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Taiwan Agribusiness Investment in China - Case Study

Report Categories:

Wood Products

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Report Highlights:

United Forest Products Corporation is one of the many Taiwan-based agribusiness companies that have developed strategic business operations in mainland China. By working with these companies, U.S exporters will have access not only to Taiwan, they will also gain access to the much larger market in mainland China.

General Information:

A LOOK ACROSS THE TAIWAN STRAIT – TAIWAN AGRIBUSINESS INVESTMENT IN CHINA AND IMPLICATIONS FOR U.S. EXPORTERS Case Study: United Forestry Products Corporation

Company Introduction

In 1995, four family-owned wood product companies in mid Taiwan joined forces to create the United Forestry Products Corporation (UFPC). UFPC is now one of Taiwan's largest traders of softwood products, with an annual import volume over 100,000 m³. The company's imports of U.S. wood products currently account for approximately 10% of its total import volume, but UFPC plans to expand its imports of U.S. softwood over the next decade.

UFPC's major business categories include:

1. Joinery and furniture applications
2. Wood frame housing and landscaping applications
3. Pallet and package applications
4. Concrete form-work applications

UFPC's China Market Experience

Prior to 2000, many of UFPC's competitors set up offices in Shanghai and other cities in eastern and southern China. UFPC, however, decided to wait until China joined the WTO before establishing a presence in the market as UFPC's board of directors believed that China's accession to the WTO would offer a safer investment environment. Consequently, UFPC established its Shanghai office in 2003 -- the same year that China joined the WTO. From the moment UFPC opened its doors in China, the company has enjoyed double-digit sales increases annually. UFPC forecasts that the company's annual revenue in China will soon surpass its revenue in Taiwan, which was NT\$1.14 billion (approximately US\$35 million) in 2010. UFPC's conservative and prudent strategy has led to the company's steadily progressive development in China, making UFPC the largest Taiwan investor in China's softwood industry.

UFPC's early challenges in China included not only identifying and retaining new customers but also training local staff and becoming familiar with local laws and regulations. Increased cross-strait exchanges in the non-governmental and quasi-governmental arenas have resulted in a more relaxed investment environment, which has allowed UFPC to concentrate its efforts on training and providing the right products for its customers.

Partnership with Foreign Suppliers

In 2003, China's 150 million cubic meter wood market was mainly serviced by domestic producers and

state-run trading companies. Many foreign firms wanted a share of the market but hesitated to enter because of the unique “guan-xi” (relationship) culture that exists in China's business landscape. As a Taiwan company, UFPC had the distinct advantage of speaking the same language and understanding the Chinese culture. These and other factors led several European and North American companies to approach and collaborate with UFPC soon after its successful debut in China.

In 2005, American softwood supplier Weyerhaeuser began working with UFPC to explore the opportunities that existed in China's untapped structural wood market. Weyerhaeuser already had a Shanghai office focusing on paper and pulp products but decided to play it safe in the softwood market, and after further assessment, decided to partner with UFPC to implement its long-term market development plan for softwood in China. In addition to Weyerhaeuser, UFPC is also the agent for numerous other softwood brands in China, including Canadian companies WestFraser, Western Forest Products and Tolko, and Finnish company StoraEnso.

Market Opportunities

UFPC not only imports and distributes wood products, but also produces wood components for furniture manufacturing and wood frame house construction. In 2010, UFPC purchased a Japanese-owned sawmill in Tai-chang City, a satellite city of Shanghai, doubling the number of the company's employees in China. While many foreign companies that invest in China are worried about becoming "training centers" for Chinese labor due to high turnover rates, UFPC has the mindset that training its employees is an investment. In fact, UFPC believes that when an employee leaves the company, they become potential clients for UFPC in the dynamic China wood market, which has doubled in size over the past eight years and is expected to double again in this decade.

UFPC is representative of a growing number of Taiwan-based agribusiness companies that have developed strategic business operations in mainland China. By working with companies such as UFPC, U.S. exporters will have access not only to Taiwan, which is an important and growing market for U.S. food and agricultural exports in its own right, they will also gain access to the much larger market in mainland China. Working with a Taiwan-based partner that has investments in China offers several unique advantages: business operations and regulations in Taiwan are more transparent and are subject to rule-of-law; Taiwan companies understand both U.S. and mainland China business customs and can speak the same language; and Taiwan companies with operations in China have already navigated confusing local rules and regulations, thereby offering faster start-up times for new-to-market U.S. products.

For more information on the Taiwan market for U.S. food and agricultural products and advice on partnering with Taiwan-based companies, including those with operations in mainland China, please contact the U.S. Agricultural Trade Office in Taipei: ATOTaipei@fas.usda.gov

