

Country Market Profile: Taiwan

Euromonitor reports that Taiwan's economy actually grew in 2020. Domestic activity has been affected by measures taken to contain the Coronavirus (COVID-19) pandemic, but the recession has not been as sharp as in other countries, which were slower to react to the pandemic. Export performance is limited by the global slowdown due to COVID-19. Growth of real Gross Domestic Product (GDP) should continue rising to 4.4% in 2021, before dipping to around 1.7% per year in 2025-2027.

- Real GDP grew to 3.1% in 2020, up from growth of 2.7% in 2019.
- The real value of private final consumption grew by 2.2% in 2019 and a fall of 1.7% is expected in 2020. Consumer spending has been limited by Coronavirus (COVID-19) pandemic measures.
- The rate of employment has been slowly rising and presently accounts for about two-thirds of the working-age labor force. Unemployment was 3.9% in 2020. Many businesses are struggling to weather COVID-19 and have to make lay-offs or are facing closure.
- The present government's goal of lessening economic dependence on China will be a key priority over the next several years. The key to this strategy is Taiwan's New Southbound Policy, which aims to promote trade and investment with other Asian countries.

A long-term challenge is to remain competitive with Asian rivals as they expand their free trade deals with Taiwan's trading partners. Taiwan's new Asia Silicon Valley Development Plan aims to promote research and development for devices and applications of the "internet of things". The program should boost Taiwan's international competitiveness in the long term. Another goal is to ensure that the service sector makes a more significant contribution. Public-private collaboration is expected to boost output in the service sector to US\$16 billion by 2020. The possibility of more protectionist trade policies by the U.S. and strained relations with China are risks.

In 2020, Taiwan's population was 23.6 million (CIA World Factbook Est.). The median age had risen to 42.3 years in 2020, 9.9 years greater than the figure for 2000 and well above the regional average. Taiwanese society is clearly ageing and that process will accelerate over the next 15 years. The ageing process is also reflected in the fertility rate, which fell to just 1.1 births per female in 2017. This is the lowest rate of any major Asian country. The number of people over 65 expected to account for nearly 20% of the island's total population by 2025.

USDA's Agricultural Trade Office (ATO) in Taipei hereinafter referred to as "Post", issued a report that said although it only has a limited population, Taiwan is the United States' eighth largest trading partner in total agricultural goods and ninth largest overall U.S. trading partner. In 2020, U.S. exported US\$3.3 billion in agricultural and related products, which accounts for 23% of the import market share, making the United States the leading foreign supplier.

Advantages and Challenges to U.S. Agricultural Exports in Taiwan

Advantages

- U.S. food products enjoy an excellent reputation among consumers.
- The growing modern retail industry is looking for new imported food products.
- Consumers are becoming more health-conscious and some are willing to pay a premium for products with perceived health benefits.
- Consumers are brand-conscious, and America is a leader in food brands that set trends.
- There is a wide variety of U.S. food products available to Taiwan consumers.
- Growing numbers of fast food and casual dining restaurants provide easier access for U.S. exporters

Challenges

- Price competitiveness is a challenge for some U.S. food products.
- Although the 7th largest export market, Taiwan is often overlooked by U.S. suppliers eager to export to China.
- U.S. exporters are sometimes reluctant to change product specifications to comply with Taiwan requirements and/or consumer preferences.
- Many U.S. companies are unwilling to provide low volume, consolidated shipments of high-value products to importers/end users.
- Consumers maintain a preference for "fresh" food products over "frozen."
- Numerous food regulations and standards are not in line with U.S. or international standards.

2020 U.S. exports of consumer-oriented agricultural products declined 4% to US\$1.7 billion, making it the 7th largest export market for the aggregate. Taiwan is the 12th largest U.S. market for processed foods as well, totaling US\$609.7 million in 2020, down 8% from 2019. Top processed export products imported by Taiwan in 2020 included:

- Food Preparations & Ingredients
- Non-Alcoholic Beverages
- Processed Vegetables & Pulses
- Processed/Prepared Dairy Products
- Prepared/Preserved Seafood
- Dog & Cat Food
- Alcoholic Beverages
- Chocolate And Confectionery
- Canned, Dried & Frozen Fruit

Retail Sector Highlights:

According to Euromonitor, retail sales in the packaged food market in Taiwan were estimated to reach US\$11.7 billion in 2020. That represents a growth rate of 18.4% or US\$1.8 billion since 2016. By the year 2025, retail sales in the packaged food market in Taiwan is expected to reach nearly US\$15.1 billion, a growth rate of 23.7%, or US\$2.9 billion. High growth products in the forecast include:

