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Candy and Gum and Chocolate

Report Categories:

Product Brief

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Report Highlights:

Sugar confectionery sales in Taiwan increased 3% in 2008, with the most growth coming from nutraceutical candies. Chocolate sales were also up about 3%, with premium and dark chocolate as the new dominant products. Standard boxed assortments and tablets experienced the most growth in 2008.

In 2008, Taiwan imported about US\$3 million of sugar confectionery from the U.S., almost US\$16,000 of chewing gum from the U.S., and nearly US\$7 million in chocolate products.

The main trend in the Taiwan market is a demand for healthier candy, gum and chocolate products. Functional products that are medicated or have added nutrients will continue to show the highest growth.

General Information:

SECTION I. MARKET OVERVIEW

Sugar Confectionery and Gum

Sales in sugar confectionery in Taiwan grew about 3% in 2008 to approximately US\$226 million, while sales of gum fell slightly to about US\$147 million. The market for candy and gum is mature and future growth will come from more nutritious products. Healthy and functional products, such as sugar-free gum or candy containing added nutrients like calcium, were particularly popular in 2008, according to Euromonitor International. The increase in medicated candy for 2008 was over 7%, making it the fastest growing subsector, although toffees, caramels and nougat subsector increased more than 4%. Sugar-free and functional gum sales were up 2%, while sweetened gum was down nearly 7%. New products and effective marketing campaigns will boost future growth in the candy and gum industry.

Chocolate

Taiwan's chocolate sales in 2008 went up 3% to around US\$143.5 million. The compound annual growth rate is expected to be almost 3% over the next five years. Premium and dark chocolates were the most popular products in 2008. Standard boxed assortments grew 4%, while tablets had the strongest growth in volume, over 2%. Dark chocolate is expected to become widespread in the future because of its health attributes and high quality image.

Imports into Taiwan

In 2008, Japan led sugar confectionery imports into Taiwan with a 28% share, followed by Malaysia with an 11% share and the U.S. with a 9.5% share. Taiwan imported 57% more sugar confectionery from the U.S. in 2008 than in 2007, totaling nearly US\$3 million. Japan was also the leader in 2008 for gum imports into Taiwan, with 44% of the imports. Thailand had a 35% share, followed by Indonesia (9%), France (5%) and South Korea (3.3%), while the U.S. was the 6th largest shipper with only a 2.6% share. The U.S. was the leader in 2008 for Taiwan chocolate imports, with a 56% share of the market. Imports from the U.S. increased by 60% in 2008, and totaled almost US\$7 million. The U.S. is followed by China and Australia, both with about a 12% share. (Source: Global Trade Atlas)

Advantages	Challenges
There is potential in functional or medicated candy and gum	The Taiwan market is mature and not rapidly expanding
Many consumers are willing to pay more for premium chocolates or imported candy and chocolate products as gifts	Retailers are creating private label brands and pushing product promotions during the economic slowdown, intensifying competition
U.S. products are considered to be safe and of	Many Taiwan consumers lack brand loyalty

high quality	
The majority of Taiwan's chocolate imports come from the U.S.	Japan dominates Taiwan's imports of sugar confectionery and gum

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Entry Strategy

U.S. companies may wish to concentrate on establishing business relationships with a reliable and efficient importer and distributor who will sell imports to retail stores. Other U.S. companies may want to increase the volume of direct imports to avoid the higher cost of products purchased from importers and wholesalers. The best method to reach Taiwan's retail buyers is to initially contact them directly via e-mails or faxes. Product catalogues and price lists are essential, and sample products are also helpful. The ATO Taipei maintains listings of potential importers and major Taiwan retail stores for U.S. suppliers.

Candy, gum and chocolate are sold almost entirely at retail outlets. They are mainly sold in convenience stores (7-Eleven, Family Mart), supermarkets (PX Mart, Wellcome), and hypermarkets (Carrefour, Costco). A smaller portion is sold at department stores and through specialty retailers. The significant growth of cafés in recent years creates a niche market for imported candy, gum and chocolate products.

Market Size and Structure

In 2008, sales in sugar confectionery in Taiwan grew about 3% to almost US\$226 million, while sales of gum fell less than 1% to about US\$147 million. The slight decrease in overall gum sales was largely because of the sharp decline in sweetened gum. The compound annual growth rate for the next five years is expected to be over 3% for sugar confectionery and about 1% for gum. The market for candy and gum is mature and future growth will come from more nutritious products. Growth in 2008 came from healthy and functional products, such as sugar-free gum or candy containing added nutrients like calcium.

