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TAIWAN PURE JUICE MARKET

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Taiwan

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EXECUTIVE SUMMARY

- For the purposes of this report, pure juice is defined as beverages that consist of 100% pure fruit juice, including both consumer beverages, and raw, pure juice used by manufacturers to produce other beverages.
- It is estimated in 1993 total pure juice consumption was valued at US\$ 77 million which represented (82) million liters of pure juice.
- Imports accounted for 30% of total consumption (US\$23.1 million).
- Though total pure juice consumption has remained relatively stable, imports of higher quality juice have continued to rise steadily over the last five years as Taiwan's standard of living has continued to increase.
- Pure juice drinks are seen as having good potential for further growth, with expected increases in consumption estimated at 6% annually over the next five years.
- A wide range of pure juices are consumed in Taiwan, but the top three varieties of orange, tomato, and guava juice account for an estimated 46.6% of total pure juice consumption.
- Pure juices come in a variety of sizes but by far the most popular are the (236) milliliter and (946) milliliter container sizes.
- Though imports only hold 30% of the total pure juice market, several foreign brands are ranked among the top ten in Taiwan, including CERES of South Africa in the number one (1) position.
- There are currently a total of fifty-eight (58) importers of pure fruit juice in Taiwan. However, the top four (4) importers accounted for an estimated 80% of the pure juice market. These four companies are:

- NANLIEN INTERNATIONAL CORPORATION

- THE EAST ASIATIC COMPANY (TAIWAN)

- GETZ BROS. & CO., INC.

- CHEN HSU CORPORATION

- The countries, Thailand, Indonesia, South Africa, United States and Vietnam account for an estimated 80% of all pure juice imported into Taiwan.
- Newcomers to the pure juice market face considerable competition from a wide range of competitors. As the Taiwanese, in general, prefer a healthy dietary intake over routine exercise, it is recommended that manufacturers emphasize the 'health benefits' of their particular product in an effort to distinguish themselves from amongst the vast array of other beverage choices available.
- Though no quotas are in effect, importers of pure juice are levied a stiff tariff of 45% of the C.I.F. price. This heavy tariff is expected to be reduced significantly by mid - 1995 as Taiwan attempts to join the newly formed World Trade Organization (WTO).

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1.0 TRENDS IN CONSUMPTION

For the purposes of this report, pure juice is defined as beverages that consist of 100% pure fruit juice, including both consumer beverages, and raw, pure juice used by manufacturers to produce other beverages.

1.1 Consumption: Present and Past

Present

It is estimated in 1993 total pure juice consumption was valued at US\$ 77 million which represented (82) million liters of pure juice.

Consumption values are based on the juices from the following fruits:

- Orange
- Grape
- Apple
- Lemon
- Grapefruit
- Guava
- Honeydew Melon
- Mango
- Papaya
- Carambola
- Tomato
- Pineapple
- Mango
- Passion Fruit

Imports accounted for 30% of total consumption (US\$23.1 million).

Fruit and fruit juices play an integral part in the dietary intake of most Taiwanese, as consuming a healthy diet is typically preferred over regular exercise.

