

Review and Outlook of the Domestic Food Industry in Second Quarter of 2019

ITIS Research Team, Food Industry Research and Development Institute (FIRDI)

Meng-li Lai

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Overview of the Food Industry in Second Quarter of 2019

(1) Food Industry Output of NT\$ 158.2 billion in Second Quarter, with 4.84% Growth

Based on estimates from the Department of Statistics of the Ministry of Economic Affairs (MOEA) and ITIS team under FIRDI, Taiwan's food industry output was NT\$158.2 billion in the second quarter of 2019 (the same below). That represents a 4.84 percent increase from the same period last year. The largest output growth in the second quarter can be seen in baked and steamed goods manufacturing, unclassified food manufacturing, feed manufacturing, chocolate and confectionery manufacturing, meals and dishes manufacturing, among others. The largest declines were observed in animal and vegetable oils and fats manufacturing, fruit and vegetable processing and preservation, and condiment manufacturing (see table 1). Domestically, raw materials for food showed uneven price variation in the second quarter. Prices for some fruits and vegetables increased due to heavy rain and a warm winter, while others decreased due to surplus. Prices for eggs and dairy products rose due to their relative shortage. According to the Food and Agriculture Organization of the United Nations (FAO), global food production (dairy products, vegetable oils, maize, sugar, etc.) has declined due to climate factors, both in terms of price information and in terms of global supply and demand for food-related raw materials. This then led to higher prices. Production in East Asia declined due to African swine flu, leading to a stronger demand for imported meat such as lamb, pork and poultry. Changes in global raw material supply will always have an impact on domestic food industry operations and output values.

(2) Growth in Food Industry Import and Export for Second Quarter

In terms of imports, the overall value for Taiwan's food industry in the second quarter is about NT\$69.9 billion. That represents an 8.72 percent increase over the same period last year. The top three import categories (calculated by import value) are frozen foods, alcoholic beverages and dairy products. Categories with an import growth of over 20 percent include cocoa products, coffee and substitutes, mill products, alcoholic beverages, tea, etc. Sub-items with larger growth include products containing cocoa (United States, France), bread (United States), omelets and pancakes (South Korea, United States), coffee (United States), corn flour (France, New Zealand), soybean flour (Japan, United States), beer (Netherlands), etc. Categories with a large decrease in import are sugar, molasses and canned food (table 2).



In terms of exports, the overall value of Taiwan's food industry in the second quarter is approximately NT\$30.3 billion. That represents an 18.38 percent increase from the same period last year. The top three export categories (calculated by export value) are frozen foods, miscellaneous food products and non-alcoholic beverages. Categories with an export growth of over 20 percent include cocoa and mill products, sugar and molasses, dehydrated foods, miscellaneous food products, dairy products, and pickled foods, etc. Sub-items with larger growth include cocoa powder (Korea), corn flour (Kiribati), glutinous rice flour (United States), maple syrup (Philippines), sugar syrup (Hong Kong), caramel (United States), dehydrated fruits and vegetables (Mainland China), wheat gluten (United States), ice cream (Singapore), fermented milk (South Korea), and others.

Categories with lower export values include slaughtered meat and entrails, waste products and food scraps, condiments, etc. Sub-items such as beef and entrails, fresh or refrigerated fish and fruits and vegetables, mustard powder, modified mustard, and monosodium glutamate (MSG) have shown a large decrease (table 3).

(3) Strategic Cooperation to Increase Business and Expand Customer Base

Through partnerships and cross-industry cooperation, those engaged in the food industry and sales can connect with new customer bases through product creativity development and innovative business models. An example of the latter is the "Post Office-Convenience Store", a 24-hour delivery service from FamilyMart and Chunghwa Post. The service is not limited by time and includes multiple delivery options for different customer needs. Cama Cafe, a freshly roasted coffee chain, has partnered with Taisun Enterprise to launch two co-branded, refrigerated coffee Tetra Pak packages: Lemon Kenya and Honey Latte. It will also lean on Taisun's sales advantages to develop the retail market for refrigerated coffee. Cama Cafe has also partnered with Japanese floral design brand Plantica to launch coffee and related products with a floral season theme. It provides customers with sensory experiences that include taste and vision. It will also enhance product capabilities to open up new market opportunities. Examples of other creative co-branded products are the new tea drink. Yihue Tea Shop, launched by Uni-President and Japan's Ujinotsuyu Sencha, J&G Fried Chicken Flavored Chips by Hwa Yuan Potato Chips and J&G Fried Chicken, 77 Taihodien Mala Nougat by Hunya. 77 Nougat and Taihodien, which combines Mala hotpot and chocolate, Caramel Mesona Popcorn with Taisun Mesona and Popsmile. Ovaltine Mocha Coffee, co-branded with Ovaltine and 7-Eleven. City Cafe, Tea Time Tour tea series launched by FamilyMart Let's Cafe and Century-old Taiwanese tea, non-alcoholic Hop-Flavored Sarsaparilla Plus and alcoholic Sarsaparilla-Flavored Beer by HeySong and Taihu Brewing, Morinaga Milk Caramel McFlurry by McDonald's and Morinaga Milk Caramel.

(4) Cross-Industry Integration for New Operating Models

With a positive outlook on cross-industry opportunities, businesses from different fields have struggled to adapt their operating models to create and meet customer demand for food and drinks. King Car Group, for example, has been active in expanding into the catering market. It established Buckskin Beer in May to position its expansion as a "catering and alcoholic beverage group", opening Buckskin Beer Bar and a bar-restaurant that combines Beerhouse with Yakiniku. Dachan Group, after being the agent for Saboten Tonkatsu pork chop, Gino Pasco bakery, 15ème Pâtisserie, Chinese-style restaurant. The One, a tea restaurant at Honolulu Cafe and butcher shop Great Meat, recently launched a new brand, Gipu, featuring cooked chicken. It sells cooked chicken products, Hong Kong-style roast duck, roast meat, cold dish boxes, carefully selected egg products, chicken floss and others, expanding into the market for cooked food.

Eslite Xinyi Store has recently undergone a renovation and quadrupled its food selection following the launch of "Eslite Flavor Marché" in June 2018, with 2,000 fresh fruits and vegetables, meat products and seafood. The new market offers free-range eggs, fresh milk from small farmers, sauce and snacks, Taiwanese

black pork products, Wagyu from Japan, Australia and the United States. It has also entered the market for bentos and eating out.

(5) Expanding Internationally with Existing Advantages

Businesses are actively exploiting the synergy of existing strengths and operating models to expand into emerging markets. In terms of expanding the global layout of the manufacturing industry, the second quarter saw Honchuan International and a major Indonesian beverage company sign up for in-house cooperation to build new aseptic beverage manufacturing plants in Indonesia. Wei Chuan Foods has been steadily developing a refrigerated beverage market in Mainland China that includes yogurt drinks, pure fruit juice, lactic acid bacteria and fresh milk. Production plants for fresh fruit juice are expected to be built in Guangdong and Tianjin with completion and machinery procurement ready in October. Total production capacity will increase to 95,000 tons. In addition, the automated storage system at the fruit juice plant in Kunshan, East China, has been completed and is now in service. As for overseas expansion of the catering industry and brand development, Wowprime continues to promote a multi-brand strategy of locking in markets from bargain to high-end. Examples include the opening of the new Taiwanese restaurant "Vegetable" in Taipei in April, the Vietnamese rice noodle brand "PhoFun", a high-end steakhouse "TheWang" in Mainland China. The coffee and bakery chain, 85°C Bakery Café, also opened its first store in Phnom Penh, Cambodia.