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Taiwan

Food Service - Hotel Restaurant Institutional

2016 Annual

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Report Highlights:
This report provides an overview of the Taiwan's foodservice industry and its various sub-sectors. The foodservice industry continued to expand with an economic contribution of NT$424 billion (US$12.82 billion) in 2015. Strong sales trends were also seen in the first three-quarters in 2016, despite a decline in tourism from mainland China.

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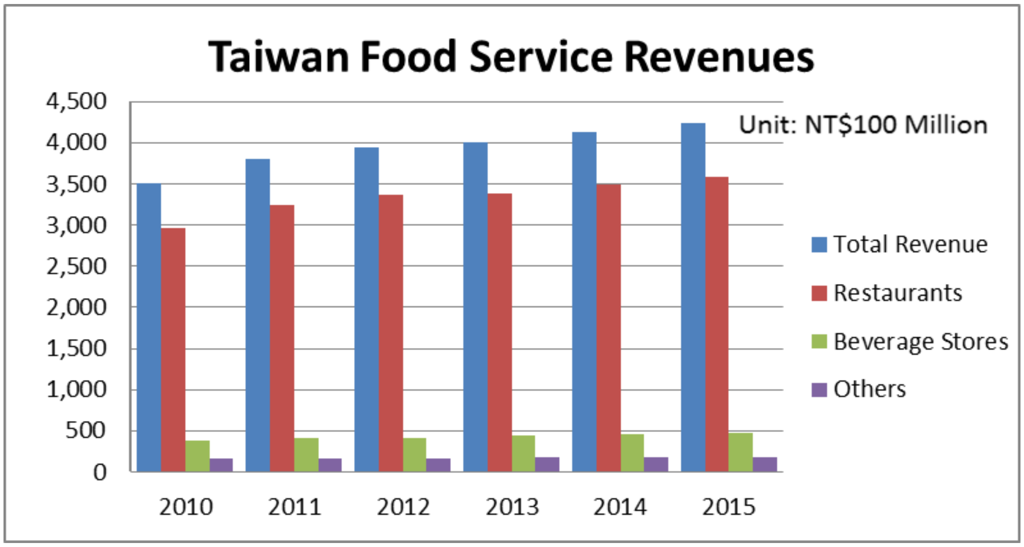
SECTION I. MARKET SUMMARY

According to the Ministry of Economic Affairs (MOEA), the economic output of Taiwan's food service sector, excluding institutional food service, is estimated at US$12.82 billion in 2015, a 2.7 percent increase from 2014. The increase in tourist arrivals helped drive foodservice revenue growth. Other factors such as the rise in consumer income, smaller family size, a growing number of working women, development of e-commerce, drive the food service sector.



Source: Ministry of Economic Affairs (MOEA)

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 everywhere. As food trends change, many of these cuisines, do not stay popular for long, and only a few types of cuisines become 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 these markets use a wide variety of food ingredients -- imported and locally produced. For example, french fries produced in the U.S. 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).

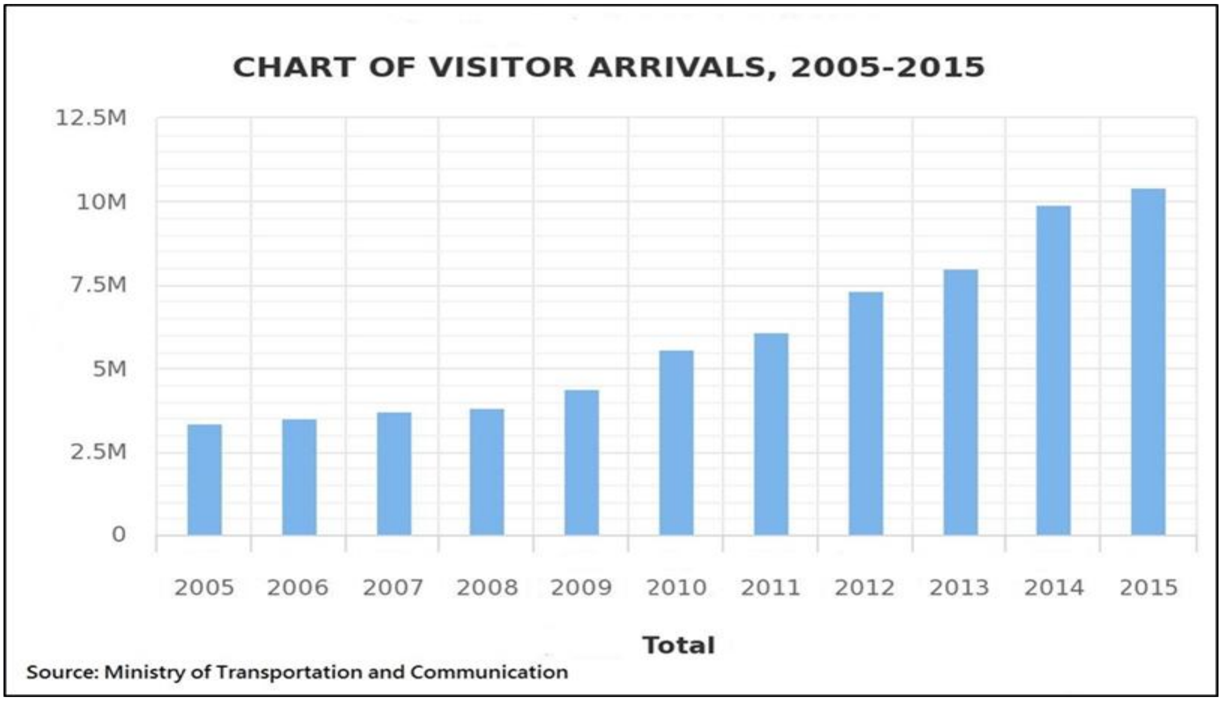
Discounted gift certificate and coupons sold online from sites such as Gomaji, and online reservation platforms such as EZTABLE, boosted restaurant exposure and sales over the past few years. Nearly 80 percent of restaurant operators responded, in an MOEA survey, that the pre-sold coupons helped to grow the business. Many independent restaurants have become popular overnight due to their products' wide exposure on these websites and events.