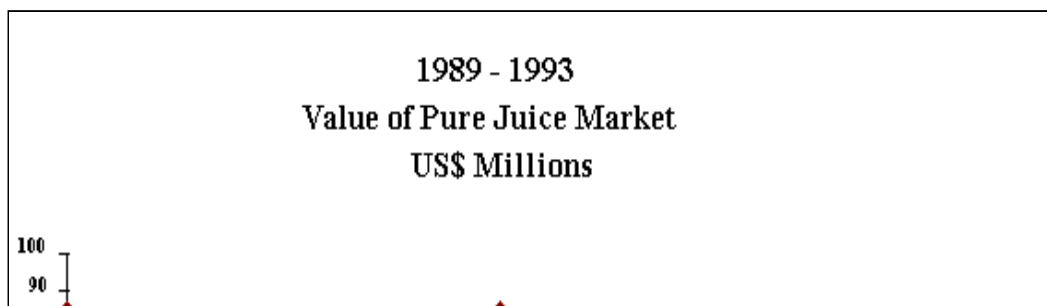
Past

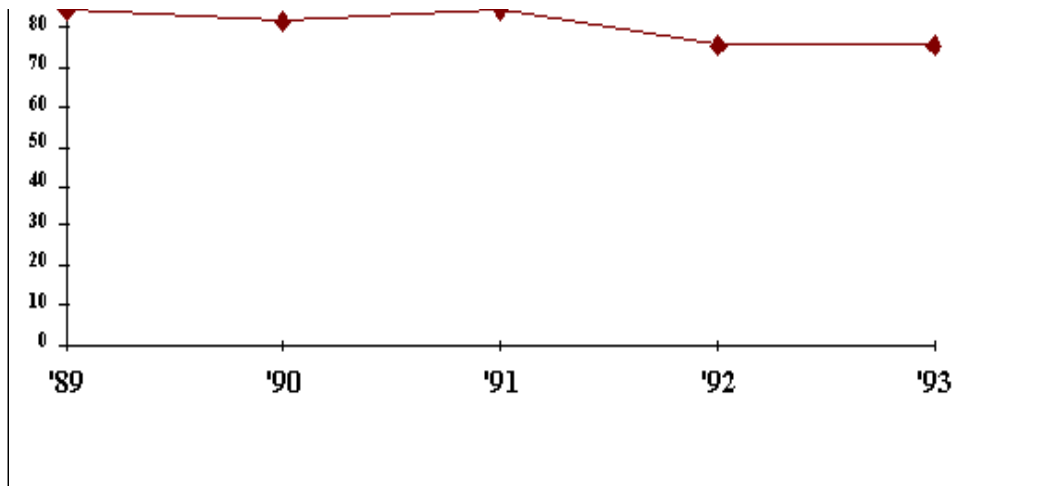
Though total pure juice consumption has remained relatively stable, imports of higher quality juice have continued to rise steadily over the last five years as Taiwan's standard of living has continued to increase.

Pure juice consumption values for the last five years are broken-out in the following table and charts:

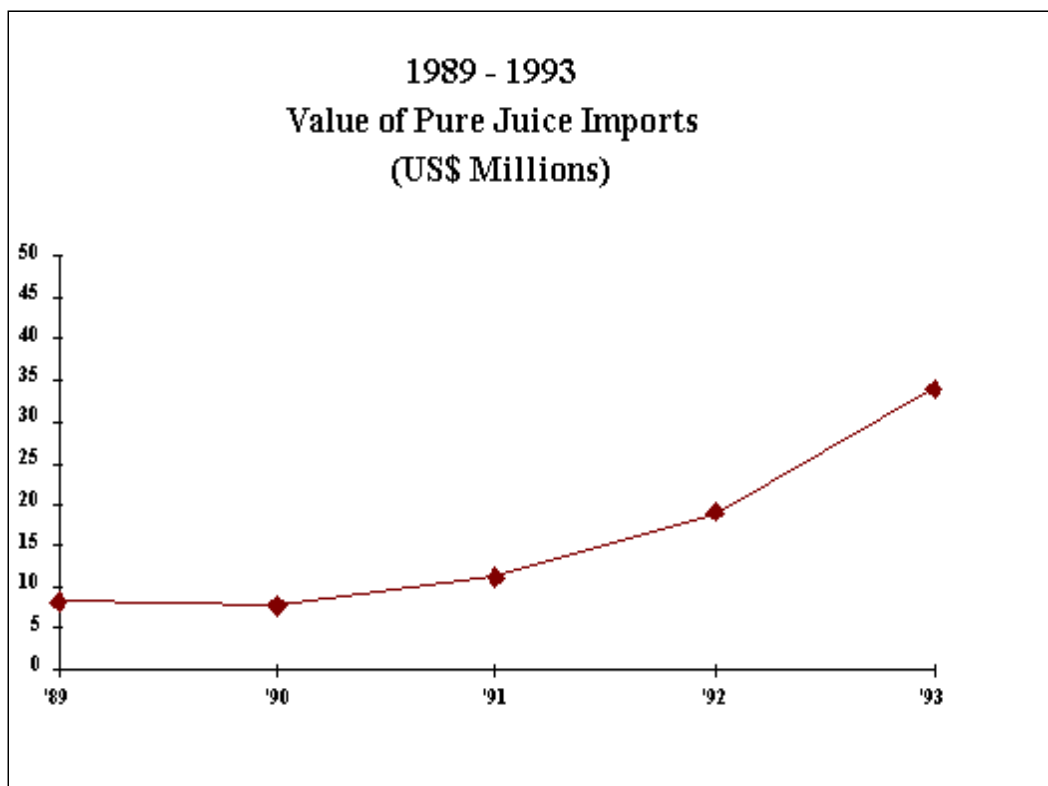
Total Pure Juice Market Size, 1989-93

	1989	1990	1991	1992	1993
Market Value US\$ Millions	85	82	85	76	76
Yearly Growth		-4%	4%	-11%	0%
Market Vol.(Liters - Millions)	69	66	74	65	82
Volume Growth		-4%	12%	-12%	26%





Source: Board of Foreign Trade



Source: Board of Foreign Trade

In early 1992, total fruit juice imports began to increase substantially. This was primarily the result of strong new consumer preference for coconut juice, particularly in central and southern Taiwan. Previously, coconut juice imports had been minimal. Industry sources expect however, that this consumer trend will begin to taper off gradually in 1995.

1.2 Factors Affecting Growth Rate

The most popular drinks on the market in 1994 were tea drinks and high-concentration juice drinks, however, pure juice drinks are seen as having good potential for further growth.

As the standard of living continues to rise, consumption of pure juice is expected to increase an estimated 6% annually over the next five years.

1.3 Sub-Markets

In Taiwan, pure juice is distributed among approximately four (4) sub-markets. These include the following:

- i. Retail Outlets
- ii. Department Stores
- iii. Restaurants and Hotels
- iv. Night Markets

i. Retail Outlets

Retail outlets, the largest sub-market for pure juice is comprised of hypermarkets, supermarkets, convenience stores (CVS), and street side kiosks, and accounts for an estimated 75% of total pure juice consumption.

ii. Department Stores

Most major department stores throughout Taiwan operate snack bars and / or dining facilities that cater to a upper scale, affluent clientele. Department stores account for an estimated 15% of total pure juice consumption.

Currently the following major department stores are operating in Taiwan:

- FAR EASTERN - SOGO
- YAOHAN - ASIA WORLD
- TAKASHIMAYA - LAI LAI
- TONG LIN - CHUNG YO
- MITSUKOSHI - REBAR

iii. Restaurant \ Hotels

The smallest sub-market for pure juice is the restaurant and hotel market, accounting for an estimated 5% of total pure consumption.

This market is comprised primarily of middle to upper scale restaurants, particularly those serving western meals, and most international tourist hotels.

iv. Night Markets

Night markets are an integral part of life in Taiwan where crowds of Taiwanese gather in the evening hours to dine on an extensive variety of inexpensive Chinese foods, drink beverages, and shop for everything from clothes to electronics.

Nearly every evening, in almost every neighborhood throughout Taiwan, street vendors begin assembling their wares, preparing their small foodstalls, and laying out discount merchandise.

Every major city in Taiwan typically has two or three larger more permanent night markets stretching a few blocks or more, and dozens of smaller impromptu markets that spring up in narrow alleys every evening.

Nearly 100% of all total pure juice consumed at night markets is made on the spot primarily from fresh oranges, lemons, and red grapes, by street vendors.

