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AGR Number: TW5318

From: Agricultural Trade Office, Taipei, Taiwan
To: USDA/FAS Washington D.C.
Country: TW
Year: 1995
Report Code: 24 Post Report Sequence Number: 009

Report Title: Agricultural Situation
Report Type: V - Voluntary Report
Report Subject: Taiwan Market Brief: Breakfast Cereals
Approved By: Margaret Thursland
Drafted By: FBR Database Inc./David Hill

Security Classification: UNCLASSIFIED- NOT OFFICIAL USDA DATA

Date Due (MM/DD/YY): 07/27/95

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Agricultural Situation
General Summary

It is estimated in 1993 total breakfast cereal consumption was valued at US\$4.1 million which represented 370 thousand kilograms of cereal.

Imports account for an estimated 85% of the total breakfast cereal market.

Breakfast cereal consumption is expected to increase an estimated 30% annually for the following reasons:

A) A successful bid by Taiwan to join the newly formed World Trade Organization (WTO), the successor organization to GATT, would result in the reduction of the high tariff rate for breakfast cereals, thus allowing for increased competition from newcomers to Taiwan's breakfast cereal market. This would in turn give consumers a wider variety of cereal products to choose from, at lower prices.

B) Local manufacturers continue to improve product quality, as well as designing more attractive packaging.

C) Taiwan continues to be exposed to Western eating habits both as a result of the upswing in international travel by the Taiwanese as well the significant increase in the number of tourists visiting Taiwan, particularly since the local authorities recently granted stays of up to fourteen days without a visa for the citizens of a number of countries.

There are currently four major breakfast cereal manufacturers each with a variety of brand names on the market. These four companies are as follows: FWUSOW INDUSTRY CO. LTD, PRESIDENT ENTERPRISES INC., CHU SHUI CHE FOODS CO., and HWA YUAN FOODS CO.LTD.

The most popular breakfast cereals are typically of the sweetened, children's variety such as CORN FROSTIES, and COCO POPS. CORN FLAKES are also very popular.

Though several countries export breakfast cereals to Taiwan, the two largest exporters, Japan and the United States account for an estimated 75% of all imported breakfast cereal.

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Agricultural Situation
General Summary

According to the Board of Foreign Trade, there are currently a total of eighteen importers of breakfast cereals in Taiwan. However, the top three importers account for an estimated 76% of all breakfast cereal imports. The top three companies are as follows: CHOW CHU DISTRIBUTION CO. LTD., STANDARD FOODS TAIWAN LTD., and ANPING DISTRIBUTORS LTD.

Attractive packaging should be used to identify the cereal with its intended market niche.

As the Taiwanese are becoming more health conscious, typically preferring a healthy diet over regular exercise, a significant opportunity exists for companies to successfully introduce their adult-oriented, granola, bran, and muesli type product lines, as the local population does not currently perceive Western-style breakfast cereals to be a source for nutrition.

Though quotas are not in effect, importers of the breakfast cereal products have been levied, in the past, a stiff tariff of 40% of the CIF price. Taiwan has recently reduced the tariff to 25%.

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 Agricultural Situation
 1.0 TRENDS IN CONSUMPTION
 1.1 Consumption: Present and Past

1.1 Consumption: Present and Past

Present

It is estimated in 1993 total breakfast cereal consumption was valued at US\$4.1 million which represented 370 thousand kilograms of cereal.

Imports account for an estimated 85% of the total breakfast cereal market.

Though Western style ready-to-eat CORN FLAKES and COCO POPS type breakfast cereals have been available for in Taiwan for years, the Taiwanese have a strong tradition of eating Chinese style breakfasts that are most often served hot. Some of the most popular breakfast foods in Taiwan include "Do Jang", a thin, heated, soy-bean milk, meat or vegetable filled steamed buns (Roe Bao, Tsai Bao), and "Lwo Bwo" a fried patty made from processed white carrots. However, while the Taiwanese have a preference for hot breakfast foods, there does remain a solid market niche for cold breakfast cereals with strong likelihood of substantial growth over the long term.