Online restaurant reservation service is a new business model that combines restaurant reservation and discount coupons. These service providers work with chain restaurants to provide good discounts to consumers when they make reservations via their websites or mobile apps. According to the largest online restaurant reservation service EZTABLE, over 800,000 people made restaurant reservations through its service each month (July 2016).

Tourism on the rise

The government's tourism policy was a savior for the foodservice sector facing a declining population. According to government statistics, the number of foreign arrivals increased significantly since 2005, more than threefold to over 10.4 million in 2015, including 7.5 million tourists. In 2015, cross-Strait air passenger traffic grew by 4.7 % to 11.82 million people year on year, reflecting larger numbers of visitors from China. The explosive growth of direct charter flights across the strait generated major profits for Taiwan's airline companies and airline catering businesses.

In 2015, Taiwan's foreign exchange earnings from tourism reached US$13.88 billion, up 3.4% from 2014. According to ATO Taipei estimates, based on a 2014 Tourism Bureau survey, food and beverage expenditures accounted for approximately 20% of foreign tourists' (non-business visitors) total spending, generating roughly US$2.8 billion in income for the local food industry.



Foodservice-Retail Marketing Alliance

With one store per 2,300 people, Taiwan has the highest density of convenience stores in the world. Foodservice companies work with convenience store chains to provide oven-prepared, microwavable meals, bakery products, and other processed food products via these retail channels' express delivery services.

Convenience Store Transformation

Convenience stores in Taiwan have become even more convenient than the past years. With 24-hour operations, when grocery and other retail stores are closed, consumers can get all kinds of services they need, including dining inside the stores. Starting approximately six years ago, 7-11 renovated some of its stores to provide seating places for its customers. Consumers in a hurry can sit down in the stores and enjoy microwaved meals and fresh brewed coffee.

This transformation helped 7-11 replace McDonald to become the largest licensed foodservice operation in Taiwan. According to 7-11, the company's income from "ready to eat" category, including lunch boxes, ice cream, and all kind of microwaveable foods, made up approximately 25% of its total revenue to reach over US$1 billion in 2015. As of December 2016, 7-11 has 5,073 stores in Taiwan, accounting for over 50% of market share. Other convenience store chains also duplicate the same model to stay competitive.

Advantages and Challenges for U.S. Exporters

Advantages	Challenges
Consumers are strongly attracted by novelty and fashion in food products and services.	High market fragmentation in food service sector makes it hard for U.S. exporters to achieve scale and scope advantages in terms of volume.
Consumers are getting familiar with and trust U.S. grading systems, e.g. beef grading standards.	U.S. exporters are sometimes reluctant to change product specifications to comply with Taiwan food service requirements and market demand factors.
Consumers are brand-conscious and America is a leader in food brands that set trends.	Low population growth may hinder foodservice growth.
A wide variety of U.S. chains or American-themed restaurants provide opportunities to sample "authentic" American cuisine and beverages.	Average transaction value in food service is low. Hence food service operations are often looking for cheaper replacements.
The popularity of American holidays and culture/lifestyle lead to promotional events organized around these themes by Taiwan restaurants and hotels throughout the year.	
Taiwan's population is highly educated, well-traveled and extremely aware of global foodservice brands.	
Taiwan enjoys higher purchasing power and a growing tourism sector.	
Increasing growth of fast food chains and casual dining restaurants is a key to industry growth.	

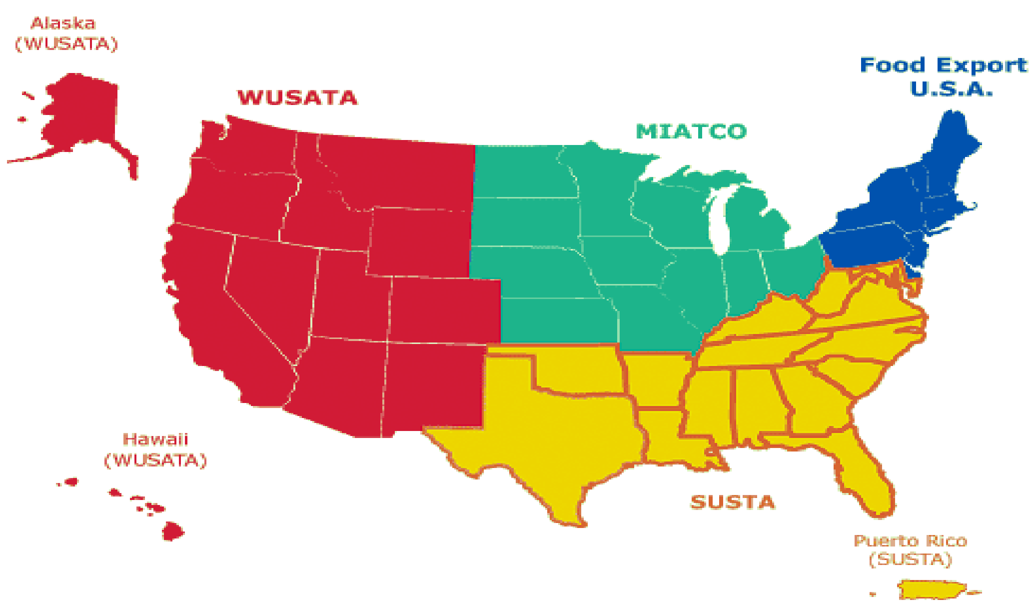
SECTION II. ROAD MAP FOR MARKET ENTRY

Due to the limited size of their operations, the majority of Taiwan's HRI companies do not import directly. Rather, they tend to place small but more frequent orders with local suppliers that can meet such needs. Consequently, U.S. companies should concentrate on establishing business relationships with reliable and efficient importers and distributors, who in turn, sell to HRI end users.

