the home, couples deciding not to have children, and the growth of nuclear families. Consumption patterns have also 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** (Source: DGBAS)

	2009	2010	2011	2012	2013
<b>Birth Rates (‰)</b>	8.3	7.2	8.5	9.9	8.5
<b>Death Rate (‰)</b>	6.2	6.3	6.6	6.6	6.7
<b>Age 0 – 14 years (%)</b>	16.0	15.7	15.8	14.6	14.3
<b>Age 15 – 64 years (%)</b>	73.0	73.6	74	74.2	74.2
<b>Age 65+ years (%)</b>	11.0	10.7	10.9	11.2	11.5

**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 case-by-case, key issues to consider 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

**ATO Taipei strongly recommends U.S. exporters exhibit in the USA Pavilion at the Taipei International Food Show, which is the most influential food trade show in Taiwan and occurs in June every year. USA Pavilion exhibitors will also receive on-site consultation services from the ATO Taipei. (<http://www.usapavilion.com.tw/>)**

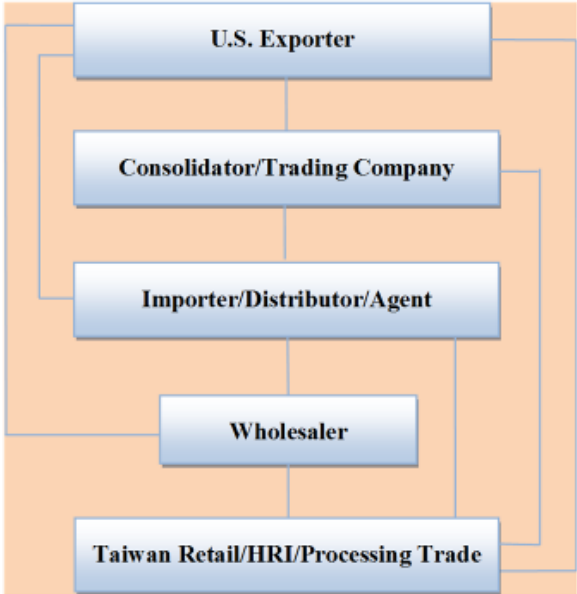
Taiwan's convenience store, supermarket, and hypermarket chains generally purchase from local importers, wholesalers, and manufacturers. The company may attempt to import directly if they are convinced on the suitability of the product. The best method to reach Taiwan's retail buyers and prospective 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 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 United States. Taiwan is a 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 in order to tailor their products to the Taiwan consumer.

The typical Taiwan businessman usually has several interests rather than a single product line. As the incomes of Taiwan consumers increase, so does their taste in new products. In order to meet the increasing demand, importers are constantly seeking new products, including new-to-market products

and new brands of popular products. For new products, it is important that they are supported by advertising and a promotional budget to generate brand awareness. On the other hand, many importers follow the customary Taiwan 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, Taiwan consumers 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, and this is highly recommended. If you are considering selling a product not traditionally used in Taiwan dishes, 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. Taiwan 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 business professionals 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 a mutual understanding. Food and eating are important parts of the Taiwan 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 business professionals are always very gracious and will invite trade contacts to dinner, and drinking toasts are usually 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 while developing trust and long-term relationships.

In establishing a relationship with a Taiwan business, focus on the long-term benefits to both parties. During this current time of economic difficulty in the United States, 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 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 suppliers, regardless of the price or quality 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 people in Taiwan strive to send their children to the U.S.'s finest universities for higher education, and Taiwan is ranked 6<sup>th</sup> in the number of foreign students in the United States. 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 eight 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 Love 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 people in Taiwan, Taipei will also have English names and commonly use them, even with other Taiwan friends. These short English phrases or names are used for effect, in much the same way an 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, 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**

