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Food Processing Ingredients

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Food Processing Ingredients
SP1 - Expand International Marketing Opportunities

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Report Highlights:
Taiwan’s formidable food processing industry offers numerous opportunities for U.S. ingredient exporters. In 2016, the U.S. exports of food preparation ingredients to Taiwan reached US$210 million, with further growth expected in the food retail and food service sectors. In the face of stricter food safety regulations, aging population, and busy consumer lifestyles, Taiwan’s food processing industry is forging ahead by introducing a wide variety of natural, healthy, functional, and ready-to-eat products.

Section I—Market Summary

Background

Given Taiwan's relatively small agricultural sector, its dependence on food and feed imports is expected to continue to grow (Table 1). According to Taiwan's Council of Agriculture, Taiwan imported US$3.33 billion of food and agricultural products (including edible fishery and forestry products) from the United States in 2016. U.S. food preparation ingredients exports reached $210 million (Table 2) last year.

However, the U.S. faces significant price competition from New Zealand, especially in the dairy products 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.

Taiwan's food processing sector faces stricter food safety regulations and labor policies that have led to a increase in production costs. As a result, food processers have becomes more conservative in new produc development and plant investment. New product development focuses more on streamlining product composition and incorporating healthier ingredients.

Table 1. Food Self-sufficiency Ratio

Category	2016 Production (MT)	Self-sufficiency Ratio (%)
Sugars & honey	47,024	7
Starchy roots	311,497	27
Dairy	393,077	30
Meat- Poultry	657,178	79
Fruits	2,552,854	83
Vegetables	2,443,090	85
Meat- Pork	857,517	91
Rice	1,264,128	100
Fishery	1,012,399	184

*Source: 2016 Food Balance Sheet, Council of Agriculture, data calculated by energy

Table 2. U.S. Food Preparation Ingredients Exports to Taiwan

Food Preparation	2015 (US$ Thousands)	2016 (US$ Thousands)	Growth (%)
Other Processed Foods, Ingredients & Bvg Bases	156,108	157,979	1.2
Protein Concentrate	29,156	32,118	10.2
Baking Inputs, Mixes & Doughs	13,663	16,626	21.7
Flavoring	2,634	2,746	4.3
Thickener	987	551	-44.2
Total	202,548	210,020	3.7

*Source: U.S. Census Bureau Trade Data; product group: Processed Food

Food Processing Industry Size and Structure

According to the Ministry of Economic Affairs, Taiwan's food processing industry registered US$17.7 billion in production output (Table 3), accounting for 3.2 percent of the gross domestic product in 2016. Over 160,000 people are employed in the food processing sector. Though the industry comprises of mostly small and medium-sized enterprises, 22 food manufacturers account for more than 70 percent of total production. Most large manufacturers have labs to test for pesticide/chemical residues, and R&D teams to develop new products.

Table 2. Production Output of Sub-Sectors – Taiwan Food Processing Industry

Sub-Sector	Number of Factories*	Number of People Employed*	2016 Production Output ($US Millions)
Non-alcohol beverages	301	10,828	1,717
Animal feeds	290	9,019	2,417
Other miscellaneous foods	1,690	44,901	2,353
Grain husking	757	4,581	1,193
Flour milling	116	2,241	1,167
Frozen & chilled meat	151	7,802	1,100
Dairy products	96	5,070	1,030
Prepared foods	269	11,759	980
Bakery products	615	26,150	980
Beer	27	1,775	770
Wine & liquor	193	4,244	740
Edible fat & oil	162	1,845	650
Seasoning	355	7,097	600
Noodles	196	3,466	510
Sub-Sector (continued from above)	Number	Number of	2016 Production

	of Factories*	People Employed*	Output (Unit: US$ millions)
Frozen & chilled seafood	153	5,279	250
Granulated sugar	17	876	270
Sugar confectionery	121	2,191	230
Processed meat	116	4,358	220
Tea	144	1,826	180
Processed fruit and vegetables	403	8,087	180
Frozen & chilled fruit and vegetables	43	1,282	120
Total	6,215	164,677	17,667