Price is still the primary concern for most HRI buyers while quality and packaging come into play if the price is agreeable. Very few HRI businesses operate on exclusive contracts with suppliers. As a result, most chain and independent restaurants change suppliers frequently, particularly if there is a price difference.

Small to medium size exporters should work with the appropriate U.S. State Regional Trade Groups (SRTG) to take advantage of the SRTG's resources for marketing and promotion support in major export markets. The four SRTGs are non-profit trade development organizations that help U.S. food producers, processors and exporters sell their products overseas. They are funded by USDA's Foreign Agricultural Service (FAS), individual state departments of agriculture, and private industry. The SRTGs provide export assistance to companies located in their geographic region through a variety of export programs and integrated marketing services. To learn more services available from the SRTGs, find the SRTG for your geographic region in the list below and visit the website.

- Western U.S. Agricultural Trade Association (WUSATA)
- Southern U.S. Trade Association (SUSTA)
- Food Export-Midwest (previously named MIATCO) (Food Export)
- Food Export-Northeast (Previously named Food Export USA) (Food Export)



Market Structure

The majority of HRI companies in Taiwan purchase most of their food products from importers, distributors, wholesalers, regional wholesale markets, wet markets, supermarkets, and hypermarkets.

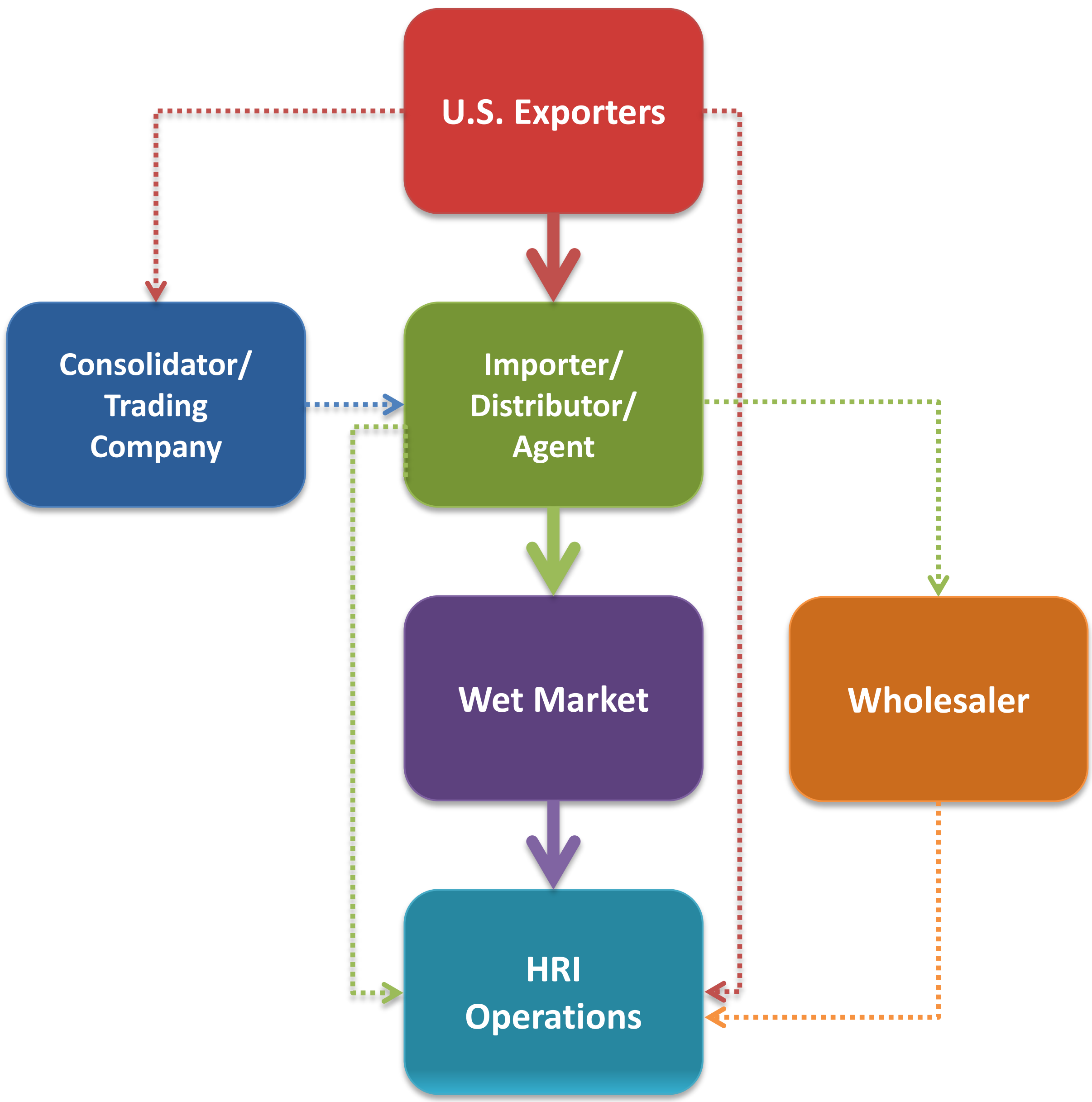
Imported fresh items such as produce, fish/seafood and beef, are usually purchased and delivered directly from importers or through distributors or wholealers. Institutional users buy most products from local distributors or import directly. A recent trend is that retail outlets such as Costco are frequented by many small foodservice/HRI operators to buy items in quantity at the lowest possible cost, thereby avoiding the hassle of trying to source small volumes via traditional import channels.

Food and beverage managers, and executive chefs,working in the major international hotels are the key persons who make purchasing decisions. The purchasing department procures various food ingredients based on the list that F&B section provides. Hotels, especially those that employ foreign chefs or offer authentic international cuisines, and other high-end family style restaurants typically use more imported items from importers or wholesalers/distributors.

