



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 2/4/2000

GAIN Report #TW0008

Taiwan

Organic Products

Taiwan's Market for Organic Products

2000

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Report Highlights:

About 1,000 specialty stores on Taiwan sell organic foods. Taiwan's annual imports of organic foods are worth approximately \$9.7 million. In the next three years annual sales of organic foods on Taiwan is expected to reach \$19.4 million, double current levels.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei[TW1], TW

Taiwan's Market for Organic Products

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Situation and Outlook

Results of a market study conducted by a local food company indicate that Taiwan's annual imports of organic foods are worth approximately NT\$300 million (\$9.7 million). Organic foods are mostly sold through specialty stores and some supermarkets located in department stores and upscale communities in northern Taiwan. There are about 1,000 specialty stores on Taiwan that carry organic foods. On average, these stores are the size of convenience stores, stocking from 1,000 to 2,000 items. The fifty largest of these stores have average individual annual sales of only NT\$1 million (\$32,000). Due to the limited supply of organic foods from both foreign and domestic sources, organic foods account for only about 30 percent of these stores' inventory. Remaining items are food supplements or natural foods. Items carried by these specialty stores include domestic and foreign organically grown rice, fruit, vegetables, nutritional supplements, herbal teas, and naturally grown products. Enzyme powders and vitamin B products, items favored by vegetarians, are also stocked. Other popular food supplements often found in these stores include Tabebuia Avellanedane, spirulina bio tablets, trace metal tablets, bee pollen, royal jelly, and propolis which is advertised as an anti-aging agent. In the past most consumers of organic foods were people with special health needs or members of religious groups. Today, consumers of organic foods are much broader based. The new target group for organic food customers are consumers in their 30's and 40's with higher educations .

According to the *Almanac of Supermarkets and Hypermarts on Taiwan*, in February 1999 Taiwan had 839 supermarket outlets, of which 548, or 65 percent, belonged to chains. A supermarket is defined as a retailing outlet which has more than 3,600 square feet of floor space, and which stocks a large variety of consumer food items including vegetables, fruits, meat and seafood. A chain consists of at least four stores. Approximately 58 outlets on Taiwan sell organic foods, an increase of 24 outlets as compared with just two years ago. Supermarket managers consider organic foods to be profitable and trendy. Most organic foods are sold in Taipei and in other population centers in northern Taiwan. However, supermarkets in central and southern Taiwan will likely begin carrying organic products and introducing organic food sections in the near future. One central Taiwan supermarket chain, Sinon, is planning to set up an organic section in 4 of its 18 stores.

In 1999, two stores specializing in organic foods opened in the Hsinchu Science Park (Taiwan's Silicon Valley) where most of the employees belong to the organic food target group. Hsinchu is located about one hour's drive south of Taipei. One of these two stores is currently the largest of its kind on Taiwan with annual sales of NT\$100 million (\$3.2 million). It is about six to seven times larger than average store that sells organic products. This store also includes a restaurant which offers organic and natural meals. To meet the increased demand for healthier and safer foods, the Taiwan Semiconductor Manufacturing Corporation (TSMC), one of the leading semiconductor manufacturers in the world, plans to contract with these businesses to set up three new organic food outlets in Hsinchu Science Park.

In February 1999 a new organic food retailer, Uni-President Organics, was established. This new company was formed by President Enterprises, Taiwan's largest food company, in partnership with Santa Cruz International, Taiwan's largest organic food importer/distributor which distributes organic products in about 300 specialty stores throughout Taiwan. President Enterprises is the owner of the over 2000 Seven-eleven convenience stores on Taiwan. Uni-President Organics plans to establish a chain of specialty organic food stores throughout Taiwan. Its flagship store will open in Taipei in March 2000.

