

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Taiwan

Food Service - Hotel Restaurant Institutional

2018

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Report Highlights:

Taiwan has a very dynamic food service industry exemplified by this year's release of the first Michelin guide for Taipei. The food service sector is a bright spot for the Taiwan economy with revenues growing from US\$10.88 billion in 2008 to US\$15.15 billion in 2017.

Post:

Taipei ATO

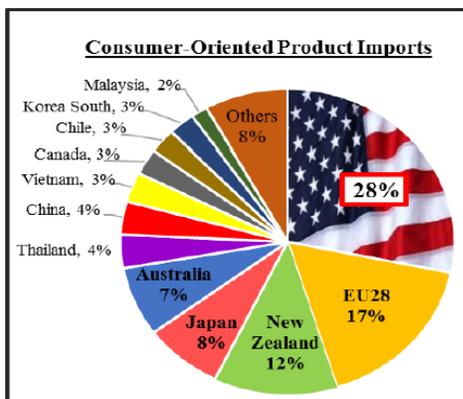
Market Fact Sheet: Taiwan

Executive Summary

With only a population of 23.5 million, Taiwan is the United States' 8th largest trading partner in overall goods. It is also the 11th largest U.S. export market overall and the 7th largest export market for agricultural products. In 2017, Taiwan imported US\$3.57 billion of food and agricultural commodities from the United States, which is 31 percent of the total import market share and makes the United States the leading foreign supplier.

Imports of Consumer-Oriented Products

In 2017, Taiwan imported consumer-oriented agricultural products worth nearly US\$6 billion. The United States leads with 28 percent market share.



Food Processing Industry

The 6,215 food processing companies employ 160,000 people and produce an estimated US\$18.4 billion of processed food and drinks. This accounts for 3.2 percent of total gross domestic product (GDP) in 2017. The top five largest subsectors by value were: animal feed, non-alcohol beverages, rice/grain milling, flour milling, and frozen & chilled meat, representing 14, 14, seven, and six percent of food processing industry's total production value, respectively.

Food Retail Industry

Taiwan's retail sector topped US\$41 billion in 2017, a new record high, up 1.2 percent from 2016. The retail food sector is dominated by chain operators like Costco, 7-Eleven, PX Mart, Carrefour, and Wellcome. The density of Taiwan's 10,454 convenience stores is the highest level in the world, around one convenience store for every 2,304 local residents¹. For more information, check the [GAIN Retail Foods Report](#).

¹ Data: 2017, Ministry of Economic Affairs

Quick Facts CY 2017

Imports of Consumer-Oriented Products (USD)
\$5.97 billion

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

- | | |
|----------------------------------|---------------------------|
| 1) Areca Nuts | 6) Bovine Tongues |
| 2) Coffee (Roasted) | 7) Coconuts |
| 3) Chicken Eggs | 8) Almonds |
| 4) Offal of Sheep, Goats, Horses | 9) Coffee Extracts |
| 5) Food Prep Ingredients | 10) Juice of Citrus Fruit |

Food Industry by Channel (USD billion) in 2017

Food Industry Output	\$18.4
Food Exports	\$2.6
Food Imports	\$11
Retail	\$41
Food Service	\$16

GDP/Population

Population (millions): 23.5
GDP (billions USD): \$601
GDP per capita (USD): \$24,337
2018 Economic Growth Rate (estimate): 2.42%

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:

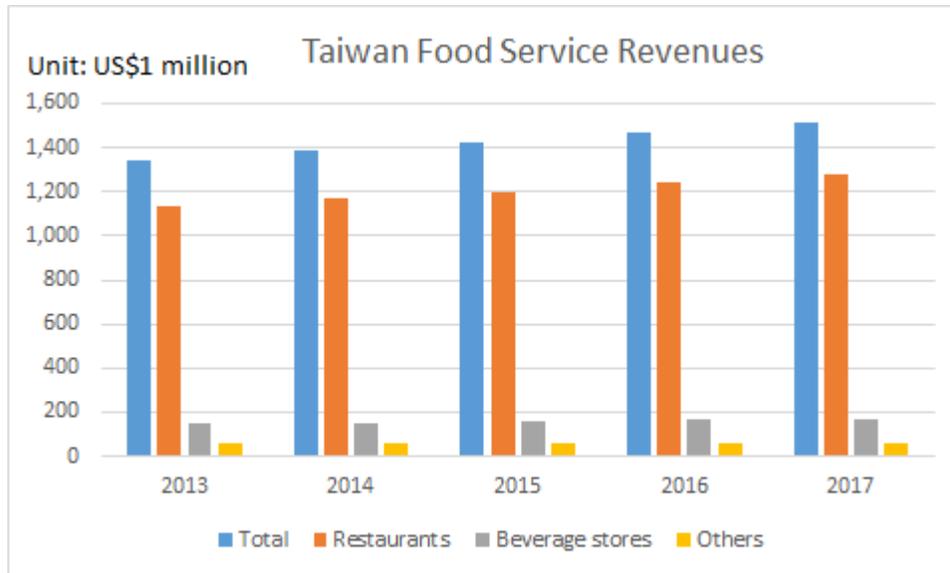
1 USD = 29.0 New Taiwan Dollar

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I. MARKET SUMMARY

According to the Ministry of Economic Affairs (MOEA), the economic output of Taiwan's food service sector, excluding institutional food service, was estimated at US\$15.2 billion in 2017, a three percent increase from 2016. The food service sector has had stable growth over the past decade with tourism development cited as the primary driver. Other factors such as the rise in consumer income, smaller family size, a growing number of working women and the growth of e-commerce have helped the food service sector grow.