Western and local fast food restaurant chains usually have their own distribution or they contract with an independent distribution center to purchase, partly process and deliver the daily needs to each outlet island-wide. Fast food chains also maintain their own R&D team or work in close collaboration with one or more contracted catering service(s) to develop and frequently renew menus to meet consumers' demand.

Medium-level family-style chain restaurants maintain a centralized purchasing department and a centralized kitchen as well. The centralized kitchen prepares meals, including bakery products, and delivers the foods to all outlets of the restaurant chain.

Taiwan HRI Distribution Channel Flow Diagram



Sub-Sector Profiles:

1. Hotels and Resorts

Socializing in hotel restaurants is common in Taiwan. As a result, hotel restaurants have become a significant dollar earner for Taiwan's international hotels, accounting for 44.5 percent of total operating income (Source: Tourism Bureau 2014 data).

People often entertain their business counterparts, friends, and relatives in restaurants, especially on special occasions such as weddings/engagements, birthdays, Mother's Day, "Honorary Banquets in Praise of Teachers," Lunar year-end parties hosted by company management, and Chinese New Year Eve Dinner. Food served at these occasions tends to be either Western-style buffets or Chinese-style food banquets. Also, holiday celebrations are becoming more and more commercialized, especially Western holidays such as Christmas, Thanksgiving, Independence Day (American Week Food Promotions), Oktoberfest and Valentine's Day. Taiwan's hotel restaurants use these occasions to aggressively promote set menus, offering excellent opportunities to promote American foods and beverages. U.S. companies with products used principally in the HRI sector should consider how to take advantage of these promotional opportunities by developing recipes, special menus or merchandise to help draw in the different group.

In addition to the general food service business, hotels have also focused in recent years on specific gift food packages for various festivals, such as moon cake gift packs for the Moon Festival, chocolate gift packs for Valentines' Day and turkey hampers for Thanksgiving and Christmas. The development of domestic courier services is also credited for the rapid growth of the gift-pack market.

Resorts in Taiwan, classified by areas of focus, fall primarily into the categories of hot spring towns, scenic areas, cultural sites, and amusements parks. With the completion of the freeway system connecting metropolitan Taipei and Taiwan's east coast, many real estate developers have built or are building high-end resorts in major hot spring towns and scenic spots in this area. Most of the resorts manage the food venues themselves and purchase primarily through importers and distributors.

Major 5-star Hotels, Resorts, and Spas in Taiwan			
Hotel Name	F & B Revenue (US$ million)	Location	Purchasing Agent
The Regent Taipei	$49.1	Taipei	Direct Importers

			Distributors
Sheraton Grande Taipei Hotel	$41.8	Taipei	Direct Importers Distributors
The Ambassador Hotel	$34.9	Taipei	Direct Importers Distributors
Grand Hyatt Taipei	$32.3	Taipei	Direct Importers Distributors
Le Meridien Taipei Hotel	$24.9	Taipei	Importers Distributors
Grand Hi-Lai Hotel	$24.5	Kaohsiung	Importers Distributors
The Westin Taipei	$24.4	Taipei	Importers Distributors
W Taipei	$23.8	Taipei	Direct Importers Distributors
Shangri-La's Far Eastern Plaza Hotel, Taipei	$22.2	Taipei	Direct Importers Distributors
Howard Plaza Hotel	$19.3	Taipei	Importers Distributors
Palais de Chine Hotel Taipei	$18.2	Taipei	Importers Distributors
The Grand Hotel	$17.7	Taipei	Importers Distributors
Brother Hotel	$16.4	Taipei	Importers Distributors
Sheraton Hsinchu Hotel	$15.2	Hsinchu	Direct Importers Distributors
The Ambassador Hotel Kaohsiung	$13.0	Kaohsiung	Importers Distributors
Cosmos Hotel Taipei	$12.5	Taipei	Importers Distributors
85 SKY TOWER HOTEL	$12.2	Kaohsiung	Importers Distributors
The Sherwood Hotel	$12.1	Taipei	Importers Distributors
San Want Hotel	$11.3	Taipei	Importers Distributors

Source: ATO Survey; Ministry of Transportation & Communications

1. Restaurants (Eating and Drinking Places)

Based on MOEA data, the 2015 restaurant/beverage store sub-sector revenue climbed to $12.8 billion, 2.7 percent over 2014. The total restaurant count is 124,124 units, up 5.8% from 2014, with restaurant chain stores holding steady. Gourmet Master (85°C Bakery Café), WowPrime (restaurant chains) and Uni-President Starbucks Coffee Company continue dominating the food service sector.

		Total Revenue (US$ Million)	%Change 2015/2014
2015	Total	12,825	2.7
	Restaurants	10,848	2.7
	Beverage Stores	1,430	3.1
	Others (food courts, office building restaurants, etc.)	546	1.1

Source: Ministry of Economic Affairs

Family Style/Casual Dining Restaurants

The majority of restaurants in Taiwan are casual dining places. As most of the restaurants in this category are small businesses, they purchase materials mainly from wholesalers and wet market. Only larger chains/franchises tend to buy products from importers or import directly.

Company Name	Sales ($Mil/year)	Outlet Name, type, Number of Outlet (Taiwan only)	Location	Purchasing Agents
WowPrime Corp.	511.6 (2014)	Wang Steak (steakhouse) (14)	National	Direct Importers
		Tasty (family style) (45)	National	Direct Importers
		Tokiya (family style) (33)	National	Direct Importers
		Yuanshao (Japanese BBQ) (23)	National	Direct Importers
		Giguo (Hot Pot) (28)	National	Direct Importers
		Ikki (Japanese family style) (14)	National	Direct Importers
		Chamonix (Teppenyaki) (15)	National	Direct Importers
		Pintian Farm (family style) (27)	National	Direct Importers
		12 Sabu (hot pot) (49)	National	Direct Importers
		Su Food (organic/healthy food) (12)	National	Direct Importers
Ding Tai Fung	NA	Ding Tai Feng (Chinese) (10)	North/Central	Importers Distributors