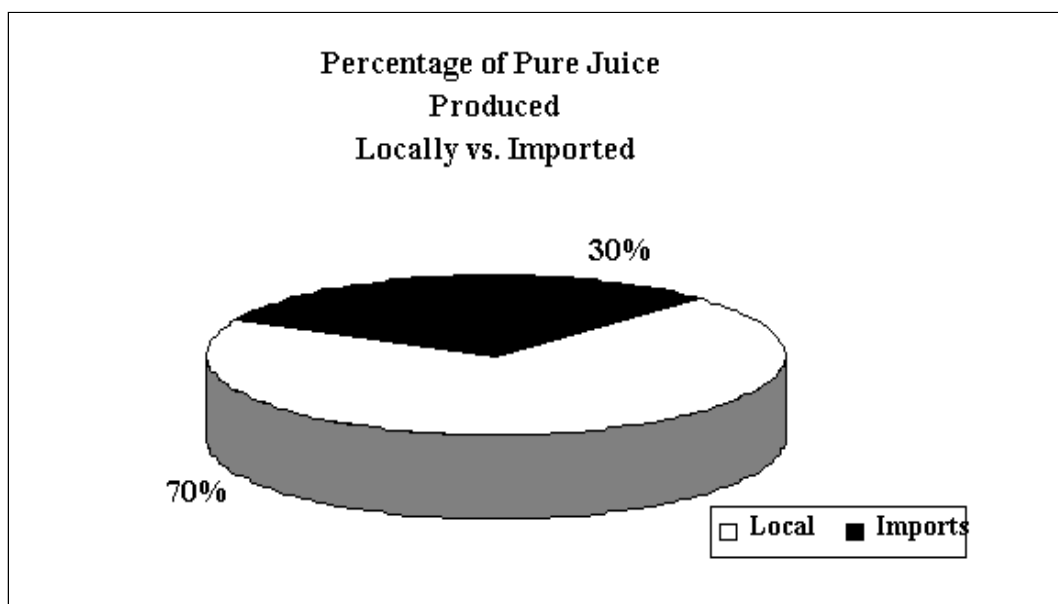
These night markets accounted for the remaining 5% of total pure juice consumption in Taiwan.

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2.0 DOMESTIC AND FOREIGN COMPETITION

2.1 Percent Locally Produced Versus Imported

In 1993, locally produced pure juice accounted for an estimated 70% of the total pure juice consumption in Taiwan. This is depicted below:



Source: Board of Foreign Trade

2.2 Market Share By Supplying Countries

Pure juice is imported from several countries, but Thailand, Indonesia, South Africa, the United States and Vietnam account for an estimated 80% of all pure juice imported into Taiwan.

Countries with the largest pure juice exports to Taiwan and their respective market shares are listed below.

Rank	Country	Market Share
1	Thailand	46%
2	Indonesia	10%
3	South Africa	10%
4	U.S.A.	7%
5	Vietnam	7%
6	Philippines	6%
7	Brazil	2%
8	Korea	2%
9	Australia	1%
*	Others	7%
	Total	100%

Source: Board of Foreign Trade

* 'Others' is comprised of imports from the following countries:

- Israel
- Austria
- Cyprus
- New Zealand
- Belgium
- India
- Spain
- Netherlands
- France
- Hong Kong
- Japan

2.3 Advantages and Disadvantages - Locally Produced Versus Imports

Taiwanese tend to view imported products as being higher quality, as is the case with pure juice. Though Taiwan is able to more cost effectively produce several varieties of pure fruit juice, import brands are still gaining in popularity. Taiwanese consumers perceive the juice manufacturing methods of foreign countries to be superior in terms of sanitation and quality of ingredients.

2.4 Major Brands and Respective Market Shares

Though a wide range of pure juices are consumed in Taiwan, the top three varieties of orange, tomato, and guava account for an estimated 46.6% of total pure juice consumption.

The following table reflects the most popular consumer preferences for pure juice types in Taiwan:

Rank	Top Juice Flavors	Market Share
1	Orange	18.2%
2	Tomato	14.6%
3	Guava	13.8%
4	Mixed Fruit & Vegetable	11.0%
5	Grape	1.8%
6	Apple	.7%
7	Grapefruit	.7%
-	Others	39.20%
	Total	100%

Source: FBR Statistical Analysis

The top ten (10) list of the most popular pure juices is comprised of both domestic and imported varieties.

The companies with the largest market shares are depicted in the following table:

Rank	Top Brands	Market Share
1	CERES	11.1
2	PRESIDENT	11.1
3	I-MEI	11.1
4	DING HAO	6.7
5	WELCHES	5.6
6	SUNKIST	5.0
7	WEICHUAN	2.8
8	BUO MEI	2.3
-	Others	44.3
	Total	100%

Source: FBR Statistical Analysis

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3.0 DISTRIBUTION AND PRICING

3.1 Distribution Channels

Larger pure juice importers such as PRESIDENT with significant market shares simultaneously employ dual channels of distribution.

The first channel is for the importer to sell directly to larger retail outlets, restaurants, and department stores. Approximately 70% of all imported pure juice is distributed by this method.