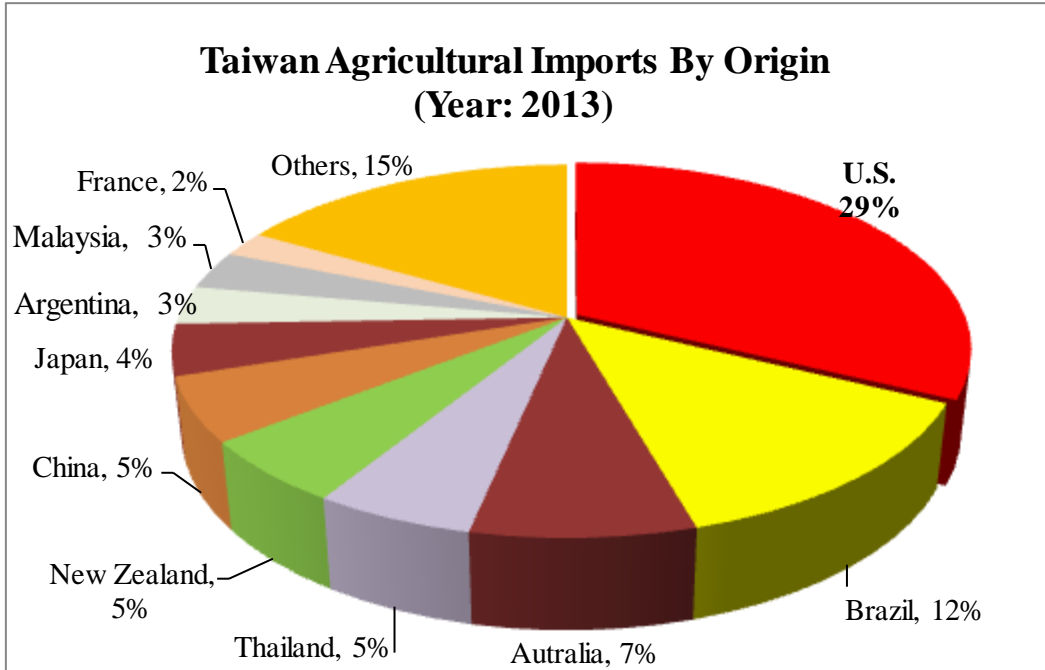
Because only one quarter of the land is arable, Taiwan relies heavily on imports for many of its food products. Taiwan's economy is geared towards technology and manufacturing, and agriculture is a minor aspect of the domestic economy. Taiwan is focused on other areas of growth with the long-term trend favoring greater imports. Domestically, Taiwan produces: rice, sugar, yams, tea, pork, poultry, fruits, and vegetables. Taiwan's main agricultural imports come from the United States and with a large percentage consisting of bulk commodities (soybeans and coarse grains).



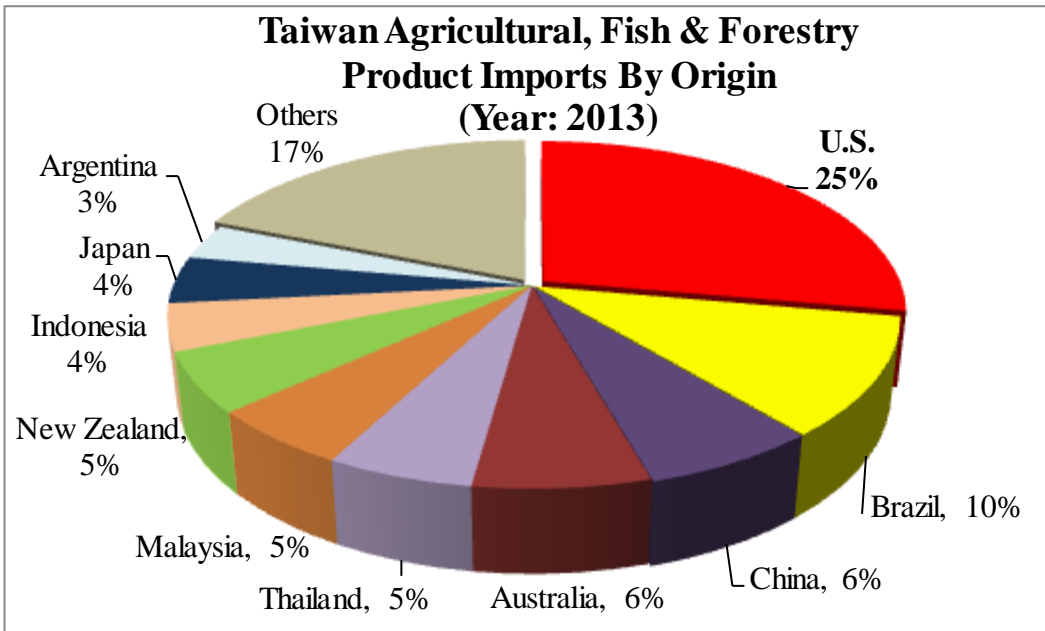
Taiwan, in particular, is an attractive market for beef, tree nuts, dairy products, pet food, and high-end fresh fruit due to the large number of Taiwan people who have lived, studied, or have relatives in the United States. Knowledge and familiarity of U.S. brands and products is strong throughout Taiwan.