The Bayshore Pacific Group	NA	T.G.I. Friday's (American style) (14)	National	Director Importers Distributors
	NA	Texas Roadhouse (American style) (2)	North	Director Importers Distributors
	NA	Dan Ryan’s (1)	North	Importers Distributors
Hasmore Ltd. Co.	NA	Swensen's (American style) (3)	National	Director Importers Distributors
		Ruth's Chris (steakhouse) (4)	National	
		Nagi (Japanese noodles) (5)	National	
		Chili's (American style) (6)	National	
		Nihonryori Ryugin (Japanese) (1)	Taipei	
		Pâtisserie Sadaharu Aoki Paris (bakery/cafe) (2)	Taipei	
		Raw (Fusion) (1)	Taipei	
Sushi Express CO., Ltd.	NA	Sushi Express (Japanese/Sushi) (145)	National	Importers Distributors
		Sushi Take-out (Japanese /Sushi) (21)	North	Importers Distributors
		Dingshi 8 (family style) (61)	North	Importers Distributors
Yoshinoya	NA	Yoshinoya (Japanese beef rice/fast food) (51)	National	Direct Importers Distributors
HuMax Taiwan Co, Ltd.	NA	Mo Mo Paradise (Japanese)(19)	National	Direct Importers Distributors
		Bellini Pasta Pasta (7)	North	Importers Distributors
		Bellini Caffe (Italian) (2)	North	Importers Distributors
Cashcity Foodservice Co., Ltd.	NA	Cashcity Shabu Shabu (Japanese) (143)	National	Direct Importers Distributors

Noble Family Co., Ltd	NA	Noble Family Steakhouse, (steakhouse) (86)	National	Direct Importers
Shuh Sen Co., Ltd.	NA	My Home Steak (Steakhouse) (49)	National	Direct Importers Distributors
TTFB Company Limited	87.9 (2014)	Thai Town Cuisine (Thai Food) (54)	National	Direct Importers Distributors
		Very Thai (Thai Food) (6)	North/South	Direct Importers Distributors
		1010 Shang (Chinese) (15)	National	Direct Importers Distributors
		Very Thai Noodles (14)	National	Direct Importers Distributors

Breakfast shops

There are over 12,000 breakfast shops in Taiwan. Most of them provide western foods such as hamburgers, sandwiches, milk tea, and coffee. These breakfast chains and franchises are more like miniatures of western fast food restaurants, but they sell foods at lower prices and with more offerings. As they provide fast service and cheaper foods, they are the first choice for the majority of consumers buying breakfast on a limited budget. In recent years, the breakfast shops have faced strong competition over 10,000 24-hour convenience stores, most of which feature healthier and fresher food selections. While the convenience stores also offer freshly-brewed coffee, many local breakfast stores also intend to offer freshly made tea and coffee to provide more options for consumers.

Company Name	Sales ($Mil)/Year	Outlet Name, type, Number of Outlet (Taiwan only)	Location	Purchasing Agents
Hong Ya International Enterprise Co. Ltd.	NA	Hong Ya Burger (810)	National	Direct Importers Distributors
Sun Spark Group	NA	Laya Burger (560)	National	Direct Importers Distributors
Super-Mill Group Co. Ltd	NA	My Warm Day (1017)	National	Direct Importers Distributors
Ju-Lin Food Enterprise Co., Ltd.	NA	Ju-Lin Mei-Er-Mei (1000)	National	Direct Importers Distributors

Good Morning Beauty Castle Enterprise Co., Ltd.	NA	Good Morning Beauty Castle (1,004)	National	Direct Importers Distributors
Chiao Pei International Co., Ltd.	NA	Eastern Beauty (310)	National	Direct Importers Distributors
Mei & Mei Foodservice Chain Group	NA	Mei & Mei (2,500)	National	Direct Importers Distributors

Source: ATO Survey; Taiwan Chain and Franchise Annual Report

Fast Food

McDonald's, which opened its first outlet in 1984, remains the largest fast food chain in Taiwan with 414 stores (as of April 2015) island-wide. Competition among fast-food restaurants is becoming more intense since Japan-based MOS Burger started its more aggressive expansion in foreign markets. MOS became the second largest fast food chain with over 250 outlets, as of May 2015. Facing growing competition, McDonald's announced in June 2015 that the company was aiming to franchise all its Taiwan stores. Franchisees are more familiar with the local market trends and consumer preferences, franchising all the stores may help McDonald's in expanding its sales according to food service observers.

Company Name	Sales ($Mil)/Year	Outlet Name, type, Number of Outlet (Taiwan only)	Location	Purchasing Agents
McDonald's Restaurants (Taiwan) Co., Ltd.	NA	McDonald's (fast food) (404)	National	Direct Importers Distributors
Burger King	NA	Burger King (fast food) (21)	National	Direct Importers Distributors
Subway Taiwan Development	NA	Subway (Western) (133)	National	Direct Importers Distributors
Pizzavest Co., Ltd. (Regent Group)	NA	Dominos Pizza (pizza) (128)	National	Direct Importers Distributors
Mercuries & Associates, Ltd.	NA	Napoli Pizza (fast food/pizza) (90)	National	Direct Importers Distributors

An-Shin Food Service Co., Ltd.	128.62 (2014)	MOS Burger (fast food) (236)	National	Direct Importers Distributors
Jardin Food Services (Taiwan) Co., Ltd.	NA	Kentucky Fried Chicken (fast food) (129)	National	Direct Importers Distributors
	NA	Pizza Hut (Pizza) (201)	National	Direct Importers Distributors

Source: ATO Survey; Taiwan Chain and Franchise Annual Report

Chinese-style Fast Food

Since the entry barrier for Chinese-style fast food chains and franchises is low, they have sprung up all over Taiwan in the past decade. They have gained popularity with all ages of consumers, specializing in dumplings, meatballs and sour-spicy soups, beef noodles and Chinese stews. Greater competition among these fast food chains, combined with new competition from convenience stores, which expanded into prepared meal service, led to increased pressure on profit margins in this segment.