*The most recent data is based on a 2015 official survey.
Source: Department of Statistics of Ministry of Economic Affairs

Key Market Drivers and Consumption Trends

Increasing Aging Population Drives Demand for Healthier Foods

Taiwan has officially transformed into an aging society, with the number of 65-yr-olds accounting for more than 14 percent of the population. As society ages, consumers will emphasize healthier diets that will have less sugar, more fiber, and more protein. Post notes that it has been receiving increasing inquiries for organic and natural ingredients from the United States.

Desire for Convenience

The large percentage of women in the workforce and busy lifestyles play a significant role in the demand for quick dining solutions. In addition to frozen home prepared meal manufacturers, there are more than 10,000 convenience stores offering microwavable dishes, ranging from breakfast, lunch, and in-between meals.

Consumer Pay Closer Attention to Labels

A series of food safety incidents since 2011, such as plasticizers found in cold drinks, maleic anhydride mixed in starch products, low-grade olive oil adulterated with copper chlorophyll, and gutter-oil used in food processing, have dented consumer confidence in locally made products. As a result, consumers are paying closer attention to labels and contents of food products.

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 U.S. 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.	U.S. products that are "fortified" are perceived in the local market as products with "additives," which pushes some end-users away as the consumption trend is for "low/no additives."

Section II—Road Map for Market Entry

Entry Strategy

First, Agricultural Trade Office in Taipei suggests U.S. exporters evaluate the market and product potential first through studying the applicable tariffs, market access restrictions, and regulatory requirements pertinent to the products. Second, evaluate competitive advantages by analyzing the overall imported volume and market shares across foreign suppliers. 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

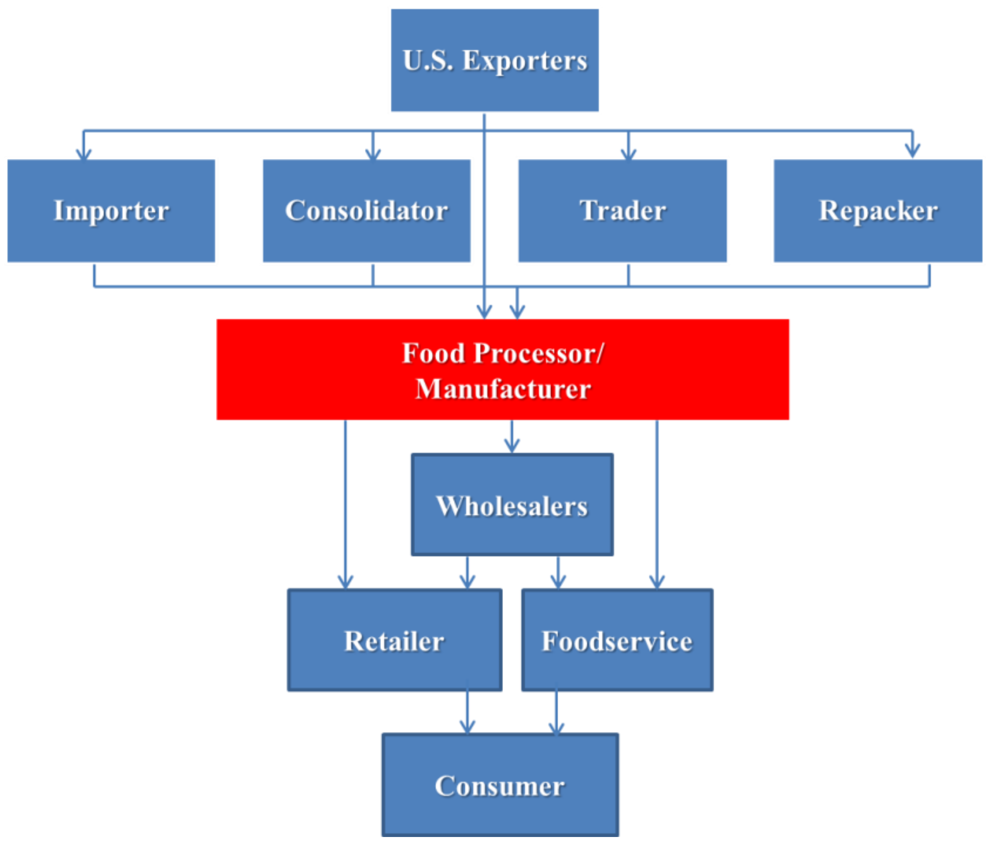
Also, ATO Taipei recommends exporters reach out to U.S. State Regional Trade Groups (SRTGs) for guidance. The SRTGs provide small to medium-sized exporters with assistance by introducing U.S. products to overseas markets through multi-faceted marketing activities, such as reverse trade missions, and trade shows.