### 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 States' 7th 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 food service 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 U.S. holidays and culture/lifestyle leads 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.	



Source: Global Trade Atlas (GTA); Group 1 (excluding fishery & forestry products)



Source: Global Trade Atlas (GTA); Group 2

**Imports from the United States:** Of the nearly US\$3.2 billion of U.S. agricultural products (including forest products) exported to Taiwan in 2013, approximately US\$1.3 billion was comprised of bulk commodities. About 33% of Taiwan's total bulk commodity imports came from the United States, including US\$180 million of corn and US\$582 million of soybeans. The United States also exported US\$1.32 billion in consumer-oriented agricultural products to Taiwan, 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 United States

### **Consumer Goods**

Due to a long period under Japanese rule and a strong trading relationship since WWII, Taiwan has adopted many Japanese habits and continues to follow their lead on consumer trends. Older people throughout Taiwan also learned Japanese customs during the occupation, but unlike the rest of Asia, they 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-Eleven created a new package for their private label, they established the design center in Tokyo. 7-Eleven estimates that over 95% of their imported product is from Japan due to these reasons, and believes that U.S. companies would do better if they focused 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 Taiwan 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 2,500 consumers. These stores offer a much wider variety of goods and services than commonly found in the United States. 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 that an inebriated consumer will get themselves and their car back to their residence. The sector currently has in excess of 10,000 stores and is dominated by 7-Eleven (greater than 50% market share). Family Mart, Hi-Life and OKS are the largest

remaining convenience stores, in order. 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. The Sogo and Mitsukoshi Department Stores also have premium supermarkets targeting high-income consumers. PX Mart, focuses on price conscious retailers and has also grown quickly, from 68 stores in 1998 to nearly 700 in 2013. The traditional wet markets continue to serve a large number of customers and sell the majority of fresh fruit in Taiwan. 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**

According to Taiwan's Ministry of Economic Affairs (MOEA), the economic output of Taiwan's food service sector, excluding institutional food service, was estimated at US\$13.46 billion in 2013, a 1.6 percent increase compared to the previous year. The continued prosperity of the tourism market has helped drive up food service sector revenue, which is expected to continue to grow over the next decade. This increase can also be attributed to other several factors, including the rise in consumer income, smaller family size, increasing numbers of working women and the development of web marketing.

Taiwan consumers enjoy a very diverse food environment. In addition to traditional Chinese food cuisines, Japanese BBQ (Yakiniku), hot-pot (shabu shabu), Thai foods, Italian cuisines, western fast foods and several other ethnic varieties are seen all around the country. As food trends change swiftly, however, many of these cuisines do not stay popular for long, and only a few types of cuisines gradually become fully integrated into local food culture.

Street food and snacks are also signature features of Taiwan's food culture. Night markets with hundreds of food options are common island-wide. Food stands in the night markets use a wide variety of food ingredients -- imported and locally produced. For example, French fries produced in the United States and Canadian Pacific Northwest are offered side-by-side with locally produced sweet potato (yam) fries in the deep-fried food stands (yan su ji).