Low labor costs and the fact that many chains have the ability to provide standardized products have made the outlet numbers of these chains grow faster than Western fast food restaurants in recent years. Though the expansion of Chinese-style fast food restaurants has slowed, they are still the primary competitors for Western-style fast food chains.

Company Name	Sales ($Mil)/Year	Outlet Name, type, Number of Outlet (Taiwan only)	Location	Purchasing Agents
Eight Way Food Co., Ltd.	NA	8 Way Dumplings (Chinese/fast food) (746)	National	Importers Distributors
Ji-Shang Industry Co., Ltd.	NA	Wu Tao (Chinese) (218)	National	Importers Distributors
Mercuries & Associates, Ltd.	NA	Mercuries Food Chain (Chinese/fast food) (150)	National	Importers Distributors

Source: ATO Survey; Taiwan Chain and Franchise Annual Report

Department Store Food Courts & Restaurants

Typically, major department stores in Taiwan have several sit-down restaurants, as well as a full or at least part of a floor devoted to a food court. Revenues from restaurants and food courts represent around 30% of the total department store revenue. Shin Kong Mitsukoshi, Far Eastern Department Store, and Sogo Department Store (merged and managed by Far Eastern Group) are the major players. These food courts are favored by small restaurant operations which intend to get fast and efficient exposures.

Coffee Shop Chains

Coffee consumption has seen rapid growth in recent years. The market size is currently estimated at over US$2 billion. Coffee import, including raw and roasted coffee, is more than doubled in volume since 2005 and has a notably 20% increase in 2015 reaching 28,591 mt.

Partner Country	**2,013**		**2,014**		**2,015**	
	USD	**Quantity(mt)**	**USD**	**Quantity(mt)**	**USD**	**Quantity(mt)**
World	101,298,061	21,800	118,113,490	23,774	148,905,031	28,591
Indonesia	16,973,382	5,225	21,235,421	5,745	22,722,334	6,327
United States	18,887,028	1,563	15,880,224	1,425	21,672,466	1,689
Brazil	15,359,727	4,614	15,529,595	4,489	18,852,683	5,014
Colombia	5,168,348	1,218	7,870,069	1,745	12,088,997	2,752
Guatemala	7,116,977	1,741	9,388,844	2,045	10,961,899	2,306
Malaysia	3,499,801	396	5,840,864	702	9,605,091	1,093
Japan	2,411,757	146	2,637,524	163	8,416,011	928
Nicaragua	2,061,677	560	5,795,126	1,319	7,216,090	1,721
Ethiopia	3,502,846	810	6,601,091	1,162	7,134,103	1,285
Italy	4,389,960	376	4,573,793	355	5,258,601	395

Source: Global Trade Atlas

Current annual per capita coffee consumption in Taiwan is 120-130 cups according to industry estimates. The market is still relatively underdeveloped compared to consumption in western countries (300-400 cups) or even in the neighboring countries such as Japan and Korea (200-300 cups), so there is room for further expansion.

Competition in the coffee market segment intensified after chain convenience stores entered the game by offering freshly-brewed coffee. Younger generations, especially white-collar workers, are the major consumers of freshly brewed coffee.

Most coffee shops also provide sandwiches, salads, cakes and pastries prepared by catering companies or other food processors. Some domestic and Japanese style coffee shops also offer freshly made sandwiches and hot meals, which are shipped frozen from their food processors for reheating at the outlets. Many coffee chains import coffee beans directly but purchase other food materials from importers, wholesalers, and distributors. The significant growth of the coffee shop segment in recent years has created a niche market for imported candy/chocolate and cookie products. Many coffee shops not only sell coffee and light meals but also sell candy/chocolate/cookie products with small and attractive packaging.

Latte (espresso with steamed milk) and Americano (adding water to espresso) are the most popular orders in coffee shops. Iced coffee and other seasonal offers are also moneymakers for many stores. The growing demand for cafe latte has also stimulated demand for fresh milk.

Starting its first store in 2009, Cama Café, a coffee chain featuring freshly roasted beans, created a new trend in Taiwan's coffee industry. With average store size of 260 square feet, only one-fifth of Starbucks, the coffee chain successfully overtook almost all coffee chains in terms of profit per unit. As of April 2016, Cama Café has 94 shops island-wide.

Company Name	Sales ($Mil)/Year	Outlet Name, type, Number of Outlet (Taiwan only)	Location	Purchasing Agents
Gourmet Master Co., Ltd.	541.97 (2014)	85°C Bakery Café (coffee) (365)	National	Direct Importers Distributors
Uni-President Starbucks Coffee Company	232.51 (2014)	Starbucks (coffee) (364)	National	Direct Importers Distributors
Dante Coffee and Foods Co., Ltd.	NA	Dante (coffee) (115)	National	Direct Importers Distributors
ECoffee Co., Ltd.	NA	ecoffee (coffee) (102)	National	Direct Importers Distributors
Mr. Brown Coffee Shop	$31.24 (2014)	Mr. Brown Coffee (coffee) (53)	North	Direct Importers Distributors
Barista	NA	Barista Coffee (coffee) (34)	National	Direct Importers Distributors
Ikari Coffee Co., Ltd.	NA	Ikari (coffee) (60)	North/Central/East	Direct Importers Distributors
Cama Co., Ltd.	NA	Cama (coffee) (94)	National	Direct Importers Distributors
Louisa Coffee Co., Ltd.	NA	Louisa Coffee (coffee) (192)	National	Direct Importers Distributors

Source: ATO Survey; Taiwan Chain and Franchise Annual Report

Soft Drink Bars

Soft drink bars are seen on every corner of Taiwan's streets. This type of soft drink shop developed rapidly after "bubble tea" gained popularity in the 1980s. "Pearl Milk Tea," which contains small chewy balls made of tapioca starch, is the signature drink and the most popular order in many of the soft drink bars.