Taiwan's Sugar Confectionery and Gum Sales in 2008

Subsector	Volume '000 tons	Value US\$ million	Subsector	Volume '000 tons	Value US\$ million
Standard Mints	0.21	8.0	Sugarised gum	0.97	25.5
Boiled Sweets	3.70	32.2	Sugar-free gum	1.54	34.7
Pastilles, gums, jellies and chews	9.12	96.9	Functional gum	2.44	81.4
Toffees, caramels and nougat	5.13	45.8	Bubble gum	0.52	5.7
Medicated confectionery	0.47	17.8	Total gum	5.47	147.3
Lollipops	0.67	13.1			

Other sugar confectionery	1.98	12.0			
Total candy	21.27	225.8			

Euromonitor International estimates

The increase in medicated candy for 2008 was over 7%, making it the fastest growing candy subsector, although toffees, caramels and nougat increased more than 4%. The toffees, caramels and nougat subsector is the second largest candy subsector (20% of value) after pastilles, gums, jellies and chews (43% of value). New products and effective marketing campaigns will boost future growth in the candy and gum industry.

Because of the focus on health, candies facing declines include boiled sweets and lollipops. This is partly because firms are not introducing new flavors or marketing boiled sweets as much. Products like pastilles, gums, jellies and chews have been growing in 2007 and 2008, and Sunkist is a new brand that is taking advantage by launching new products in this area and increasing competition. New products with fruity flavors and chewy textures are preferred by Taiwan consumers. This is why mint-flavored chewing gum is preferred to standard mints.

Taiwan's Chocolate Sales in 2008

Subsector	Volume '000 tons	Value US\$ million	Growth (value) 2007-2008
Tablets	1.09	17.1	3.5%
Countlines	2.92	35.7	3.8%
Bagged selflines/softlines	1.82	25.4	-0.5%
Standard boxed assortments	2.91	60.8	4.0%
With toys	0.16	4.5	2.3%
Total chocolate	8.90	143.5	3.0%

Euromonitor International estimates

Chocolate sales went up 3% to around US\$143.5 million in Taiwan. The compound annual growth rate is expected to be almost 3% over the next five years. Premium and dark chocolates were the most popular products in 2008. Standard boxed assortments grew 4% and were the largest subsector in terms of value, although the countlines subsector grew 3.8% and is about the same size as boxed assortments in volume. Bagged selflines/softlines was the only area that decreased in 2008. Tablets had the strongest volume growth of over 2%. In the tablets subsector, plain dark chocolate has been growing steadily, but filled tablets still hold nearly half of the market value. Dark chocolate is expected to become widespread in the future because of its health attributes and high quality image.

Trends

- Healthier candy and gum products:

Medicated candy is growing rapidly because of its functionality, such as candy to soothe sore throats. Although Taiwan consumers are becoming more conscious of healthy goods, sugar-free candy is not common yet. Taiwan consumers are still skeptical about the taste of sugar-free candy and the safety of artificial sweeteners. Some other healthy options to put in candy, especially candy targeted for children, are vitamin C, beta-carotene and calcium. Parents are more likely to purchase candy with health benefits for their children.

The gum market is also becoming more focused on healthier products. Sugar-free and functional gum became significant products in 2008. New flavors were introduced into sugar-free gum [1], and functional gum with Xylitol, a naturally-occurring sugar substitute, was also marketed. Many Taiwanese still do not view gum as healthy, but just as a breath freshener, even though the Lotte 100% Xylitol gum got a 'Healthy Food' label from the Department of Health for preventing tooth decay. Gum containing Xylitol is likely to become widespread in the future. To enter the gum market, sugar-free gum has become a must and functional gum is the only rapidly growing area.

- More product promotions and private label brands due to higher prices per unit:

As a result of escalating operating costs, like higher energy costs and higher prices of raw materials, unit prices for candy, gum and chocolate increased in 2007 and 2008. This was also partly because of the weakness of the U.S. dollar. Retailers have been able to use some of their bargaining power to keep costs down, but prices are still rising. Retailers are demanding reduced prices or promotions to gain competitive advantage. Chained convenience stores have been experiencing very intense competition. One example is when 7-Eleven introduced toy figurines (based on Zodiac signs) with chocolate purchases, Family Mart quickly began its own promotion with Chinese god toys because free gifts are extremely popular in Taiwan.