The second channel is to sell to a distributor, who in turn sells directly to the various convenience stores, other more remotely located retail outlets, restaurants, and department stores. This is depicted in the following diagram:

Overseas Exporter --> Taiwan Importer --> Distributor --> Retail Restaurants, Dept. Stores

According to the Board of Foreign Trade, there are currently a total of fifty-eight (58) importers of pure fruit juice in Taiwan. However, the top four (4) importers accounted for an estimated 80% of the pure juice market.

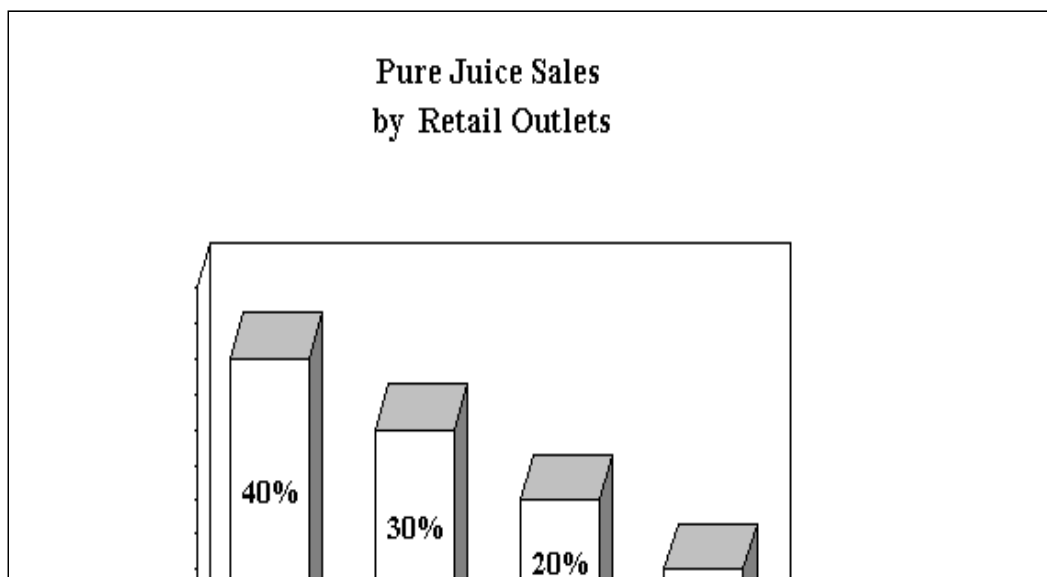
These four companies are:

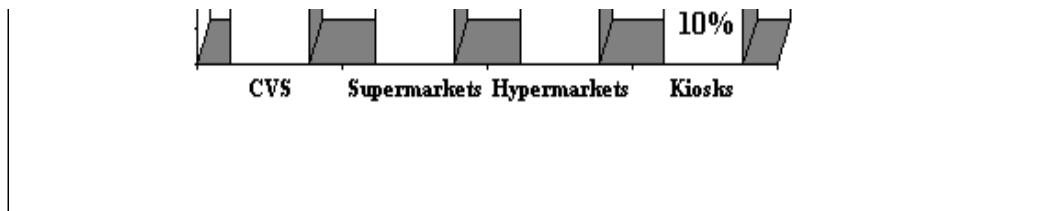
- i. NANLIEN INTERNATIONAL CORPORATION
- ii. THE EAST ASIATIC COMPANY (TAIWAN)
- iii. GETZ BROS. & CO., INC.
- iv. CHEN HSU CORPORATION

3.2 Description Of Retail Outlets

According to industry sources, retail outlets account for an estimated 75% of pure juice sales in Taiwan, and are comprised of hypermarkets, supermarkets, convenience stores, and street-side kiosks.

The breakdown of retail outlets is depicted in the following chart:





Source: FBR Statistical Analysis

Until relatively recently, retailing in Taiwan was dominated by family businesses and individually-owned shops. However, department stores, supermarkets and (24) hour convenience stores are all becoming increasingly popular and a means for importers to distribute pure juice.

Along with changes in consumption and spending patterns has come a change in the method of retailing. In particular, a new channel for the distribution of pure juice 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 new and confined to major metropolitan areas but it is proving to be a widely successful concept in Taiwan. There have been recent press reports which suggest that the local retailing industry is poised for a rapid island-wide expansion of the hypermarkets.