Source: Ministry of Economic Affairs (MOEA)

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 starred selections in Taipei in 2018, a testimony of the island's soft power development.

	<p>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 business in Taiwan.</p> <p>The publisher of the Michelin Guide will launch a GastroMonth in Taipei in November 2018. A total of 19 Michelin-starred and Plate restaurants will join the promotion by featuring specially created cuisine.</p>
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Advantages and Challenges for U.S. Exporters

Advantages	Challenges
U.S. food products enjoy an excellent reputation among consumers.	U.S. food products are not always price competitive in the Taiwan market.
USDA Cooperators organize promotional programs in restaurants and hotels regularly to increase consumer awareness	Taiwan is the United States 7th largest market for agricultural exports but often overlooked by U.S. suppliers eager to export directly to China.
The popularity of American holidays and culture/lifestyle lead to promotional events organized around these themes by restaurants and hotels throughout the year.	U.S. exporters are sometimes reluctant to change product specifications to comply with Taiwan requirements/consumer preferences.
Consumers are brand-conscious and America is a leader in food brands that set trends.	Consumers maintain a preference for “fresh” food products over “frozen.”
The increasing growth of fast food chains and casual dining restaurants provide more opportunities for western style food.	Competition from agricultural and food exporters from countries with an FTA with Taiwan.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Market Structure

The majority of HRI companies 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 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.

B. Entry Strategy

Food and beverage managers, and executive chefs, working in major international hotels are the key persons who make purchasing decisions. The purchasing department procures 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 imported items from importers or wholesalers/distributors.

Fast food restaurant chains 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 R&D 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



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), Oktoberfest and Valentine's Day. Taiwan's hotel restaurants use these occasions to promote set menus, offering excellent opportunities for American foods and beverages. 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 Valentine's 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
The Ambassador Hotel	Taipei
Grand Hyatt Taipei	Taipei

Source: ATO Survey; Ministry of Transportation & 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 (Taiwan only)	Location
WowPrime Corp.	A local food service company operates more than 420 family-style restaurants under 18 brands in Taiwan.	Taiwan, Mainland
TTFB Company Limited	A local restaurant chain operates family-style Thai and Chinese food restaurants under several brands.	Island-wide
McDonald's	The largest western fast food restaurant.	Island-wide
An-Shin Food Service Co., Ltd.	MOS Burger: Japanese fast food chain	Island-wide
Gourmet Master Co., Ltd.	85°C Bakery Café: more than 1,000 stores	Worldwide
Starbucks Coffee	Starbucks	Island-wide

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
Evergreen Sky Catering Corporation	North
China Pacific Catering Service	North
Kaohsiung Airport Catering Services	South
TransAsia Catering Services, Ltd.	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 2017 (US \$Mil)	Major Supply Sources and Market Share	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Beef and beef offal \$888.3	<ol style="list-style-type: none"> 1. USA - 48.24% 2. Australia - 25.39% 3. N. Zealand - 14.48% 	The United States 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 the total beef consumed on the island.
Poultry \$164.0	<ol style="list-style-type: none"> 1. USA - 89.85% 2. Canada - 9.44% 	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 \$18.4	<ol style="list-style-type: none"> 1. Canada – 58.21% 2. USA – 40.61% 	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 \$4.8	<ol style="list-style-type: none"> 1. USA – 97.53% 2. China – 2.47% 	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 \$153.0	<ol style="list-style-type: none"> 1. N. Zealand – 25.39% 2. USA – 25.22% 3. Australia – 10.99% 4. Argentina – 8.26% 	New Zealand regained its first place as Taiwan's largest cheese supplier, though the United States remains a competitive supplier.	Local production is limited.
Fresh Vegetables \$193.0	<ol style="list-style-type: none"> 1. USA – 33.84% 2. Spain – 10.58% 3. Argentina – 9.04% 4. China – 8.29% 	The United States continues to be the leading supplier of broccoli, onions, lettuce, and potatoes.	Local products dominate the market.

Wines \$193.7	1. France – 53.25% 2. USA – 9.78% 3. Italy – 8.82% 4. Chile – 6.73% 5. Spain – 6.53%	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 \$191.9	1. Netherlands – 52.59% 2. China – 20.41% 3. Japan – 7.18% 4. USA – 6.06%	The Netherlands and China are aggressive suppliers with many promotions in restaurants and bars.	Local beer brands are most popular.

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

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products present in the market that have good sales potential and top consumer-oriented products imported from the U.S. and the world

Product Category	Imports From the United States In 2017 (US\$ million)	The U.S. Market Share (% of total import market)	Key Constraints over Market Development	Market Attractiveness for U.S. Exporters
Beef	\$428	48	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	\$147	90	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	\$65	34	Local production meets most of the vegetable demand.	The United States continues to be the leading supplier of broccoli, onions, lettuce, and potatoes.

Cheese	\$38	25	New Zealand enjoys duty-free access because of a free trade agreement signed with Taiwan in 2013.	Consumption of cheese products continues to grow.
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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 2017 (US\$ million)	The U.S. Market Share (% of total import market)	Key Constraints over Market Development	Market Attractiveness for U.S. Exporters
Eggs and Products	\$14.8	36	Industry is not familiar with the applications of dried and liquid egg products. Local fresh productions meet most demands.	Dried and liquid eggs products are more stable in price stable shelf life and have gained acceptance in the baking sector.

Section V. POST CONTACT AND FURTHER INFORMATION

Please contact FAS offices for questions and assistance.

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