To offer differentiation and lower prices, many retail chains are also promoting private label products. In April 2008, 7-Eleven launched 7-Eleven Design, a private label brand. So far its product lines do not include any candy, but candy products are expected to be introduced in the near future. Carrefour also launched a private label brand of chocolate with flavors like "strawberry white" and "orange dark."

- Giving candy or chocolate as a gift:

Peak candy and chocolate season in Taiwan occurs around holidays like Christmas, Chinese New Year and Valentine's Day (December – February). Taiwan consumers buy imported candy and chocolate products as gifts. A popular subsector in candy to give as a gift is toffees, caramels and nougat. High quality and attractive packaging are important elements of success for these products.

- Healthier or premium chocolates:

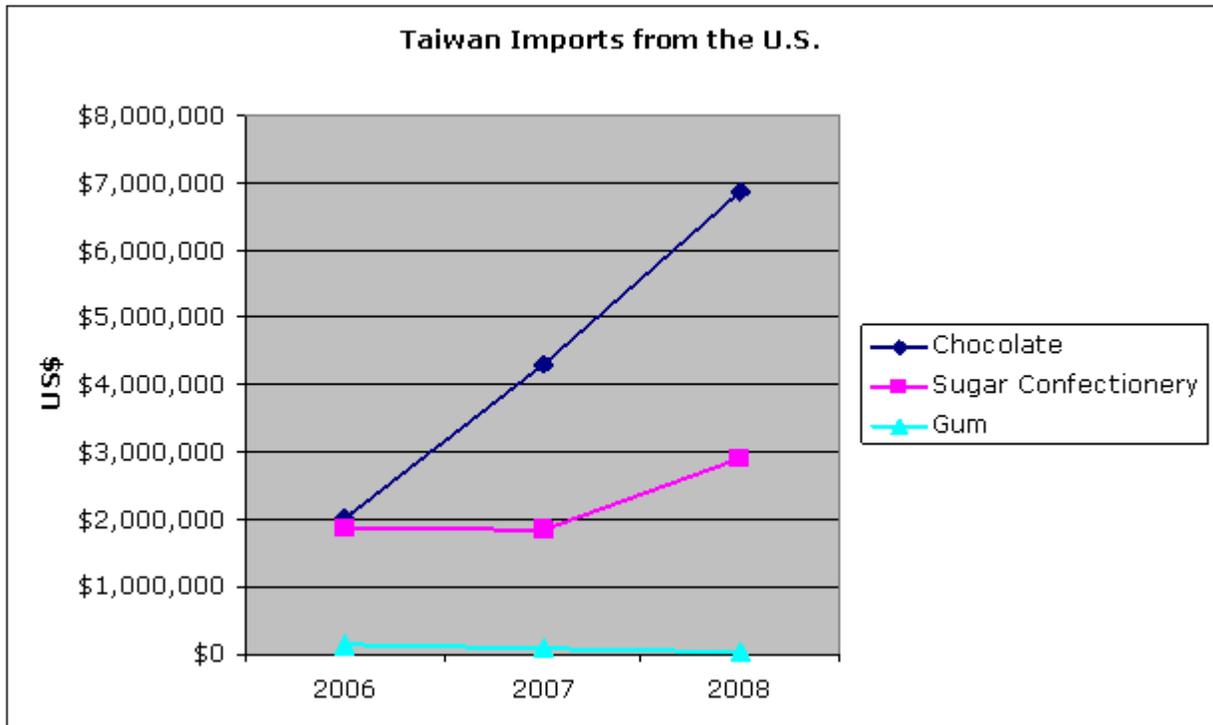
In 2008 the Taiwan media focused on the benefits of chocolate, which stimulated growth, especially in tablets and boxed assortments subsector. Boxed assortments were the fastest growing subsector in terms of value in the Taiwan market, and are expected to see the strongest growth in the next five years because consumers are willing to pay higher prices and give them as gifts.

The Taiwan media also reported that high cocoa content in chocolate can help prevent heart-related diseases. Another future prospect is high flavonoid content in chocolate because it claims to reduce blood pressure. Dove has already patented its process of retaining flavonoids, but this area may grow a lot in the future with such a strong focus on health and wellness.