In addition to Pearl Milk Tea, there are many other variants of soft drinks. Most of them are tea or fruit-based ice-blended and smoothie versions. Fresh fruits, syrups, pulp, black and green tea, instant coffee, concentrated fruit juice, creamer, and milk, which are purchased mostly from importers and distributors, are the basic materials used in these shops.

Company Name	Sales ($Mil)/Year	Outlet Name, type, Number of Outlet (Taiwan only)	Location	Purchasing Agents
TenRen Group (Ten Ren Co., Ltd.)	NA	Cha For Tea (Tea) (77: Tea Restaurant-11; Tea Bar-65)	National	Direct Importers Distributors
Chun Shui Tang Cultural tea house	NA	Chun Shui Tang (Tea Restaurant) (42) Tea pa tea (Tea Bar) (249)	National	Direct Importers Distributors
Tea Professional Intl Chian Group	NA	Tea Professional (Tea Bar) (160)	National	Direct Importers Distributors
Chuan Yi Tung Business Co. Ltd.	NA	Ching Shin Fu Chuan (Tea Bar) (930)	National	Direct Importers Distributors
OCOCO International Co.	NA	CoCo (Tea Bar) (320)	North/Central/South	Direct Importers Distributors
COMEBUY International Co.,Ltd	NA	COMEBUY (Tea Bar) (108)	National	Direct Importers Distributors
Presotea Co., Ltd.	NA	Presotea (Tea Bar) (274)	National	Direct Importers Distributors
Shen-Geng Tea Co., Ltd.	NA	50 Lan (Tea Bar) (516)	National	Direct Importers Distributors
Da Yung's Tea Co., Ltd.	NA	Da Yung's Tea (220)	National	Direct Importers Distributors

Source: ATO Survey; Taiwan Chain and Franchise Annual Report

3. Institutional

With air traffic between Taiwan and mainland China increasing significantly, the air catering sector's future is promising. School and military catering is stable but might face more challenges in the future due to decreasing student numbers resulting from low birth rates and Taiwan's policy of drawing down its military force. On the other hand, healthcare services are powering the growth of the hospital restaurants and the cafeterias business by offering more varieties and more individualized, nutritious, and healthier meals.

Airline Catering

Currently, Evergreen Sky Catering Corporation, China Pacific Catering Service, and the Kaohsiung Airport Catering Services dominate the local air catering market. Because of strong competition within this sector, these companies are aggressively expanding their catering business to include local convenience stores, restaurants, coffee shops, schools, and hospitals. These airline flight kitchens purchase food ingredients mostly from local importers, manufacturers, and wholesalers, but also import meat and poultry directly. The industry is widely expected to record continued growth over the next few years.

Company Name	Sales ($Mil)/Year	Outlet Name, type, Number of Outlet (Taiwan only)	Location	Purchasing Agents
Evergreen Sky Catering Corporation	$75.62 (2014)	Evergreen Sky Catering Corporation	North	Direct Importer Distributor
China Pacific Catering Service	$71.05 (2014)	China Pacific Catering Service	North	Direct Importer Distributor
Kaohsiung Airport Catering Services	$44.19 (2014)	Kaohsiung Airport Catering Services	South	Importer Distributor

Source: ATO Survey; Taiwan Chain and Franchise Annual Report

Schools

As of January 2015, there are 462,115 pre-school and kindergarten children, 1,214,336 elementary and 747,720 junior high school students in Taiwan. According to the Ministry of Education, all kindergartens, elementary and junior high schools operate lunch meal programs. Over 90 percent of students eat meals provided by school kitchens or school lunch program contractors, which means that over 2.4 million students in Taiwan eat at school. The budget for a meal is about NT$40-50 (US$1.2~1.5) per child. Rice or noodles is the foundation of the meals. In terms of animal proteins, due mainly to cost concerns, beef is not used as much as pork and chicken. Leafy and root vegetables and fresh fruits are preferred.

Food and food ingredients suppliers of the public-school lunch programs are requested to prioritize (not mandatory), to provide locally produced food products with Chinese Agricultural Standards (CAS) certifications. U.S. poultry and potatoes are often seen in Taiwan’s school lunch meals.

In December 2015, the Taiwan Legislature passed amendments to the School Health Act to stamp out raw genetically modified food ingredients as well as processed food containing GMOs (e.g. tofu and soy milk made of GM soy products). The Ministry of Education said that when the new requirements take effect, expected to be February 2016 at the earliest, the cost of school meals could increase by NT$5 (US$0.15) each.

SECTION III Competition

In 2015, Taiwan imported US$11.52 billion of food (including fish and seafood) products from many different sources, of which US$3.41 billion (29.59%) was imported from the United States. The United States was the number one food supplier to Taiwan, followed by Brazil, New Zealand, Australia, and Thailand. Brazil is the United States largest competitor in terms of bulk products. New Zealand ranked as the top supplier of dairy products, beef, mutton, and kiwi. Australia is the second largest supplier of beef and largest supplier of lamb. Thailand was Taiwan's largest supplier of starches and sugar/sucrose products.

The United States maintains its position as a substantial supplier of the following products used largely by food service operations:

Taiwan Agricultural Products Import Statistics

Product Category	Total Import Value 2015 (US $Mil)	Major Supply Sources and Market Share	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Meat & Poultry				
Beef and beef offal	696.2	**1. USA - 47.27%** 2. Australia - 27.01% 3. N. Zealand - 20.13%	USA is traditionally the largest chilled and high-end beef products supplier while Australia and New Zealand dominate the market for cheaper beef cuts.	Taiwan's beef production only accounts for approximately 5% of total beef consumed on the island.
Pork and pork variety meat	212.8	1. Canada - 31.47% 2. Denmark - 19.49% **3. USA - 14.61%** 4. Spain - 12.38% 5. Netherlands - 9.56%	Imports have occurred in response to short supplies and high local pork prices. U.S. exports slumped due to the feed additive - ractopamine disputes. Spanish Iberian pork is getting popular in high-end restaurants.	Local pork dominates the market.

