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Report Name: Food Service - Hotel Restaurant Institutional

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Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

Delivery services are having a profound impact on the foodservice industry by increasing overall revenue but not benefiting net profits. Most of the hotel restaurant institutional (HRI) sector's growth is in the fast-food, coffee shop, and casual-dining segments, while foreign tourists' food expenditures continue to be an income generator for Taiwan's overall gross domestic product.

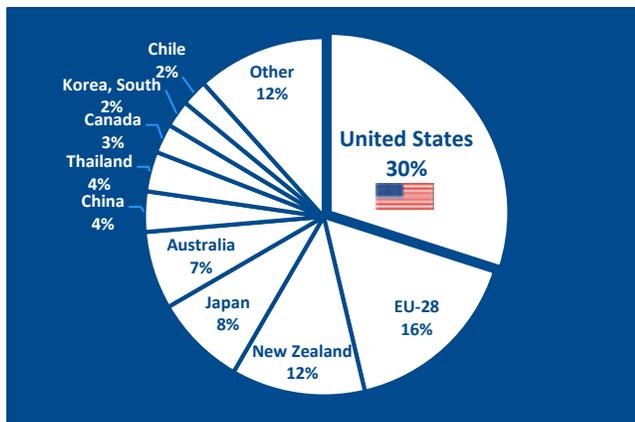
Market Fact Sheet: Taiwan

Executive Summary

Though it only has a population of 23.5 million, Taiwan is the United States' eight largest trading partner in agricultural goods and eleventh largest U.S. trading partner. In 2018, Taiwan imported \$4.18 billion of food and agricultural commodities from the United States, which is 36 percent of the total import market share and makes the United States the leading foreign supplier.

Imports of Consumer-Oriented Products

In 2018, Taiwan imported consumer-oriented agricultural products worth nearly \$6.2 billion. The United States leads with 30 percent of the market share.



Food Processing Industry

The approximately 6,000 food processing companies employ 135,000 people, together producing an estimated \$17.9 billion of processed food and drinks, accounting for 3.6 percent of Taiwan's gross domestic product (GDP) in 2018. The top five largest subsectors by value were: animal feed, non-alcohol beverages, edible fat & oil, chill/frozen/processed meat, and dairy, respectively representing 13 percent, eight percent, seven percent, seven percent, and six percent of food processing industry's total production value.

Food Retail Industry

Taiwan's retail sector topped \$42.7 billion in 2018, a new record high, up 4.1 percent from 2017. The retail food sector is dominated by chain operators like Costco, 7-Eleven, PX Mart, Carrefour, and Wellcome. The density of Taiwan's 10,619 convenience stores is the highest in the world, around one convenience store for every 2,304 local residents¹. For more information, consult the [GAIN Retail Foods Report](#).

Quick Facts CY 2018

Imports of Consumer-Oriented Products (USD)

\$6.2 billion

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

- 1) Strawberries (Prepared or Preserved)
- 2) Figs (Fresh or Dried)
- 3) Cocoa Paste (Not Defatted)
- 4) Wine (Grape Must)
- 5) Offal of Bovine Animals
- 6) Meat of Sheep
- 7) Casein
- 8) Sago Pitch (Roots & Tubers)
- 9) Yogurt
- 10) Animal (Not Fish) Guts, Bladders, Stomachs & Parts

Food Industry by Channel (USD billion) 2018

Food Industry Output	\$17.9
Food Exports	\$3.3
Food Imports	\$8.4
Retail	\$42.7
Food Service	\$15.8

GDP/Population

Population (millions): 23.5
 GDP (billions USD): \$573
 GDP per capita (USD): \$23,782
 2018 Economic Growth Rate (estimate): 2.24%

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

SWOT Analysis

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

Exchange rate:

1 USD = 30.0 New Taiwan Dollar

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¹ Data: 2018, Ministry of Economic Affairs

I. MARKET SUMMARY

According to the Ministry of Economic Affairs (MOEA), the economic output of Taiwan's foodservice sector (excluding institutional food service) was estimated at \$25.3 billion in 2018¹, a 5.4 percent increase from 2017. The foodservice sector has enjoyed stable growth over the past decade with tourism development cited as a primary driver. Other factors such as the rise of consumer income, smaller family sizes, a growing number of working women, and the growth of e-commerce have helped the foodservice sector grow.

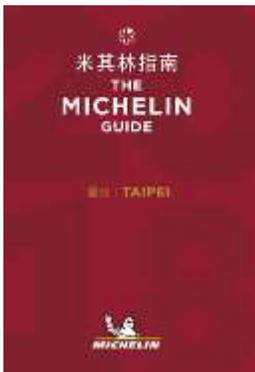
Unit: Millions USD

Taiwan Foodservice Revenue



¹MOEA modified its foodservice survey pool in 2019 to include stores traditionally categorized in other business sectors, resulting in a massive increase in overall foodservice revenue.