Because of the economic slowdown, the chocolate consumers have become mostly high- and low-income families, and middle-class purchases are down. This is why premium chocolate brands have been doing better, as have lower priced chocolates. Premium dark chocolates also targeted young female consumers who are willing to spend more money on luxury products.

Competition

Competition from other countries varies by product, with Japan being the largest player in the sugar confectionery and chewing gum imports, but the U.S. dominating Taiwan imports of chocolate. As seen in the chart below, Taiwan imports of U.S. chocolate has been growing rapidly, imports of sugar confectionery has had moderate growth, and imports of gum have been decreasing. Chocolate imports grew from about US\$2 million in 2006 to US\$7 million in 2008, while sugar confectionery imports were stagnant at US\$2 million from 2006 to 2007, but grew to about US\$3 million in 2008. On the other hand, gum imports from the U.S. dropped from about US\$150,000 in 2006, to US\$100,000 in 2007, down to US\$16,000 in 2008.



Source: Global Trade Atlas

- Sugar Confectionery

The table below shows which countries Taiwan imports the most sugar confectionery products from. The United States is its third largest source, with Japan and Malaysia in first and second. Except for the United States, Germany and Switzerland, the other top imports are all from Asian countries. The United Kingdom and the Netherlands were top suppliers in 2007, but lost their market share in 2008 and dropped down to 9th and 10th on the list, respectively.

Taiwan Imports of Sugar Confectionery by Country (in US\$)

Country	2007 Imports	2008 Imports	% Share 2008	Growth 07/08
1. Japan	\$6,757,865	\$8,557,984	27.8%	26.6%
2. Malaysia	\$3,685,873	\$3,368,616	11.0%	-8.6%
3. United States	\$1,858,618	\$2,922,298	9.5%	57.2%
4. Germany	\$1,166,650	\$2,499,549	8.1%	114.3%
5. Vietnam	\$867,914	\$2,279,685	7.4%	162.7%
6. Thailand	\$1,419,116	\$2,238,938	7.3%	57.8%
7. Indonesia	\$2,363,757	\$2,140,951	7.0%	-9.4%
8. Switzerland	\$954,477	\$1,329,783	4.3%	39.3%
Total	\$26,545,771	\$30,763,252		15.9%

Source: Global Trade Atlas

The packaging of products in Taiwan is very important. U.S. candy products are very competitive in the Taiwan market, but many Japanese products have more attractive

packaging. Creative and practical packaging can go a long way in differentiating from other products. This is seen with many Japanese Morinaga candy products, which may be packaged in small holding cartons, folding cartons, metal cans or plastic boxes. Finding new packaging for different occasions will boost demand. This is partly due to candy being an impulse purchase. When located near the checkout, these products will sell more. Price promotions go a long way for increasing impulse buys, especially during a recession when consumers are less likely to spend their money on impulse purchases.

According to Euromonitor International, Morinaga, a Japanese firm, had the largest share gain in 2007 in the sugar confectionery market. It sells Hi-Chew and Morinaga brands, and some products are made in Taiwan and others are imported from Japan. Hi-Chew brand is ranked 2nd in pastilles, gums, jellies and chews, producing them in popular fruit flavors like lychee, mango and strawberry. The Morinaga brand is more well-known and sells toffees, caramels and nougat. Original and brown sugar flavors are the most popular because they have some health benefits.

Frente is another large competitor that sells under many brand names and has marketed new products with health benefits by adding fish liver oil, vitamin C and calcium. The U.S. Dairy Export Council has been active in the Taiwan market, introducing specialty ingredients suitable for production of nutritional candy products. Nin Jiom is another large firm and it uses its historical Chinese background to market products and has entered the medicated candy subsector. Both firms have been running interesting TV ads to increase brand recognition. Additional competition comes from Kuai Kuai and I-Mei Foods, and even though they are smaller domestic firms, they know Taiwan consumer tastes and come out with many popular local flavors. Recently, many economy brand products have been imported from China [2]. This will put added pressure on the competition to keep down prices or come out with new price promotions.

Consumer brand loyalty for candy is weak, and demand can be swayed by an effective ad campaign. Running advertisements on TV, in stores or in newspapers are useful ways of building brand image. Taiwan consumers want a wide variety of products to choose from.