Past

Consumption values for the last five (5) years are given in the following table:

Table 1. Taiwan Total Breakfast Market Size 1989-1993

	1989	1990	1991	1992	1993
Market Value (US Millions)	4.1	6.5	3.7	3.8	4.15
Yearly Growth	-	58%	-43%	3%	9%
Market Volume (Kg-Millions)	370	580	335	340	370
Volume Growth	-	57%	-42%	1%	9%

Source: Board of Foreign Trade

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 Agricultural Situation
 1.0 TRENDS IN CONSUMPTION
 1.2 Factors Affecting Growth Rate

1.2 Factors Affecting Growth Rate

Taiwan has weathered well the recent down-turn in the global economy and per capita GDP continues to grow at an average rate of around 6% annually. Disposable incomes, particularly in the major metropolitan areas, continue to rise as does the overall level of consumer spending. The upsurge in international travel by Taiwanese, particularly noticeable since the lifting of martial law in 1987, has brought with it a more demanding society willing to spend on higher quality products.

Subject to supply availability, breakfast cereal consumption is therefore expected to increase an estimated 30% annually for

the following reasons:

- a. A successful bid by Taiwan to join the newly formed World Trade Organization (WTO), the successor organization of GATT, has resulted in the reduction of the high tariff rate for breakfast cereals, from 40% to 25%, thus allowing for increased competition from newcomers to Taiwan's breakfast cereal market. This will in turn give consumers a wider variety of cereal products to choose from, at lower prices.
- b. Local manufacturers continue improving product quality, as well as designing more attractive packaging.
- c. Taiwan continues to be exposed to Western eating habits both as a result of the upswing in international travel by the Taiwanese as well as the significant increase in the number of tourists visiting Taiwan, particularly since the local authorities recently granted stays of up to fourteen (14) days without a visa for the citizens of a number of countries.

1.3 Sub-Markets

In Taiwan, breakfast cereal is distributed among approximately two (2) sub-markets. These include the following:

- a. Retail Outlets
- b. Restaurants and Hotels

A. Retail Outlets

According to industry sources, retail outlets account for an estimated 95% of all breakfast cereal, and are comprised of super markets, convenience stores (CVS), hypermarkets, and government discount stores.

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 1.0 TRENDS IN CONSUMPTION
 1.3 Sub-Markets

 The breakdown of sales by retail outlets is depicted in the following table:

Table 2. Breakdown of Breakfast Cereal Sales by Retail Outlets

Supermarkets	50%
Hypermarkets	35%
CVS	12%
Government Stores	3%

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 Source: FBR Statistical Analysis

Until relatively recently, retailing in Taiwan was dominated by family businesses and individually-owned shops. However, government discount stores, supermarkets and 24 hour convenience stores are all becoming increasingly popular, and a means for importers to distribute breakfast cereals.

There are approximately five (5) major supermarket chains with an estimated four hundred (400) to five hundred (500) total locations island-wide, and are comprised of the following companies:

- a. WELLCOME
- b. MATSUSEI

- c. KASUMI
- d. PARK N SHOP
- e. HYPERMART

Convenience stores are highly prevalent in Taipei and northern Taiwan, less so in southern Taiwan and include the following chain stores:

- a. 7-11
- b. O.K.
- c. FAMILY MART
- d. AM PM
- e. NIKOMART
- f. HI - LIFE

A new channel for the distribution of cereal opened in the late 1980's with the introduction of several hypermarket retail outlet stores. This kind of high-volume discounted price outlet is still a new, but widely successful concept in Taiwan. There have been recent press reports which suggest that the local retailing industry is poised for a rapid expansion of the hypermarket retailing concept island-wide.

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Agricultural Situation
 1.0 TRENDS IN CONSUMPTION
 1.3 Sub-Markets

The foreign-based CARREFOUR and MAKRO hypermarket chains, both operating in association with local joint venture partners, offer consumers the opportunity to purchase breakfast cereals for home consumption.

Government stores include government-operated, private discount shopping outlets throughout Taiwan, and mini-stores in elementary, intermediate schools, high schools, and universities across Taiwan.

These private shopping outlets provide nearly the same services as hypermarkets, but access is limited to teachers, government employees and military personnel. Prices are on average 25% less than supermarket prices.

B. Restaurants and Hotels

Restaurants and hotels account for the remaining 5% of breakfast cereal sales. Most restaurants selling breakfast cereals are of middle-to-upper scale in price range and typically specialize in serving Western food. Chinese restaurants serving made-to-order Chinese-style breakfast dishes typically do not serve traditional Western-style breakfast cereals.

Nearly 100% of all international and tourist hotels with restaurant facilities offered breakfast cereals as a menu choice.

2.0 DOMESTIC AND FOREIGN COMPETITION

2.1 Percent Locally Produced Versus Imported

Currently, an estimated 85% of breakfast cereal consumed in Taiwan is imported.