Discounted gift certificates and coupons sold online (such as Groupon and Gomaji) also helped boost restaurant exposure and sales over the past few years. Nearly 80 percent of restaurant operators responded, in an MOEA survey (2012), that pre-sold coupons helped increase business. Many small-operation restaurants have become popular overnight due to their products' wide exposure on these websites.

The Government's tourism policy is the savior of the foodservice sector and has countered the population decline. According to statistics released by the MOTC, the number of foreign arrivals to Taiwan increased significantly from 2004 to 2012, more than doubling to over 7.3 million, including 4.68 million tourists. In 2012, cross-strait air passenger traffic also surged by 29.6% to 8.46 million persons annually, and reflects a larger numbers of tourists from China and Taiwan business professionals seeking investments in China. The explosive growth of direct charter flights across the

strait generated major profits for Taiwan's airline companies and air-catering businesses, which had seen sluggish sales for several years due to the completion of Taiwan's high-speed rail that connects the major cities on the island.

### **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 friendlier products. The organic sector in Taiwan is rapidly growing as consumers become increasingly aware of available products. Due to the lead time of transportation and labeling application processes, the majority of imported organic products are processed foods, such as tree nuts, juices, etc. According to regulations, Taiwan only allows products that contain over 95% of organic ingredients can be labelled "organic."

The Council of Agriculture (COA) implemented new regulations for organic products in January 2009 and announced the COA's recognition of the USDA's National Organic Program (NOP) on March 18, 2009. Although the COA recognized the USDA's NOP as equivalent, the COA maintains a strict zero tolerance for any detectable level of chemical residue on organic agricultural products, which is in contrast to the NOP. (USDA's NOP has a very low-level tolerance for chemical residues resulting from incidental.) Each shipment from the United States to Taiwan must come with a TM-11 Form to declare the products were grown without use of prohibited substances.

Under the new regulations, once the COA recognizes a foreign country's organic standards, Taiwan importers will be responsible for coordinating with their foreign suppliers and certification agencies to apply for approval from the COA to use "organic" on labels. The increased paperwork and coordination of shipments has raised costs. As a result, some importers are replacing the "organic" label with more ambiguous language such as "natural", which does not require the same level of documentation. Many of these "natural" labelled products carry a higher price than conventional products.

## IV. Best High-Value Product Prospects

Product	2012→2013 Imports (US\$ million)	Import Tariff Rate	Constraints over Market Development	Market Attractiveness for U.S.
<b>Wine</b>	\$130→\$147	10% for still wine; 20% for sparkling wine	The weak economic growth undermines the sales of the low-priced wine segment, as those banquets serving cheap wines were cut back.	The economy bodes well for more unique, premium wines that are less price-elastic.
<b>Cheese</b>	\$109→\$121	5%	Unstable supplies hinder the further growth of the cheese market. In 2012, the U.S. overtook N.Z. as the largest foreign cheese supplier. U.S. (28%), New Zealand (23%).	Taiwan relies on imported cheese, as it doesn't produce cheese in commercial quantities. Consumer knowledge is increasing, and cheese applications are widespread in not only western cuisines but also traditional Chinese buns.
<b>Pork and Pork Variety Meat</b>	\$126 →\$122	12.5% for pork and 15~35% for pork variety meats	Imports are in response to local short supply. Import barrier due to feed additive ractopamine. Imports from Canada and European countries continue to increase.	Opportunities exist for U.S. pork exports that meet local food processors' needs and import regulations.
<b>Fresh Fruit</b>	\$484 → \$516	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.
<b>Poultry</b>	\$191 → \$163	Poultry meat: 20%.  Poultry offal: varies by typ.	Imports from Canada, however, are a threat because Canadian chicken products are air-chilled hence less water weight added. Special safe guard (SSG) which usually triggers in the 4th quarter raises tariff from 20% to 26.67%.	U.S. enjoyed 82% market share in CY 2013 and is one of only a few countries certified to export poultry meat to Taiwan.
<b>Tree Nuts</b>	\$105 → \$119	Varies by type	The unstable supplies hinder the further growth of the tree nut market. Pistachios from Middle East and Australia are competitors.	Since the supply of walnuts has been unstable, the industry continues to use substitutes, which has created opportunities for a wide variety of tree nuts.