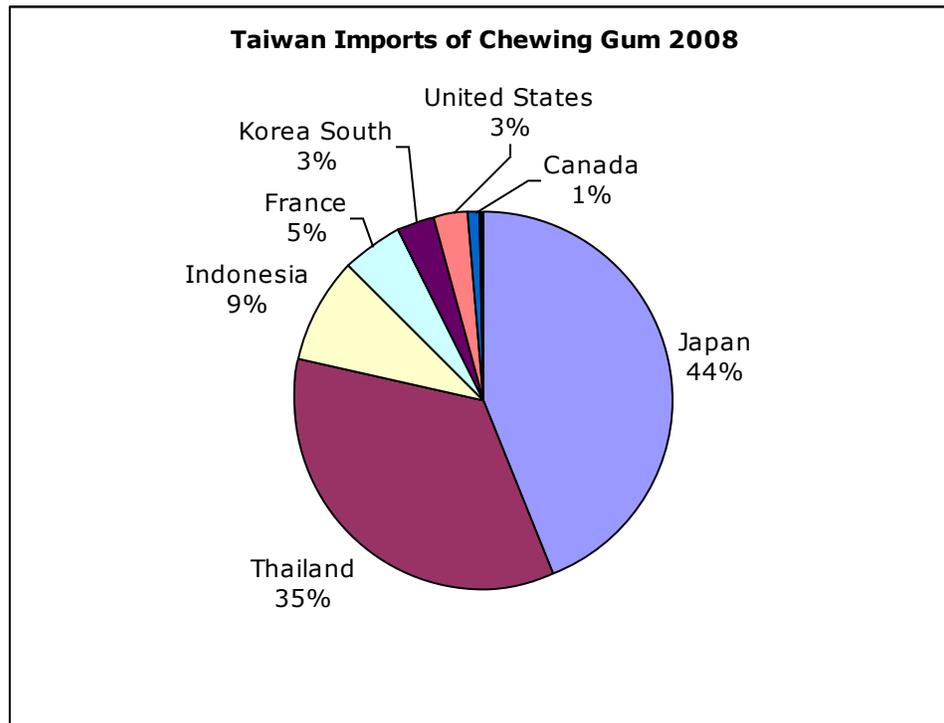
- Chewing Gum

The majority of gum imports in 2008 came from Japan. Thailand also has a large share of the imports, as seen in the pie chart. Thailand was the leader in 2007, but decreased by 17% in 2008, while Japan's share grew 27% in that time. In 2007, the U.S. was the 3rd largest country of the imports into Taiwan, but the U.S. share dropped 84% from 2007 to 2008, a drop of over US\$80,000. (Source: Global Trade Atlas)

In the gum sector, U.S.-based Wrigley had over 75% of gum sales in 2007 with its three main

brands, Doublemint, Extra and Airwaves. Its brands are clearly segmented for fresh breath, soothing throats, and dental health, respectively. It is clearly the dominate player in the gum market, and came out with many new products in 2008 to boost growth. While mint is the most popular flavor in Taiwan, Wrigley came out with fruit flavors and Chinese herbal flavor (Lang-Yi). Herbal flavored gums are the newest products being launched in Taiwan and other

parts of Asia. Lang-Yi comes in different flavors that claim to sooth sore throats, moisturize skin or improve eye health. Herbal flavors should be marketed with their benefits to exploit potential growth. King Car Food Industrial Co Ltd, from Taiwan, is the next largest competitor. Lotte, a Japanese based company, makes popular fruit flavors and various mint



flavors. Its main new product is 100% Xylitol gum. Frente also entered the gum market, and has been popular with children because it already produces many candy brands.

- Chocolate

Imports of chocolate from the U.S. have grown rapidly in the past few years, and in 2008 the value reached US\$6.88 million. The U.S. accounted for over half of all imports, which was about US\$5.4 million more than its next largest competitors, China and Australia. Australia lost nearly half of its imports value in 2008, while countries like Singapore, Italy, Malaysia and Canada gained significant amounts of their shares of imports in 2008.