In the next year or so, the number of organic food items available on Taiwan is expected to increase from around 1,000 to about 1,500. New-to-market products include organic tofu, soy milk, and soy sauce, processed domestically with US organic soybeans. The selection of domestically grown and imported organic fresh produce will expand. In the past two years the area used for the domestic production of organically grown produce has increased two-fold from 600 hectares to over 1,200 hectares. In the next three years annual sales of organic foods on Taiwan is expected to reach NT\$600 million (\$19.4 million), double what it is now.

Popular Imported Organic Foods

The most popular organic foods on Taiwan are vegetables, rice, beans, and lentils. Rice, with the exception of glutinous rice, and vegetables are generally grown on Taiwan. Beans, lentils and other products are imported. Popular organic food imports include dry goods such as tree nuts, dried fruit, black glutinous rice, wheat flour, soybeans, grains, beans, and lentils. Popular organic beverages include herbal teas, apple cider vinegar, apple juice, vegetable juices, low salt tomato juice, drinks made from wheat grass powder and other fiber powders, and organic red wine. Processed organic foods commonly imported include pasta and canned soups. Vegetable oils imported include olive oil, sunflower oil, pumpkin seed oil, avocado oil, tea seed oil, and sesame oil. Some of these are advertised as naturally grown and cold-pressed. Organic sauce imports include soy sauce, miso, and salad dressing. Fresh organic produce imports include carrots, peppers, broccoli, onions, potatoes, apple, grapes, and oranges. Some new-to-market imported organic products include malt drinks from Germany, yoghurt powder from Canada, and organic raisins from the US.

Imported fresh produce is usually not available in the market on a regular basis because foreign supplies are limited, perishable, and seasonal. According to importers, Alaskan organic carrots, which were imported for the first time in November 1999, were well received by local consumers. On average, imported organic fresh produce is priced about four times higher than conventional products. Imported fresh produce currently on the market are:

- Broccoli at NT\$146 for 464 grams (\$4.74 for 1 lb)
- Yellow onions at NT\$25 (\$0.81) for one 180 gram (6 oz) onion
- Red onions at NT\$34 (\$1.10) for one 245 gram (9 oz) onion
- Alaskan natural potatoes at NT\$20 (\$0.65) for one 280 gram (10 oz)
- Alaskan organic carrots at NT\$87 for 728 grams (\$2.82 for 1.6 lbs)
- Grapes at NT\$250 for 740 grams (\$8.11 for 1.6 lbs)
- Oranges at NT\$300 for 1.82 kg (\$9.74 for 4 lbs)
- Fuji apples for NT\$120 (\$3.90) for one 335 gram (12 oz) apple.

According to one US State Office in Taipei, which has been actively promoting organic products from that State, in just the past two years, the number of active Taiwan importers of organic products has increased from about 10 to around 20. Taiwan organic food importers are often owners of specialty stores and distributors at the same time. The community of organic food importers and distributors is small and its members interact more like partners than competitors. For example, an importer who locates and orders a shipment of organic US Fuji apples usually makes part of the shipment available to other specialty stores in order to increase turnover. Other stores are eager to take advantage of such opportunities because they increase the number of products that they can make available to clients. A representative shop specializing in organic foods reports that 43 percent of

the imported organic foods in his store are from Germany; 40 percent from the US; 3 percent from Italy; and the rest from several other countries.

Popular Domestic Organic Products

The Taiwan Council of Agriculture (COA—the Taiwan equivalent of the USDA) began organic farming trials in 1986 and began providing organic product extension services to farmers in 1989. By 1991 small scale commercial production of organic products had begun. In 1992, a symposium sponsored by the International Sustainable Agriculture Organization, of which Taiwan is a member, was held in Taipei. This symposium generated extensive reporting in the local media about sustainable agriculture and organic farming.

In 1996 the COA established guidelines for the production of organic rice, fruits, vegetables, and tea. In 1997 the COA began implementation of a trial organic product certification program. Certified product packages carry a *COA Organic Food* sticker. Organic farms are supervised by the COA, various agricultural research institutes, and district agricultural improvement stations. Organic product certification and marketing have posed the greatest challenge to the small domestic organic product sector.