Food is one of Taiwan's top strengths as a tourist destination, whether the tourists opt for night market snacks or fine dining. Night markets with hundreds of food options are common island-wide and remain the favorite destinations for foreign tourists. However, Michelin also published the first-ever guide to fine-dining starring selections in Taipei in 2018, a testimony of the island's soft power development.



Michelin published the first Red Guide for Taiwan in March 2018, handing out stars to 20 mid- to high-end restaurants in Taipei. The publication of the Michelin Guide will not only trigger even more fierce competition among the fine-dining food service operations but may also encourage Michelin star restaurants from other markets to open their businesses in Taiwan.

The 2020 edition of the Michelin Guide will include Taichung, a city known for its diverse culinary culture.

Advantages and Challenges for U.S. Exporters

Advantages	Challenges
<p>U.S. food products enjoy an excellent reputation among consumers.</p> <p>USDA Cooperators organize promotional programs in restaurants and hotels regularly to increase consumer awareness.</p> <p>The popularity of American holidays and culture/lifestyle lead to promotional events organized around these themes by restaurants and hotels throughout the year.</p> <p>Consumers are brand-conscious, and America is a leader in food brands that set trends.</p> <p>The increasing growth of fast food chains and casual dining restaurants provide more opportunities for western-style food.</p>	<p>U.S. food products are not always price competitive in the Taiwan market.</p> <p>Taiwan is the United States' 8th largest market for agricultural exports but often overlooked by U.S. suppliers eager to export directly to China.</p> <p>U.S. exporters are sometimes reluctant to change product specifications to comply with Taiwan requirements/consumer preferences.</p> <p>Consumers maintain a preference for “fresh” food products over “frozen.”</p> <p>Competitors have free trade agreements with Taiwan.</p>

