

## Opportunities for U.S. Agricultural Exports in Taiwan

Taiwan is an important trading partner and offers many opportunities for sales of U.S. food and agricultural products. Because of its small land area and high urbanization rate, Taiwan has a relatively small agricultural sector and relies on imports for domestic use. Despite having a population of only 23.5 million, Taiwan was the United States' ninth-largest export market for farm and food products in 2018. The United States' reputation among Taiwan's consumers for high-quality food and agricultural products and competitive prices indicates a favorable environment for future growth and opportunities.

Taiwan is an aging society, with more than 20 percent of its population expected to be older than 65 by 2026. Changing demographics and increasing incomes have transformed consumption patterns, with higher consumption levels of prepared foods and greater demand for healthy products. Taiwan consumers are also eating at restaurants more frequently, helping ignite strong growth in fast food chains and casual dining establishments. These transformations led to growth between 2014 and 2018 in consumption of high-value products such as beef, fresh fruits, and tree nuts. The United States is a primary supplier for all these products.

Taiwan has one of the world's wealthiest economies on a per-capita basis. Its economy is driven primarily by manufacturing of electronic and computer components, with agriculture accounting for only about two percent of Taiwan's 2017 gross domestic product. Because of its dependence on imported agricultural products, Taiwan is expected to remain a large and growing destination for U.S. exporters. While Taiwan's agricultural imports from the world only increased by two percent in 2018, imports from the United States increased by 18 percent.

## Global Market Perspective

Top Taiwan Agricultural Imports from the World						
Product	Value (Million US\$)					U.S. Market Share 2018
	2014	2015	2016	2017	2018	
Soybeans	1,347.8	1,164.7	1,020.5	1,072.7	1,070.7	84%
Food Preps. & Misc. Bev	890.4	909.4	947.6	969.6	1,057.7	26%
Beef & Beef Products	709.0	715.1	776.9	888.3	1,002.5	55%
Corn	1,031.7	872.0	783.6	847.9	853.8	76%
Dairy Products	699.7	582.6	565.6	708.4	730.6	14%
Fresh Fruit	607.2	618.1	721.4	741.6	682.1	33%
<b>TOTAL</b>	<b>11,295.7</b>	<b>10,499.0</b>	<b>10,294.5</b>	<b>11,460.3</b>	<b>11,746.4</b>	<b>36%</b>

*Source: IHS Markit, BICO HS-6*

Taiwan ranked as the 16<sup>th</sup>-largest global agricultural importer in 2018, reaching \$11.7 billion. The United States holds the largest share of Taiwan’s total agricultural imports, with a 36-percent market share in 2018, despite high import tariffs facing many U.S. products including poultry, pork, and rice. U.S. competitors include the European Union with a 12-percent market share, New Zealand with seven percent, and China with six percent. Taiwan has free trade agreements with Panama, Guatemala, Nicaragua, El Salvador, Honduras, New Zealand, and Singapore, and has preferential trade agreements with China, Paraguay, and eSwatini (formerly Swaziland). Taiwan’s New Southbound Policy, launched in 2016, seeks to increase trade and economic cooperation with neighbors in South Asia, Southeast Asia, and Australasia, which may provide some preferences for U.S. competitors like Australia and New Zealand.

Total U.S. agricultural exports to Taiwan amounted to more than \$3.9 billion in 2018, of which 43 percent was consumer-oriented products. Beef, poultry, and fresh fruit were top products among the \$1.7 billion in consumer-oriented exports. Taiwan’s food retail sector reached \$41 billion in 2017, a record high, contributing to the reliable growth of consumer-oriented product imports. High-value consumer-oriented products are major contributors to the growth of U.S. agricultural exports to Taiwan, increasing by 23 percent from 2014 to 2018.

In recent years, the United States has consistently provided a large share of Taiwan’s bulk product imports. Continued growth is not guaranteed as the United States faces competition from other exporters for bulk and containerized goods, but U.S. products have strong prospects thanks to their reputation for high quality and freight cost advantages over Brazil and the European Union.

<b>Top U.S. Agricultural Exports to Taiwan</b>						
<b>Product</b>	<b>Values (Million US\$)</b>					<b>U.S. Market Share 2018</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	
Soybeans	721.6	577.8	580.1	585.9	830.5	84%
Corn	394.7	344.1	458.6	394.9	593.8	76%
Beef & Beef Products	294.5	318.8	363.4	408.6	550.4	55%
Wheat	348.5	282.6	257.3	296.1	267.2	80%
Fresh Fruit	213.5	196.2	220.0	217.4	199.7	33%
Poultry Meat & Products (excl. eggs)	142.9	162.8	127.4	152.2	189.4	91%
<b>TOTAL</b>	<b>3,489.7</b>	<b>3,150.4</b>	<b>3,225.8</b>	<b>3,318.1</b>	<b>3,931.5</b>	<b>36%</b>

*Source: USDA-FAS Global Agricultural Trade System, BICO HS-10; IHS Markit, BICO HS-6 for market share*

### **Top Consumer-Oriented Exports to Taiwan**

**Beef & Beef Products:** According to Euromonitor International, Taiwan’s households spent more money on meat products than any other type of food, on average about \$1,500, in 2017. Beef is Taiwan’s most-imported meat product, with imports valued at more than \$1 billion in

2018. Taiwan's domestic beef production is negligible. The United States holds the largest market share of beef at 55 percent. Consumers have high regard for U.S. beef quality and safety, but lingering concerns about bovine spongiform encephalopathy remain. Beef products from the United States must be derived from cattle less than 30 months of age to be eligible for export to Taiwan, and most beef offal from the United States is banned. However, Taiwan's imports of U.S. beef continue to increase because of high growth in per capita beef consumption.