- Ready Meals
- Ice Cream & Frozen Desserts
- Pet Food
- Processed Meat & Seafood
- Cheese
- Sweet Biscuits, Snack Bars & Fruit Snacks
- Savory Snacks

Post reports that Taiwan's food and beverage sales topped US\$41.5 billion in 2020, a decline of 6.9% as compared with 2019, because of COVID 19 global pandemic. Based on the industry sentiment, food retail industry is likely to return to pre-pandemic levels. The anticipated growth is supported by continuous expansion by 7-11, Family Mart, Costco, PX Mart, and Carrefour. The density of Taiwan's more than 10,000 convenience stores is the second highest in the world with one store for every 2,300 people.

Sales generated by Taiwan's retail outlets including supermarkets, convenience stores, hypermarkets and others totaled US\$31.2 billion in 2020, an increase of 2.3% from 2019's sales of US\$30.5 billion. In 2020, the revenue generated by supermarkets had the strongest growth, 11.6%, followed by 9% growth in convenience stores, and 8.6% in the hypermarkets. Other retail outlets, including wholesaler and distributors serving the food service industry, decreased by a significant 30% to US\$3.9 billion because consumers opted to cook at home more frequently during the pandemic.

International retailers dominate in Taiwan, with few domestic players in direct competition. International retail stores have grown by taking advantage of Taiwan's high population density and high disposable incomes. In recent years, the traditional mom-and-pop shops and wet markets have suffered and declined in comparison to high-end supermarkets and convenience stores.

Supermarkets generated more than US\$7.7 billion in sales in 2020, with an as mentioned 11.6% increase compared with the previous year. Continued fierce competition from hypermarkets and convenience stores has made it difficult for small supermarkets to survive. For example, this is believed to be part of the reason why the Wellcome and Jason's Market Place chains merged with Carrefour. Efforts to promote fresh food in their stores also boosted supermarket sales. Sales have also been driven by the increase in the number of stores and developing new store formats, such as more neighborhood focused stores. Top supermarket store chains are PX Mart, Simple Mart, and Taiwan Fresh Supermarket.

In 2020, Taiwan hypermarkets generated a total of US\$7.6 billion in sales, a nearly 8.5% growth from the previous year. In terms of sales generated, foreign operators, including Carrefour and Costco, continue to dominate the Taiwan market and hold more than 50% market share. With the newly announced acquisition by Carrefour of Wellcome (202 stores) and Jason's Market Place (26 stores), Carrefour is expected to play a more active role in competing with local chain operator and competitor, PX Mart. Most of Taiwan's hypermarkets and warehouse stores are in suburban areas, though smaller scale hypermarkets have opened in urban areas. Many hypermarkets have increased their volumes of imported and private label items to lower operating costs and differentiate themselves from their competitors. Top hypermarket chain stores are Costco, Carrefour, and RT Mart.

Simple Mart had already reached 744 stores in Taiwan as of 10 September 2020, with its specialty being placing roots in residential areas to boost local economies. The success of the company can be attributed to its high level of flexibility and ability to turn inventory into saleable items. During the COVID-19 pandemic, the company collaborated with Elite Bookstore, UberEats and the Catchplay platform for promotions to raise awareness and attract consumers.

Over the review period (to 2020), supermarkets' main target was to penetrate every community in Taiwan and meet consumer demand. However, premium supermarkets in Taiwan have not positioned themselves as normal supermarkets. The high-income population in Taiwan enjoy going to premium supermarkets and care more about the quality of the products rather than their price. After rounds of food scandals, such as manufacturers mixing bad quality ingredients into blended oils, consumers believe premium supermarkets offer more reliable products leading to their high popularity. Therefore, there is significant potential for high-level supermarkets such as Market Place by Jasons and City Super. These players have also tried to cooperate with smaller but quality-guaranteed suppliers to secure product reliability and distinctiveness.

Convenience stores generated US\$12 billion in sales in 2020 with 9% growth rate compared to one year ago, taking a market-leading position. Convenience store chains have broadened their product and service portfolio and now serve fresh coffee, sell concert and sports tickets, provide train tickets, and offer delivery pick-up services. Currently, convenience stores operators are increasingly less aggressive about outlet expansion and focus on same-store sales and gross margin improvements. The top four convenience store chains are 7-Eleven, Family Mart, Hi-Life, and OK Mart.