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 Agricultural Situation
 2.0 DOMESTIC AND FOREIGN COMPETITION
 2.2 Market Share of U.S. and Other Supplying Countries

 2.2 Market Share of U.S. and Other Supplying Countries

Though several countries export breakfast cereals to Taiwan, the two (2) largest exporters, Japan and the United States, account for an estimated 75% of all imported breakfast cereal.

Countries with the largest breakfast cereal exports to Taiwan and their respective market shares are listed below:

Table 3. Countries With the Largest Market Shares of Cereal Exports

Rank	Country	Market Share (%)
1	Japan	40%
2	U.S.A.	35%
3	Australia	22%
4	Netherlands	1%
4	Germany	1%
4	Philippines	1%
-	Total	100%

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 Source: FBR Statistical Analysis

Table 4. Breakfast Cereal Imports by Country, 1992-1994

(US\$Thousands)	1992	1993	1994
United States	\$769	\$1,292	\$1,062
Korea	\$803	\$467	\$3
Japan	\$281	\$598	\$1,116
Thailand	\$396	\$754	\$567
Other	\$673	\$861	\$1,495

2.3 Advantages and Disadvantages - Locally Produced Versus Imports

Taiwanese tend to view imported products as being higher quality, as is the case with breakfast cereal. Though local brands are typically much less expensive, imported brands continue to maintain the dominant market share, as Taiwan consumers perceive imported brands to be superior in terms of overall taste, quality of ingredients, and sanitation.

However, the higher cost of imported brands is often prohibitive to many Taiwanese willing to try Western style breakfast cereals.

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 Agricultural Situation
 2.0 DOMESTIC AND FOREIGN COMPETITION
 2.4 Major Brands and Respective Market Shares

 2.4 Major Brands and Respective Market Shares

There are currently four (4) major breakfast cereal manufacturers each with a variety of brand names on the market. These four (4) companies are as follows:

a. FWUSOW INDUSTRY CO. LTD.

- b. PRESIDENT ENTERPRISES INC
- c. CHU SHUI CHE FOODS CO. LTD.
- d. HWA YUAN FOODS CO. LTD.

Although the Taiwanese are becoming increasingly health conscious, the most popular breakfast cereals are typically of the sweetened, children's variety such as CORN FROSTIES and COCO POPS. CORN FLAKES are also very popular.

The following table reflects the top local and imported breakfast cereals with their respective market share:

Table 5. Market Shares of the Top Local and Imported Cereals

Rank	Brand	Market Share (%)
1	Kellog's	65%
2	Cerear	10%
3	President	8%
3	Quaker	8%
5	Others	9%
-	Total	100%

3.0 DISTRIBUTION AND PRICING

3.1 Distribution Channels

The majority of breakfast cereal importers simultaneously employ dual channels of distribution. The first channel is for the Taiwan importer to sell directly to the various retail outlets and restaurants. The second channel is for the importer to utilize a distributor to reach less accessible retail outlets outside of the major metropolitan areas. This is depicted below:

Overseas Manufacturer => Taiwan Importer => Distributor => Retail Outlets, Restaurants, Hotels

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 3.0 DISTRIBUTION AND PRICING
 3.1 Distribution Channels

 According to the Board of Foreign Trade, there are currently a total of eighteen (18) importers of breakfast cereals in Taiwan. However, the top three (3) importers account for an estimated 76% of all breakfast cereal imports. The three (3) companies are as follows:

- a. CHOW CHU DISTRIBUTION CO. LTD.
- b. STANDARD FOODS TAIWAN LTD.
- c. ANPING DISTRIBUTORS LTD.

After importation there are an estimated one hundred (100) distributors involved in the distribution of breakfast cereals.

3.2 Mark-Ups at Distribution Stages

With growing consumption, the market is becoming increasingly competitive with a number of smaller firms attempting to establish a foothold in the industry. Currently, it is estimated that importers and retail outlets are able to maintain profit margins from 15% to 25%.

However, when a wholesaler is utilized, industry sources speculate that both the importer and wholesaler mark-up is approximately 10%, while retail outlets average 20%.

3.3 Comparison Between Retail and Export Price

Currently, only one (1) local company exports breakfast cereal.

In 1994 FWUSOW INDUSTRY CO. LTD. exported a total of approximately forty (40) tons of cereal to Japan, Singapore, and Honk Kong, with the Hong Kong shipments destined for China.