The foreign-based CARRERFOUR and MAKRO hypermarket chains, both operating in association with local joint venture partners, offer consumers the opportunity to purchase a wide variety of pure juices for home consumption.

Throughout Taiwan, there are currently more than three thousand (3000) convenience stores, an estimated four hundred to five hundred (400 - 500) supermarkets, and some twenty (20) hypermarkets.

3.3 Mark-ups at Distribution Stages

According to sources within the industry, average profit margins for importers selling directly to retailers averaged 30%.

However, indirect sales through distributors lower importers margins to approximately 15%, with the distributors themselves averaging a 25% mark-up.

Several distributors stated that they only considered carrying a pure juice product line if they were able to earn at least a 25% mark-up.

3.4 Comparison Between Retail and Export Price

Taiwan exports both guava and carambola juice.

Quotes obtained from the Taiwan Fruit & Vegetable Juice Association revealed the following:

Guava Juice Export Price, F.O.B. Taiwan NT\$19 (US\$0.73)

Retail Price, Taiwan NT\$60 (US\$2.31)

Carambola Juice Export Price, F.O.B. Taiwan..... NT\$33 (US\$1.27)

Retail Price, Taiwan NT\$60 (US\$2.31)

3.5 Price Comparison - Locally Produced Versus Imports

Top imported brands of pure juice are on average 7% more expensive than local brands, however, comparable package sizes of imports are often somewhat smaller. Adjusting for differences in package sizes it is estimated import brands are as much as 25% higher than that of equivalent locally produced brands.

3.6 Recommendations for Promotional Activities

By western standards, Taiwanese are particularly fond of soft drinks and 'functional' beverages, with most retail stores offering a staggering variety of flavored milks, sodas, teas, iced coffees, sport drinks, fruit juices and fruit juice drinks.

Thus, newcomers to the pure juice market face considerable competition from a wide range of competitors. As the Taiwanese, in general, prefer a healthy dietary intake over routine exercise, it is recommended that manufacturers emphasize the 'health benefits' of their particular product in an effort to distinguish themselves from amongst the vast array of other beverages available.

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4.0 PACKAGING

4.1 Local Legal Requirements for Packaging

Companies wishing to export to Taiwan are now under obligation to adhere to special labeling requirements.

The pure juice package label may be written in English, but an additional, clearly legible label written in Chinese must also be placed on each container.

This label must stipulate the following:

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

4.2 Consumer Preferences

Pure juices come in a variety of sizes but by far the most popular are the (236) milliliter and (946) milliliter container sizes.

Industry sources indicated a trend towards more choices in size. One packaging manufacturing in particular, TETRA LVEL, makers of the TETRA-PAK, have recently begun producing 300cc and 400cc aluminum foil packs.

An estimated breakdown of the types of packaging materials prevalent in the market by percentage is depicted in the following chart:

Package Type	Market Share
Tetra Pak	30%
Pure Pak	30%
Glass Bottle	20%
PET	10%
Steel Can	5%
Aluminum Can	5%
Total	100%

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5.0 IMPORT REGULATIONS

5.1 Local Tariffs, Non-Tariff Barriers, and Quotas

Though no quotas are in effect, importers of pure juice are levied a stiff tariff of 45% of the C.I.F. price. This heavy tariff is expected to be reduced significantly by mid - 1995 as Taiwan attempts to join the newly formed World Trade Organization (WTO).

In addition to the tariff, there are also several miscellaneous fees as listed in the following table:

Tariff and Fee Schedule*

Pure Juice Tariff	45% of CIF Price
Harbor Construction Fee	0.5% of CIF Price
Trade Promotion Fee	0.05% of CIF Price
Customs Clearance Fee Per Shipment	NT\$500 (US\$19.23)
Health Department Testing Fee	0.2% of F.O.B. Price

* **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.

5.3 Special Import \ Quarantine \ Testing Regulations

The Taiwan Department of Health requires that the first shipment of pure juice to arrive in Taiwan be tested as to its content and possible health hazards. The testing takes up to six working days and costs 0.2% of the F.O.B. price of the shipment.

After the initial test, additional tests will be performed randomly, but approximately every 20th shipment.

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