Taiwan has been famous for different types of complex convenience stores since 2018. Usually, these stores are a combination of the original convenience store and another type of store. Leading player President Chain Store Corp, which owns 7-Eleven in Taiwan, launched the biggest complex store with three times more selling space than a normal convenience store and the inclusion of five other types of store – a book shop, a coffee shop, a bakery, a confectionery shop and a pharmacy. Consumers are also provided with seating inside so that they can enjoy all the services and products there. Compared to

other smaller complex stores, 7-Eleven has shown its capability as the leading player in convenience stores.

Family Mart, owned by Taiwan Family Mart Co Ltd, is the second-placed player in convenience stores with significant growth since 2017. In the war of store complexity, it has also launched many different store types to test consumers' preference. Its café complex store, launched in December 2018, has claimed success. Family Mart has invested in its cold chain system to catch up on the trend towards fast-dining meals. The availability of frozen ready meals in Family Mart stores has expanded widely since there are comfortable seats inside the stores for consumers to sit and enjoy their food.

Best Product Prospects:

The growth of U.S. food and agricultural exports to Taiwan are mostly high-value consumer-oriented products. While U.S. bulk commodity products exports are facing more competition from countries with lower costs, U.S. exports of consumer-oriented products, such as meat, poultry, and fresh fruits have enjoyed good growth in recent years. Products present in the market that have good sales potential include beef, chicken, fresh fruits including berries, fresh vegetables, tree nuts, chocolate confectionery and sauces and condiments.

Food Service Sector Highlights:

Post reports that the weaker consumer sentiment toward dining out due to the impact of COVID-19 caused a 4.2% decline in foodservice revenue. Restaurant transactions during year 2020 were -3% YOY, while catering business was hit the hardest with a decrease of 30%.

In 2020, COVID-19 hit the food service sector hard as the pandemic kept people in their homes, and restrictions on international travel negatively impacted hotel restaurant revenue. Nevertheless, Taiwan has a very dynamic food service industry with affordable restaurants and plenty of menu options. Going forward, this inexpensive dining out culture will underpin the growth of the food service market.

Delivery services have a profound impact on the food service industry by increasing overall revenue but not necessarily 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.

Best Product Prospects:

Best prospect products for U.S. exporters in the food service sector include beef and beef offal, chicken, fresh vegetables, cheese, tree nuts, and eggs and products.

Food Processing Sector Highlights:

Post reports that throughout 2020, Taiwan remained essentially unimpacted by the COVID-19 pandemic thanks to the Taiwan authorities' swift, effective response in managing this global crisis. Rather, the island enjoyed its status as Asia's top performing economy in 2020. Taiwan's food processing industry produced an estimated US\$22.1 billion of processed food and beverages in 2020, up 3.4% compared with 2019.

Prevalent consumer concerns about food safety and heightening civic awareness about sustainability have influenced the industry to develop transparent traceability programs, clean labels, and plant-based protein initiatives. In addition to currently strong demand for dairy products, the growing market of products for elderly consumers is poised to demand more quality proteins. Products like oat milk, veggie meat, soybean ingredients, seafood, and other products are showing sales growth potential in the next decade

The food processing industry is composed of more than 7,000 manufacturers. This production accounts for approximately 4.8% of the gross domestic product (GDP). Consumers' preference for convenience and a growing interest in food health and safety have influenced the industry to develop easy-to-prepare meals, healthier options, clean labels, and other initiatives. While domestic demand absorbs most local food production, exports will grow in importance as population growth stagnates. In response, a great number of Taiwan food companies are focused on opportunities in the growing economies of Southeast Asia, including as Indonesia and Thailand.

An increasing number of food manufacturers now display QR codes on product packaging for consumers to track ingredient sources and product distribution. The manufacturers are inclined to import ingredients on their own, as opposed to sourcing from an importer, to secure product traceability and regulatory compliance. In response to consumer desire for less artificial additives in food products, the industry offers foods with more straightforward ingredients and promotes this "authenticity." A certifier, Tze Yue, launched a clean label certification service in 2017. Currently, 66 food processors have received certification.

More and more food manufacturers are modifying traditional products by incorporating ingredients that promote health benefits. For example, Standard Foods's Quaker brand offers a "Chicken Essence Drink," which promotes energy the restoring effects of American ginseng. Namchow's microwavable rice product incorporates high-beta glucan U.S. barley, appealing to elderly consumers for lipid and blood sugar control.

Best Product Prospects:

Post reports that although COVID—19 may dampen overall agricultural imports in 2020, Taiwan will remain one of the most reliable export destinations for U.S. food processing ingredients. Best prospects for U.S. exporters in this sector include cheese, tree nuts, coffee, coffee creamer, roasted malt, cereal grains, frozen fruit, whey protein concentrate, textured soy protein, hop cones and concentrated fruit juice.