SECTION II. ROAD MAP FOR MARKET ENTRY

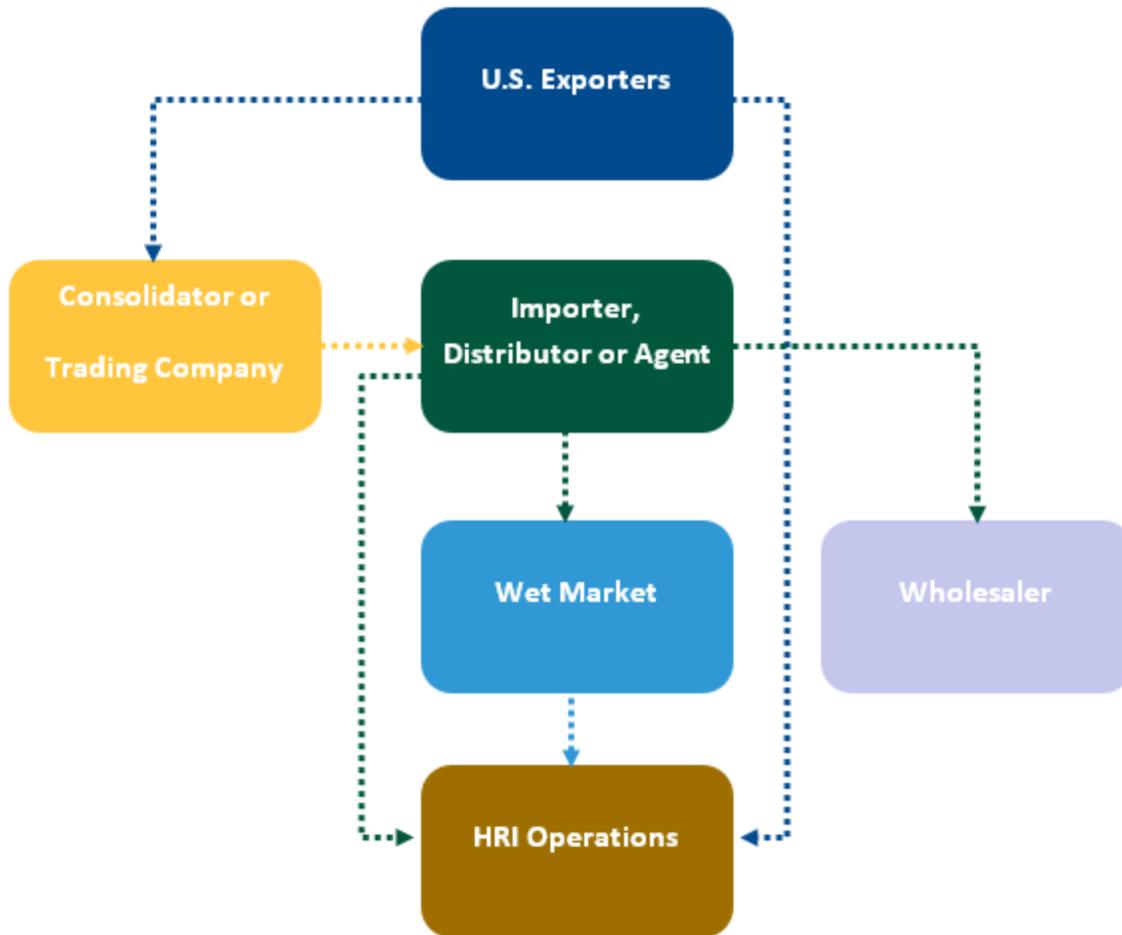
A. Entry Strategy

Food and beverage (F&B) managers and executive chefs working in major international hotels are the key persons who make purchasing decisions. Purchasing departments procure various food ingredients based on the list that the 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 items from importers or wholesalers/distributors.

Western and local fast food restaurant chains usually either have their own distribution channels, or they contract with an independent distribution center to purchase, process, and deliver the daily needs to each outlet island wide. Fast food chains also maintain their own research and development teams, 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.

HRI Distribution Channel Flow Diagram



B. Market Structure

The majority of HRI companies purchase most of their food products from importers, distributors, wholesalers, regional wholesale markets, wet markets, and hypermarkets. Imported fresh items, such as produce, fish/seafood, and beef, are usually purchased and delivered directly from importers or through distributors or wholesalers. Institutional users buy most products from local distributors or import directly. Consequently, U.S. companies should concentrate their efforts on establishing business relationships with reliable and efficient importers and distributors, who, in turn, sell to HRI end users.

A recent trend is that retail outlets such as Costco are frequented by many small foodservice/HRI operators who buy items in bulk at the lowest possible cost, thereby avoiding the need to source from multiple importers.

C. Sub-Sector Profiles:

1. Hotels

Socializing in hotel restaurants is common in Taiwan. As a result, hotel restaurants have become a significant source of revenue. Food served on these occasions tends to be either Western-style buffets or Chinese-style food banquets. Also, holiday celebrations are becoming commercialized, especially Western holidays such as Christmas, Thanksgiving, Independence Day (American Week Food Promotions), Halloween, Oktoberfest, and Valentine's Day. Taiwan's hotel restaurants use these occasions to promote set menus, offering excellent opportunities for U.S. foods and beverages. In addition to the general foodservice 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.

Top 5-star Hotels by Foodservice Revenue

Hotel Name	Location
The Regent Taipei	Taipei
Sheraton Grand Taipei Hotel	Taipei
Grand Hyatt Taipei	Taipei
The Ambassador Hotel	Taipei

Source: ATO Survey; Ministry of Transportation and Communications

2. Restaurants

Most 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 markets. Only larger chains/franchises tend to buy products from importers or import directly.

Company Name	Outlet Name, Type, Number of Outlets	Location
WowPrime Corp.	A local food service company operates 416 family-style restaurants (as of Dec. 2019) under 19 brands in Taiwan and Mainland China.	Taiwan, Mainland
TTFB Company Limited	A local restaurant chain operates family-style Thai and Chinese food restaurants under six brands.	Island-wide
McDonald's	The largest western fast-food chain with 398 stores (as of March 2019) in Taiwan.	Island-wide
Gourmet Master Co., Ltd.	85°C Bakery Café: a local food service with more than 1,049 stores worldwide (447 in Taiwan, as of December 2019).	Worldwide
Starbucks Coffee	Starbucks: 454 stores as of March 2019.	Island-wide

Source: ATO Survey

3. Institutional

Airline Catering

Evergreen Sky Catering Corporation, China Pacific Catering Service, TransAsia Catering Services, Ltd., and the Kaohsiung Airport Catering Services dominate the local air catering market. Because of the intense competition between them, the companies are aggressively expanding their catering business to include local convenience stores, restaurants, coffee shops, schools, and hospitals. The companies mostly purchase ingredients from local importers, manufacturers, and wholesalers. However, they will import meat and poultry directly.