Currently, organic products in Taiwan are produced on about 1,240 hectares. This is twice as many hectares as two years ago. Organic rice is grown on about 530 hectares (up 75 percent from two years ago); tea on 80 hectares (up 260 percent); tree fruit on 160 hectares (up 60 percent); vegetables on 300 hectares (up 580 percent); and various other products are grown on an additional 170 hectares. Products grown on these farms are all consumed domestically.

Tea. Annual organic tea production is estimated at 80 mt from 80 hectares of certified organic tea land, accounting for 0.1 percent of total tea production. Locally grown organic tea is primarily sold at local farm product exhibitions, farm fairs, and in specialty stores. Due to its limited production, it is not available in ordinary retail outlets. The market price for organic tea varies with quality, production seasons, the elevation of the production location, etc. Each farm's tea is considered to be a unique product; and therefore, market prices fluctuate considerably. However, the lowest price for organic tea is approximately NT\$15 (\$0.50) per tea bag, about three times the price of the least expensive conventional tea. Organic green tea powder is also available.

Fruits. Only 160 of the 227,000 orchard hectares on Taiwan are certified for the production of organic fruit. Taiwan's climate makes it difficult to grow fruits organically. The only organic fruits grown on Taiwan are guavas, oranges, and papayas. According to the COA, organic tea and fruits have not been as successful as organic rice and vegetables.

Rice. Organic rice is a popular item with Taiwan consumers. Nonetheless, certified organic rice production currently accounts for only 0.3 percent of total production. Estimated annual organic rice production is 4,500 mt, on a brown rice basis. Organic rice is priced at around NT\$90 per kg (\$1.36 per lb), on average about 2.5 times as expensive as conventional rice. Organic rice is usually sold in 1.8 kg bags in the form of brown rice. Organic rice is widely distributed. It is available in all 86 farmer association supermarkets island-wide and in all 18 Taipei Agricultural Marketing Corporative supermarkets. In addition, all 30 Sung Ching supermarket stores, and several other supermarket outlets carry organic rice. Organic rice is an indispensable item in all organic/health food specialty stores. Some traditional dry goods stores also carry organic rice.

Vegetables. Certified organic vegetable production area accounts for 0.2 percent of total vegetable area. The most popular organic vegetables are leaf and root vegetables such as tarot root and sweet potatoes. On average, organic vegetables cost twice as much as conventional vegetables at NT\$40 per 300 gram bag (\$1.30 per 10 ounce bag) for leaf vegetables; at NT\$37 (\$1.23) for one 550 gram tarot root; at NT\$19 (\$0.63) for one 460 gram sweet potato; and are sold in specialty stores, and in supermarkets located in department stores in upscale communities. As of this writing there at least 58 supermarket outlets where organic vegetables are available in northern Taiwan.

Prices for organic vegetables vary with the distribution channel. At present, Seedz Farm Limited is the top distributor of organic vegetable to supermarkets. Seedz vegetables are certified organic by the Mokichi Okada Association (MOA—see the *Certification* section below) in partnership with the Liu Kung Agriculture Foundation, a private lab. (MOA was the first private certifier of organic products in Taiwan.) About 58 supermarket outlets on Taiwan market organic products.

Twenty-eight of these stores contract with Seedz Farm Limited for organic vegetables. These supermarket outlets are located in northern Taiwan, mostly in Taipei department stores. Vegetables distributed under contract by distributors like Seedz are the highest priced, averaging NT\$45 per 300 gram bag (\$1.46 per 10 oz bag). These prices do not vary from store to store.