- Western U.S. Agricultural Trade Association
- Southern U.S. Trade Association
- Food Export-Midwest
- Food Export-Northeast

The next step is to consult the ATO Taipei for a list of potential importers. Keep in mind that there are multiple decision makers in the procurement process when contacting importing companies. Product development personnel dominate the final procurement decision, but marketing managers drive promotional plans, while procurement personnel handle logistics. It is advisable to meet with R&D staff and provide them with technical specification reports along with samples. It is recommended to share successful practices with marketing personnel and offer promotional support. Samples are required for testing, and demonstrations are recommended. Due to stringent Taiwan food safety regulations, the importers will also request lab test reports, country of origin certificates, and certificates of analysis.

ATO Taipei also strongly recommends U.S. exporters exhibit in the USA Pavilion at the Taipei International Food Show, which takes place in June every year. The USA Pavilion 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

There are over 6,000 registered food processing companies in the market, and most of them are small to medium-sized. Companies selected below have a diversified product portfolio and are some of the leading food manufactures in Taiwan.

Company	Product Types	Sales: (US$ Million)	End-Use Channels	Production Location
Uni-President Enterprises Corp.	Packaged tea, juice, instant noodles, packaged milk, flavored milk, yogurt, pastry, soymilk, canned coffee, bottled water, confectionery, ice-cream, sauce, frozen food, flour, sausage & ham, sports drinks, edible oil, health supplement	1,378	Retail Foodservice	• Taiwan • China • Vietnam • Indonesia • Thailand • Philippines
Standard Foods	Baby & adult formula, edible oil, packaged milk, confectionery, oats, cereal beverages, health supplement	902	Retail	• Taiwan • China
Charoen Pokphand Enterprise (Taiwan) Co., Ltd.	Poultry & livestock meat, prepared meals/ meat, ready-to-eat meals, bacon &ham, poultry & livestock feed/ feed additives	606	Retail Foodservice Processing	• Taiwan • Thailand
Namchow Group	Edible oil, fresh cream, frozen dough & noodle, ice cream, instant noodle, rice cracker, ready-to-eat rice	543	Retail, Foodservice Processing	• Taiwan • Thailand
I-Mei	Confectionery and sweets, snacks, edible oil, nuts and dried berries/veggies, bakery products, frozen prepared foods, soy milk, milk/milk tea, tea, health supplements	300**	Retail	• Taiwan • China • Vietnam
HeySong Corp.	Drinking tea, soda, sports drinks, canned coffee, bottled water, wine & liqueur, health supplement	292	Retail, Foodservice	• Taiwan • China
Lian Hwa Foods	Nuts, dry seaweed, instant drinks, salty snacks, ready-to-eat meals, dietary supplements	224	Retail	• Taiwan • China
Company (continued from above)	Product Types	Sales: (US$ Million)	End-Use Channels	Production Location
King Car	Beverages, coffee, tea, energy drinks, water and soft drinks, whiskey	203	Retail	• Taiwan • China • Vietnam