**Poultry & Poultry Products:** The United States holds a 91-percent market share of poultry imports, as it is one of the few countries certified to export poultry meat to Taiwan. However, domestic production is significant and able to meet most demand, making Taiwan the main competitor for U.S. exporters. Taiwan consumers prefer dark meat over breast meat, with broiler thighs, legs, and wings representing a majority of the United States' \$189.4 million in poultry exports to Taiwan in 2018.

**Fresh Fruit:** With a 33-percent market share for fresh fruit, the United States is Taiwan's top supplier and exports many products that cannot be easily produced in Taiwan. Top U.S. fresh fruit exports include apples, cherries, peaches, grapes, and oranges. The United States holds the largest market share for all these products, except apples. In 2018, Taiwan was the third-largest export market for U.S. peaches, and the fourth-largest market for U.S. apples and cherries. In addition, there are opportunities for growth in exports of some organic fruits. High domestic fruit production in 2017 reduced demand for U.S. fruits, but organic fruit exports were resilient. The largest U.S. organic fruit export, apples, grew in value from \$1.9 million to \$5.8 million between 2014 and 2018. This trend is expected to continue and reflects growing consumer demand for organic products in Taiwan.

**Other Prospects:** There are growth opportunities for exports products such as tree nuts and pet foods. Taiwan imported \$171 million of tree nuts in 2018, with the United States accounting for the largest market share at 53 percent. Two of the largest U.S. tree nut product exports to Taiwan are almonds and walnuts. For almonds, the United States holds more than 97 percent of market share in Taiwan, and future export growth would likely come from increased overall demand as opposed to changes in market share. The United States holds more than 90 percent market share of walnut imports, but imports from China have been growing since 2016. The United States also holds the second-largest market share for dog and cat food, providing 28 percent of Taiwan's \$180 million in imports in 2018. Taiwan imports of pet food have more than doubled over the past decade, reflecting increasing pet ownership. U.S. pet food brands are viewed by Taiwan consumers as being higher quality, and pet owners are willing to pay higher prices.

## **Top Bulk Commodity Exports to Taiwan**

Taiwan is a significant market for bulk agricultural products, and almost two-thirds of all its bulk product imports come from the United States. Soybeans, corn, and wheat were top imports in 2018, and the United States had the largest market share for each of these products. Bulk products account for a large portion of U.S. agricultural exports to Taiwan, with a significant

increase occurring in 2018. While recent U.S. exports have been substantial, these products often compete mainly on price and are subject to strong foreign competition.

**Soybeans:** While total demand for soybeans has remained flat, the United States increased its market share from 56 percent in 2017 to 84 percent in 2018. Increased volume and price competitiveness in 2018 resulted in a 42-percent increase in U.S. soybean exports, by value. Taiwan is a mature market for soybeans, and thus total consumption is not expected to grow significantly. Substitution of alternative feed and oil products, such as fishmeal and palm oil, also affects total consumption, especially when soybean prices increase. However, there are some opportunities for growth in soybean exports as a source of plant-based protein for Taiwan's significant vegetarian population.

**Corn:** The United States holds a large share of Taiwan's corn import market and this share grew to 76 percent in 2018. Overall imports of corn from the world increased only slightly, but imports from the United States increased by 33 percent. Corn imports from Brazil and South Africa, the second- and third-highest-value trading partners behind the United States, fell significantly in 2018.

**Wheat:** Taiwan relies on imports for more than 99 percent of its wheat consumption. Market share of U.S. wheat decreased slightly from 82 percent in 2017 to 80 percent in 2018 and import value declined by 10 percent. However, this drop coincides with an overall decrease in Taiwan's wheat imports from the world, and a 16-percent decrease in imports from Australia, Taiwan's second-highest-value trading partner for wheat.

## **Consumer Demand Encourages U.S. Export Growth**

The United States has a strong trade relationship with Taiwan and plays a significant role as its top provider of food and agricultural products. Despite some tariffs, such as those on poultry and rice used to protect domestic producers, strong U.S. brand recognition and consumer preferences are encouraging growth in U.S. exports of many other products.

The United States is well-equipped to meet the demands of Taiwan consumers for high-value, quality products. U.S. exporters must continue to remain price-competitive in order to maintain market share and open new opportunities. Competing on price will complement the strong reputation of U.S. agricultural products, ensuring that export growth continues and that Taiwan remains an important destination for U.S. exports.

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