Poultry	181.0	**1. USA - 90.45%** 2. Canada - 9.00%	Taiwan consumer's preference for dark meat provides opportunities for western countries. USA products are generally price competitive.	Local chicken dominates the market.
Fish & Seafood				
Rock Lobster and Other Sea Crawfish, Frozen	25.6	1. Cuba – 23.47% **2. USA – 22.48%**	Cuba is the largest suppliers of frozen lobsters, followed by the U.S. and Nicaragua.	Lobsters are not often seen along Taiwan's coastlines.
Lobster, other than Frozen	11.6	**1. USA – 54.41%** 2. Canada – 45.54%	USA and Canada are the major suppliers of live, fresh and chilled lobsters.	Lobsters are not often seen along Taiwan's coastlines.
Dairy Products				
Cheese and Curd	131.7	**1. USA – 27.72** 2. N. Zealand - 26.37% 3. Australia – 11.67% 4. Argentina - 7.89%	The USA is becoming more competitive in cheese supply to Taiwan and replaced New Zealand to become the largest supplier in terms of value.	Local production is limited.
Fresh Vegetable				
Broccoli and headed cauliflower, fresh or chilled	11.2	**1. USA - 72.82%** 2. Vietnam - 24.71%	USA is the major supplier of imported broccoli and cauliflowers. Vietnam's exports grew 276% in 2015.	Local products dominate the market.
Onions, fresh or chilled	21.6	**1. USA - 67.28%** 2. New Zealand - 11.56% 3. Japan – 10.74%	USA is the major supplier of imported onions.	Local production fulfills around half of demand.
Lettuce and Chicory, fresh or chilled	13.6	**1. USA - 91.74%**	USA supplies good quality products with competitive prices.	Local products are different varieties and generally of lower quality.

Potatoes, fresh	7.0	**1. USA - 90.82%** 2. Australia - 9.18%	USA is the major supplier of imported potato products, providing many varieties with good quality and competitive pricing.	Local products dominate the market and are of different varieties.
Alcohol and Other Beverages				
Wines, wine and sparkling wine	155.0	1. France - 52.86% **2. USA - 9.20%** 3. Italy - 8.09% 4. Chile - 7.77% 5. Australia - 6.87% 6. Spain - 6.19%	France dominates the market, but new world countries are gaining traction due to competitive pricing. U.S. is the sixth largest supplier by volume in 2015.	Local companies are not yet able to produce quality wine.
Beer	172.6	1. Netherlands - 59.54% 2. China - 17.69% 3. Japan - 5.50% **4. USA - 5.08%**	The Netherlands and China are aggressive suppliers with many promotions in restaurants and bars.	Local beer brands are most popular.
Other products				
Coffee, roasted, not decaf	48.5	**1. USA - 42.98%** 2. Malaysia - 19.78% 3. Japan - 17.32%	USA is the largest supplier of roasted coffee while Indonesia, Brazil, and other tropical countries supply most of the non-roasted coffee beans.	There is little local production available.

Source: ATO survey; Council of Agriculture; Global Trade Atlas

SECTION IV. BEST PRODUCT PROSPECTS

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

Product Category	2015 Import Market	2015 Imports (US$	5-Yr. Avg. Annual	Import Tariff Rate	Key Constraints Over Market	Market Attractiveness for USA

	size	Mil)	Import Growth		Development	
Beef and beef variety meat	102,956 MT	$715.1	10% in terms of value	Beef: NT$10 per kg; Beef variety meat: 15%	The U.S. was the largest beef supplier in 2015. Primary competitors are Australia and New Zealand with perceived acceptable quality at lower price.	The U.S. beef industry can supply large volumes of “Asian cuts” at prices competitive with Australia and New Zealand suppliers. Taiwan consumers recognize the quality of U.S. chilled beef.
Cheese	29,264 MT	$131.7	8.5% in terms of volume	5%	The USA is becoming more competitive in cheese supply to Taiwan and replaced New Zealand to become the largest supplier in terms of value in 2012. Home cooking applications are not yet popular.	U.S. market share is increasing, reflecting growing acceptance of U.S. cheese. Cheese demand in Taiwan continues to grow due in large part to the promotion of new bakery goods utilizing various cheese varieties. The most popular and fastest growing cheese varieties are cream cheese and mozzarella.
Poultry Meat	182,616MT	$181.0	11.6%	20%	Import quotas on poultry meat were eliminated in	U.S. dominates more than 80% of import poultry market.

					2005, but special safe guard (SSG) raises the tariff to about 26.6%.	Taiwan consumers prefer dark meat over breast meat, so the top import items are poultry legs, thighs, and some wings. Significant opportunities exist, in particular for those producers who can address importer needs regarding cut and packaging specifications.

Source: Taiwan Bureau of Foreign Trade; Taiwan Council of Agriculture

Section V. POST CONTACT AND FURTHER INFORMATION

Contact information for or market development assistance:

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Other Relevant Reports

Reports on the Taiwan food and agricultural market are available on the FAS website. The search engine can be found at http://gain.fas.usda.gov/Pages/Default.aspx

Taipei Team Wins Best Soup at the Grand Finale of the United Tastes |Market Promotion/Competition|Taipei|Taiwan|6/6/2016
Taipei Team Wins Best Soup at the Grand Finale of the United Tastes _Taipei_Taiwan_5-19-2016

Amending Regulations Could Increase US Wine Exports|Wine|Taipei ATO|Taiwan|1/7/2016
Amending Regulations Could Increase US Wine Exports_Taipei ATO_Taiwan_1-4-2016

School Health Act Amendment Encouraging Non-GE Soybean Imports |Biotechnology - GE Plants and Animals Oilseeds and Products|Taipei|Taiwan|1/6/2016
School Health Act Amendment Encouraging Non-GE Soybean Imports _Taipei_Taiwan_12-18-2015

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