Taiwan Imports of Chocolate by Country (in US\$)

Country	2007 Imports	2008 Imports	% Share 2008	Growth 07/08
1. United States	\$4,297,005	\$6,881,059	56.2%	60.1%
2. China	\$1,514,338	\$1,491,400	12.2%	-1.5%
3. Australia	\$2,830,886	\$1,470,170	12.0%	-48.1%
4. Netherlands	\$610,921	\$541,335	4.4%	-11.4%

5. Singapore	\$104,063	\$392,154	3.2%	276.8%
6. Philippines	\$349,026	\$289,725	2.4%	-17.0%
7. Italy	\$103,825	\$253,598	2.1%	144.3%
8. Malaysia	\$56,623	\$233,405	1.9%	312.2%
9. Canada	\$89,015	\$182,298	1.5%	104.8%
10. Japan	\$118,858	\$153,112	1.3%	28.8%
Total	\$10,366,910	\$12,250,329		18.2%

Source: Global Trade Atlas

Italian-based Ferrero is the main competitor in Taiwan's chocolate market, according to Euromonitor International. Its two big brands are Ferrero Rocher and Kinder. Ferrero takes advantage of holidays by changing its packaging and advertising for Valentine's Day, Chinese New Year and Mid-Autumn Festival. Another large competitor is Effem Foods Inc (a part of U.S.-based Mars company), which owns brands Snickers, M&M's, Dove, Twix and Maltese. It offers numerous price promotions to sell its products. Dove has launched many new products the past couple of years with differing percentages of cocoa. Dove also worked with 7-Eleven on a marketing campaign where each store had a quota for sale, but it was only a one-time incentive program. Multinational companies have more market share than domestic companies, but Hunya is the largest Taiwan manufacturer. Hunya is the third largest competitor with its brands 77, Always and Tappl. Hunya introduced a cheaper dark chocolate to target consumers who may be affected by the recession. Godiva is not a large player in the Taiwan market, but it has been growing in the premium chocolate sector since 2006. It has 14 parlors and also makes chocolate beverages. Godiva has been working with exclusive hotels in Taipei to bring its high-quality image to the Taiwan market [3] .

SECTION III. COSTS AND PRICES

There are no quotas in effect for candy imports. Since Taiwan's accession into the World Trade Organization (WTO) in 2002, tariffs for chocolate, chewing gum, and other candy were lowered to 10%, 20%, and 27.5% respectively. They have been at this level since 2007.

For detailed information on exact fees, charges, taxes and other costs relating to the customs clearance process, we suggest that you work with your importer(s) or your freight forwarders in the United States.

SECTION IV. MARKET ACCESS

All processed food products are subject to inspection by the Bureau of Standards, Metrology & Inspection (BSMI), which is part of the Ministry of Economic Affairs (MOEA). The inspection focuses on food additives, labeling, and food hygiene.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Lists of Taiwan importers as well as major Taiwan retail stores are available from the ATO Taipei. For further information or assistance on the Taiwan candy market, please contact:

Agricultural Trade Office Taipei | American Institute in Taiwan
Room 704, 136 Renai Road, Section 3, Taipei, Taiwan
Tel: (886-2) 2705-6536 | Fax: (886-2) 2706-4885
ATOTaipei@usda.gov | <http://www.usfoodtaiwan.org>

^[1] The top ten gum flavors in order are: mint, juicy fruit, blueberry, grape, strawberry, lemon, blackcurrant, honey & lemon, apple, and cinnamon.

^[2] Imports from China increased nearly 1,000% from 2007 to 2008, although the total value of those imports was only \$16,798 in 2008 (Global Trade Atlas).

^[3] Other significant competitors in the chocolate market in Taiwan are Andes, Hsing Lan Trading Co., Nestle, Kraft Foods, The Hershey Co., Meiji Seika Kaisha Ltd, I-Mei Foods, Kuai Kuai, Lindt and Ritter (in order by market share).

Labeling Requirements:

All shipping container labels must contain packing dates (year, month and day). Pre-packaged foods imported into Taiwan must have traditional Chinese characters on the label. Working with an importer on the Chinese label is advised.

Food Additive Regulations:

Imported processed food products which contain artificial food additives are subject to strict tolerance levels and acceptable use requirements as prescribed by Taiwan's Department of Health (DOH). For more information see the DOH's homepage at <http://www.doh.gov.tw>.

[1] Regulations are also summarized on the ATO Taipei website. Go to www.usfoodtaiwan.org, on the left click "General Information" and then "Taiwan DOH Regulations."

^[1] Click "English" at the top of the page. Information can be found by seeing "Laws & Regulations," "Food-related." There is a list and one link is for "Scope and Application Standards of Food Additives."