Company Name	Location
<u>Evergreen Sky Catering Corporation</u>	North
<u>China Pacific Catering Service</u>	North
<u>Kaohsiung Airport Catering Services</u>	South
<u>TransAsia Catering Services, Ltd.</u>	North

Source: ATO Survey

SECTION III COMPETITION

The United States is the leading supplier of agricultural products and exports many high-valued consumer-oriented products, including beef, poultry, fresh fruit and vegetables, dairy, tree nuts, and processed foods and beverages that are used by food service operations. Other major competitors in the market include New Zealand, Australia, Thailand, Japan, Canada, and EU countries.

Taiwan Agricultural Products Import Statistics

Product Category	Total Import Value 2018 (US \$Mil)	Major Supply Sources and Market Share	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Beef and beef offal	\$1,002.5	1. USA - 54.51% 2. Australia – 19.28% 3. N. Zealand - 14.21%	The United States is traditionally the largest chilled and high-end beef products supplier, while Australia and New Zealand dominate the market for grass-fed and cheaper beef cuts.	Taiwan's beef production only accounts for approximately 5% of the total beef consumed on the island.

Product Category Total Import Value 2018 (US \$Mil)	Major Supply Sources and Market Share	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Poultry \$222.1	1. USA – 91.41% 2. Canada – 6.88%	Consumers' preference for dark meat provides opportunities for western countries.	Local chicken dominates the market. U.S. broiler leg, leg quarter, and drumsticks are popular.
Live Lobsters \$21.1	1. USA – 50.72% 2. Canada – 48.32%	The United States and Canada are the major suppliers of live, fresh, and chilled lobsters.	Lobsters are rare along Taiwan's coastlines.
Alaska Pollock, Frozen \$7.0	1. USA – 99.98% 2. China – 0.02%	Pollock is popular in Taiwan but often confused among other similar fish such as cod or halibut.	Taiwan does not have Pollock in its coastal waters.
Cheese and Curd \$149.7	1. USA – 26.85% 2. N. Zealand – 22.72% 3. Australia – 9.77% 4. Argentina – 8.76%	The United States regained its first place as Taiwan's largest cheese supplier, though New Zealand remains a competitive supplier.	Local production is limited.
Fresh Vegetables \$152.6	1. USA – 46.95% 2. China – 9.62% 3. Thailand – 8.73% 4. Vietnam – 7.47%	The United States continues to be the leading supplier of cauliflower broccoli, onions, lettuce, and potatoes.	Local products dominate the market.
Wines \$214.9	1. France – 55.20% 2. USA – 9.13% 3. Italy – 8.64% 4. Australia – 7.65% 5. Spain – 6.32%	France dominates the market, but new world countries are gaining traction due to competitive pricing.	Local companies are not yet able to produce quality wine.
Beer \$186.9	1. Netherlands – 49.34% 2. China – 24.48% 3. Japan – 6.96% 4. USA – 6.77%	The Netherlands and China are aggressive suppliers with many promotions in restaurants and bars.	Local beer brands are most popular.

Source: ATO Survey; Ministry of Finance

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market that Have Good Sales Potential

Product Category	Imports From the United States In 2018 (US\$ million)	The U.S. Market Share (% of the total import market)	Key Constraints over Market Development	Market Attractiveness for U.S. Exporters
Beef	\$546	54.5%	The United States does not have full market access for its beef products to Taiwan due to lingering BSE and ractopamine concerns.	Taiwan consumers have high regards for the United States beef regarding quality and safety.
Chicken	\$203	91.4%	Special safeguards (SSG) raise the tariff from 20 percent to about 26.6 percent.	The United States is one of a few countries certified to export poultry meat to Taiwan.
Fresh Vegetables	\$71.7	47%	Local production meets most of the vegetable demand.	The United States continues to be the leading supplier of broccoli, onions, lettuce, and potatoes.
Cheese	\$40	26.9%	New Zealand enjoys duty-free access as a result of a free trade agreement signed with Taiwan in 2013.	Consumption of cheese products continues to grow.

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

Products Not Present in Significant Quantities But Which Have Good Sales Potential

Product Category	Imports From the United States In 2018 (US\$ million)	The U.S. Market Share (% of the total import market)	Key Constraints over Market Development	Market Attractiveness for U.S. Exporters
Eggs and Products	\$16	42.4	Domestic industry is not familiar with the applications of dried and liquid egg products. Local fresh productions meet most demands.	Dried and liquid egg products are more stable in price and shelf life, and have gained acceptance in the baking sector.
Tree Nuts	\$171	53.06	Tree nuts are popular snacks in Taiwan. Applications in the bakery sector also help the growth of the tree nut market.	Taiwan consumers and industry have high regard for the United States tree nuts regarding quality.

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

SECTION V. POST CONTACT AND FURTHER INFORMATION

Please contact FAS offices for questions and assistance.

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Attachments:

No Attachments