Quotes from FWUSOW INDUSTRY CO. LTD. revealed the following:

CEREAR Brand Breakfast Cereal

Export Price F.O.B. TaiwanUS\$5.38 per kilogram
Retail Price TaiwanUS\$9.50 per kilogram

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3.0 DISTRIBUTION AND PRICING

3.4 Price Comparison - Locally Produced Versus Imports

3.4 Price Comparison - Locally Produced Versus Imports

The average retail prices for local and imported breakfast cereals as of January 1995 are reflected below:

Table 6. Average Retail Prices For Local and Imported Cereals

Package Size	Local	Imported
30-60 grams	US\$0.76-\$1.00	US\$0.46
170-250 grams	US\$2.15	US\$3.00-\$4.61
300-500 grams	US\$3.65	US\$3.84-\$5.76

3.5 Recommendations for Promotional Activities

Though the breakfast cereal market in Taiwan shows good potential for growth over the long-term, the market is becoming increasingly competitive with various newcomers vying for market share.

Specifically, it is recommended that companies wishing to export breakfast cereals to Taiwan observe the following key points:

a. Attractive packaging should be used to identify the cereal with its intended market niche. Example: One of the more popular local manufacturers PRESIDENT ENTERPRISES utilizes a brightly colored cereal box with various toy prizes shrink-wrapped outside the box for maximum appeal to children.

b. As the Taiwanese are becoming more health conscious, typically preferring a healthy diet over regular exercise, a significant opportunity exists for companies to successfully introduce their adult oriented, granola, bran, and muesli type product lines, as the local population does not currently perceive Western-style breakfast cereals to be a source for nutrition.

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 Agricultural Situation
 4.0 PACKAGING

4.1 Local Legal Requirements for Packaging

 4.1 Local Legal Requirements for Packaging

Foreign manufacturers wishing to export breakfast cereals to Taiwan are under obligation to adhere to special labeling requirements.

The shipping carton may be written in English, but an additional, clearly legible label written in Chinese must also be placed on each retail package. This Chinese label must stipulate the following:

- 1) Contents
- 2) Net weight
- 3) Manufacturer's & Importer's Name, Address, and Phone Number
- 4) Expiration Date
- 5) Shelf Life / Best Before Date

4.2 Consumer Preferences

Though there are a wide variety of package sizes available, breakfast cereals sold at the retail level generally fall into one (1) of the following three (3) categories:

- a. Small, from 35 to 60 grams, Single Serving
- b. Medium, from 170 to 250 grams
- c. Large, from 300 grams to 500 grams, Family Size

Medium and large size packages are equally popular, while sales of the small, single servings are relatively minor. However, the small packages, typically twelve (12) individually wrapped fifty (50) gram containers per unit, are expected to become more popular as consumers catch on to the convenience of the smaller box.

Nearly 99% of all breakfast cereal packages consist of paper boxes, with a plastic inner liner, with the remaining 1% being sold in replaceable lid-type metal cans.

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 Agricultural Situation
 5.0 IMPORT REGULATIONS

5.1 Local Tariffs, Non-Tariff Barriers, and Quotas

 5.1 Local Tariffs, Non-Tariff Barriers, and Quotas

Though quotas are not in effect, until recently importers of breakfast cereal products have been levied a stiff tariff of 40% of the C.I.F. price. However, the tariff has presently been reduced to 25%. Additionally, there are several miscellaneous fees as listed below:

Table 7. Fee Schedule

Breakfast Cereal Tariff	25% of the CIF price
Harbor Construction Fee	0.5% of the CIF price
Trade Promotion Fee	0.05% of the CIF price
Customs Clearance Fee Per Shipment	NT\$500 (US\$19.23)
Initial Health Dept. Testing Fee	NT\$1500 (US\$57.69)

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Exchange Rate: US\$1:NT\$26

It must be noted that, although there are no other known legal trade barriers, petty bribery and other illegal import barriers do exist. However, instances are considered insignificant, and unlikely to affect business dealings in Taiwan.

5.2 Local Standards for Grading and Sanitation

Taiwan does not currently maintain any special grading or sanitation requirements in regards to breakfast cereal products.

5.3 Special Import \ Quarantine \ Testing Regulations

Taiwan's Health Department requires that the first shipment of a new breakfast cereal product be tested for freshness and contamination, with subsequent shipments tested randomly, but at least every twenty (20) shipments. The initial test takes approximately seven (7) to ten (10) days, and costs NT\$1500 (US\$58).

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