AGV Products Corp.	Flavored water, tea, oat beverage, juice, agar beverage, canned sweet soup, canned condiment, canned tuna, sauce, edible oil, health supplements	137	Retail	• Taiwan • China
UTC Foods	Home prepared meal foods, condiments, soup, starch products, jelly and pudding	NA	Foodservice Retail	• Taiwan

*Source: Market Observation Post System
** Media reports

Sector Trends

Sourcing Shifts to Direct Importation

To manage food safety risks and restore consumer confidence, Taiwan's FDA mandates that local food processing manufacturers and additive/ingredient importers provide a comprehensive record of ingredients, including supplier information, purchase quantity, production/expiration dates, and distribution. Some food manufacturers also display QR codes on product packaging so consumers can identify the ingredient sources and product distribution (Picture 1). Trends indicate that more established food manufacturers are inclined to import ingredients on their own, instead of relying on importers, to secure product traceability and regulatory compliance.

Picture 1. QR codes on packaging provide traceability information

Product Development Aims for Clean Labels

Stricter regulation requirements and consumer attention to labels drive food manufacturers to simplify product composition. According to Article 22 of Act Governing Food Safety and Sanitation, food manufacturers are required to display all the ingredients and additives on labels. Consumers, therefore, become more hesitant to purchase products containing long lists of unfamiliar chemical additives. In response, the industry offers less-processed foods with more straightforward ingredients and promotes "authenticity" (Picture 2). The certifier, Tze Yue, just launched its clean label certification service starting in 2017. So far, there have been twenty-two food processors applying for such certification.

Picture 2. Products Appealing to Nature

Marketing Highlights Healthy, Functional Benefits

More and more food manufacturers are adding new twists to traditional products by incorporating wholesome ingredients and promote health benefits. For example, I-Mei launched almond chocolates with GABA (gamma-aminobutyric acid) ingredient, highlighting its stress-relieving benefits. Standard Foods' under the Quaker brand, offers a "Chicken Essence Drink," promoting the energy restoring effects of American ginseng. Namchow's microwavable rice product incorporates high-beta glucan barley, appealing to elderly consumers for lipid and blood sugar control (Picture 3). Based on the Health Food Control Act, food manufacturers are required to submit applications in advance for "health food permit" with the intention of advertising or labeling food products with health claims.

Picture 3. Products Feature Healthy, Functional Ingredients

Section III—Competition

Competition in Major Product Categories

Product Category (HS Code)	2016 Imports (US$	Major Supply Sources	Strengths of Key Supplying Countries

	Millions)		
General Food Processing Ingredients			
Miscellaneous Edible Preparations (21)	830.2	USA Japan	Price competitiveness and proximity
Albuminoidal Substances; Modified Starches; Glues; Enzymes (35)	467.3	Japan China	Price competitiveness and proximity
Sugars And Sugar Confectionary (17)	323.5	Thailand Guatemala Australia	Price competitiveness
Cocoa And Cocoa Preparations (18)	134.5	USA Italy	First-mover advantage, price competitiveness
Lac; Gums; Resins and Other Vegetable Saps and Extracts (13)	4.6	China German	Major production hub and competitive price
Ingredients Potentially Used in Food Processing			
Cheese (0406)	133.5	USA NZ Australia	Major production hub, quality, and competitive price
Tree Nuts (0802/0801.32)	119.4	USA Australia Vietnam	Major production hub, quality, and competitive price
Juices not fortified (2009)	58.0	China Thailand Vietnam	Price competitiveness
Milk Powder	48.5	NZ Australia	Major production hub and competitive prices
Dried Fruit (0813/0806.20)	31.8	USA Canada Chile	Major production hub and competitive prices
Fluid Milk (040120)	30.9	USA Australia	Aggressive push from the U.S. retail chain's direct imports
Product Category (HS Code) (continued from above)	2016 Imports (US$ Millions)	Major Supply Sources	Strengths of Key Supplying Countries