<b>Beef and Beef Variety Meat</b>	\$504 → \$627	Beef: 10 NTD per kilo.  Beef variety meat: 15%.  Bone with meat: 30%~35%.	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.	Consumers' preference over grain-fed beef quality and the large-volume supply of standard Asian cuts has allowed U.S. exporters to enjoy steady business in Taiwan.
<b>Fish &amp; Seafood Products</b>	\$768 → \$806	9% to 38%	With a bias in favor of fresh fish and Asian crustaceans, U.S. suppliers must work hard to gain market shares in Taiwan.	HRI outlets with Western orientation and up-to-market positioning offer the 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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### Taiwan Central Authority Agencies

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

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Website: <http://eng.coa.gov.tw>

Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ), COA  
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Bureau of Standards, Metrology and Inspection (BSMI) /  
Ministry of Economic Affairs (MOEA)  
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Food Industry Research and Development Institute (FIRDI)  
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## **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)  
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Website: <http://www.ieatpe.org.tw>

Importers and Exporters Association of Kaohsiung (IEAK)  
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Tainan Importers and Exporters Chamber of Commerce  
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## **U.S. Government**

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**Table 1.**  
**Top 10 Suppliers of Consumer Foods to Taiwan, 2010-2013 (US\$)**

	Partner Country	United States Dollars			share%
		2011	2012	2013	2013
	World	4,169,609,664	4,241,553,614	4,598,733,509	100.00
1	United States	1,156,903,706	1,215,291,798	1,403,273,021	30.51
2	New Zealand	547,989,152	5230,98,882	543,211,218	11.81
3	Australia	407,582,227	401,816,033	408,550,346	8.88
4	Japan	250,104,318	268,491,392	299,260,026	6.51
5	France	194,495,076	187,682,907	211,605,744	4.53
6	Netherlands	202,279,438	210,845,444	208,452,503	4.16
7	Thailand	183,744,669	188,890,929	191,144,192	4.13
8	China	181,730,279	188,074,987	189,752,500	4.60
9	Canada	129,042,911	114,489,730	126,116,113	2.74
10	Chile	97,726,731	104,167,647	120,323,455	2.62

Source: GTA

### Appendix – Statistics, 2013

Agricultural Imports from All Countries (\$Mil) / Imports from the U.S. (\$Mil)	10,955/3,214
Consumer Food Imports from All Countries (\$Mil) / Imports from the U.S. (\$Mil)	4,599 / 1,403
Edible Fishery Imports from All Countries (\$Mil) / Imports from the U.S. (\$Mil)	806 / 29
Total Population (Millions) / Annual Growth Rate (%)	23,374 / 2.49
Urban Population (Millions) / Annual Growth Rate (%)	8.1 / 0.4
Number of Major Metropolitan Areas <u>1/</u>	5
Per Household Food Expenditures (U.S. Dollars)	3,825
Exchange Rate	29.77

1/ Population in excess of 1,000,000

Source: DGBAS, GTA

### Taiwan Demographic Information, 2013

Total Population (thousands)	23,300
Population Increase Rate (‰)	2.7
Population Density (persons/km <sup>2</sup> )	646
Birth Rate (‰)	8.53
Death Rate (‰)	6.68
Labor Force (thousands)	11,445
Percent of Female Population Employed	44
Unemployment Rate (%)	4.18

Source: DGBAS

### **Taiwan: Key Trade Information, 2012 / 2013**

GDP (million USD)	475,257/ 489,256
GDP per capita (USD)	20,423/ 20,958
Economic Growth Rate (%)	1.48/ 2.11
Exports (million USD)	284,412/287,259
Imports (million USD)	270,565 / 269,306
Agricultural Imports (million USD)	11,108/ 10,955
Foreign Exchange Rate (USD = NTD)	1 USD = 29.61 / 29.77 NTD

Source: DGBAS, GTA