Premixes & Frozen dough (190120)	21.6	USA Japan	Price competitiveness and proximity
Cereal Grains (1104)	16.4	Australia Chile	Major production hub and competitive prices
Frozen fruit (081190)	6.6	USA Canada China	Major production hub and competitive prices

Section IV—Best Product Prospects

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

Product Category (HS Code)	2016 Market Size (MT)	2016 Imports (US$ Million	5-yr-Compound Annual Growth Rate (%)	Key Constraints over Market Development	Market Attractiveness for the USA
Cheese (0406)	31,704	133.5	7	Compliance with allowable levels of preservatives (i.e., sorbic acid) in processed cheese	Expanding consumption driven by ready-to-eat sector of convenience store chains
Tree Nuts (0802/0801.32)	23,506	119.4	1.7	Price competition from Australia and Iran	Versatile applications in either snack, beverage, or baking industry
Non-GMO Soybeans (12019000925)	71,576	44.6	N/A (separate HS code first applicable in 2014)	Price competition from Canada	Growing demand for plant-based protein (significant vegetarian market)
Dried Fruit (0813/0806.20)	15,470	31.8	12.5	Compliance with allowable uses/level of pesticides	Growing demand from baking industry
Product Category (HS Code) (continued from above)	2016 Market Size (MT)	2016 Imports (US$ Million	5-yr-Compound Annual Growth Rate (%)	Key Constraints over Market Development	Market Attractiveness for the USA

Fluid Milk (040120)	32,801 TRQ volume: 21,298 MT	30.9	21	TRQ restrictions and high tariff	Growing applications as complimentary products to coffee, tea drinks uses
Malt, roasted (110720)	55,530	24.0	3.5	Price competition and lack of awareness towards U.S. sources	Local craft breweries and distilleries getting popular and gaining international recognition
Premixes & Frozen dough (190120)	10,754	21.6	2.8	Lack of localization adapting to local tastes	Local industry pursuing standardization
Cereal Grains (1104)	26,212	16.4	3	Compliance with allowable MRLs	Increasing health awareness

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

Product Category (HS Code)	2016 Market Size	2016 Imports (US$	5 Year CAGR (%)	Key Constraints over Market Development	Market Attractiveness for the USA

	(MT)	Million)			
Food Barley (100390)	50,152	10	180	Pricing competition from Australia	Increasing health awareness
Frozen fruit (081190)	3,726	6.6	8	Lack of awareness of U.S. suppliers	Industry pursuing lower ingredient cost for pastry making and dried fruit processing
Whey Protein Concentrate (350290)	745	5.2	4	Lack of awareness about product specs and applications	Increasing nutritional needs from aging population
Preparations of Soybeans Protein (2106909120)	1,955	2.6	N/A Separate HS code first applied in 2015	Price competition from China	Growing demand for plant-based protein (significant vegetarian market)
Flaxseed/Linseed (1204)	2,454	1.6	12	Lack of awareness of U.S. suppliers	Increasing health awareness
Quinoa (100850)	378	1.1	N/A (First imported in 2014)	Price competition and ample supplies from South America	Increasing health awareness
Millet (100829)	2,206	1.0	N/A (First imported in 2013)	Lack of awareness of U.S. suppliers	Increasing health awareness
Mixes and Bases for Making Ice Cream (2106906000)	441	0.9	47	European brands preferred	Growing market due to long hot summer season and undeveloped gelato sub-sector
Concentrated Fruit Juice for Drinking Make (2106907000)	402	0.3	28	Availability of local tropical fruits	Increasing health awareness

Section V—Post Contact and Further Information

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

- For Market Development Assistance, please contact the Agricultural Trade Office via email at atotaipei@fas.usda.gov.

- Other relevant GAIN reports:

  - Exporter Guide 2017

  - Food and Agricultural Import Regulations and Standards – Narrative

  - USDA GAIN