The Sung Ching chain in northern Taiwan contracts directly with organic farms for organic vegetables which are sold in its 30 stores for an average price of NT\$35 per 300 gram bag (\$1.14 per 10 oz bag). The prices of these organic vegetables are adjusted from store to store according to market conditions. Specialty stores and other supermarket outlets also contract directly with farmers for organic produce. Vegetables delivered to individual stores or supermarket outlets by individual farms are priced on average at NT\$40 per 300 gram bag (\$1.30 per 10 ounce bag), compared with an average NT\$17 to NT\$20 per 300 gram bag (\$0.55 - \$0.65 per 10 ounce bag) for conventional vegetables.

Others. The number of plots certified for production of special herbs and vegetables, which are considered by Chinese/Japanese tradition or lore to have special health benefits, are also growing. The most popular products in this category are ashitaba tea and yams. Small quantities of strawberries and buckwheat are also beginning to be produced organically.

Other Health Food Programs

Before the COA began certifying organically produced products, it established the *Good Agriculture Practices* (GAP) program which is currently in operation concurrent with the organic certification program. Fruits and vegetables that carry the GAP sticker are produced on farms that participate in this program. GAP products must meet strict pesticide residue standards. Most GAP products are sold in local farmer association supermarkets, co-ops, and new-to-market *Country Fresh* convenience stores.

In March 1998, the first of seven *Country Fresh* CIS (Corporate Identity System)/CVC stores opened on Taiwan. These Taiwan farmer association stores promote and sell only domestically grown and processed food products. The average *Country Fresh* store has about 5,400 to 10,800 square feet of floor space. This is about one-third the size of a typical farmers' association supermarket. These stores carry only certified organic, GAP, CAS (Chinese Agricultural Standards), and GMP (Good Manufacturer Practices) food products that have been produced domestically.

Because organic products must be grown on land that has been fallow for a certain length of time, and must be grown using certain cultivation practices, some farmers, who want to grow organic products, cannot afford to. These farmers can opt to produce *naturally* grown products, for which the criteria is not as stringent. The most popular naturally grown products are sesame and tea seeds which are used to produce cold pressed sesame and tea seed oil.

In addition to registered organic lands, there are self-proclaimed organic farms. Produce (generally vegetables) from these self-pronounced organic farms is usually produced on contract for distributors and direct buying groups. The best known buying groups are the Homemakers' Union Association and the Organic World Corporation. These buying groups have established their own organic standards and maintain them through frequent farm visits and educational seminars.

Domestically Processed Organic Foods

The first processed organic food products manufactured on Taipei were organic tofu and soymilk both made from imported US organic soybeans. These products appeared on the market in 1999 and are certified organic by the China Organic Agribusiness Association (COAA—see the *Certification* section below). In 1999 Taiwan imported approximately 200 mt of US organic soybeans. Since the appearance of organic soymilk and tofu, food processors have also begun to manufacture organic cereal powder from imported organic grains, beans, and lentils; and to manufacture organic soy sauce from organic US black beans. One company plans to produce organic noodles and steamed breads from organic wheat flour obtained by milling organic wheat. It is likely that more domestically processed organic products made from imported and domestic inputs will appear on the market in the near future.

Certification

In January 1997, the COA initiated a trial, small scale, organic product certification program. In March 1999, it established an island-wide program. At that time it published *National Organic Standards, Guidelines Governing Accredited Certifiers of Organic Products*, and *Organic Supervisory Committee Guidelines*. The Organic Supervisory Committee consists of between 15 and 23 COA officials, extension workers, and academics. Enforcement of national organic standards and guidelines governing accredited certifiers of organic products is the responsibility of this Committee. COA agricultural research institutes and extension stations provide farmers who want to grow organic products with technical support. The COA in turn certifies farmers who meet the necessary criteria. Because the COA does not have enough personnel to run this program, this responsibility is slated to be transferred to not-for-profit entities by July 2000. After the transition, the COA will continue to provide technical support to farmers and to the entities that receive its accreditation to certify organic products.

Currently, in addition to the COA, there are three entities on Taiwan that certify organic products: the Mokichi Okada Association (MOA) International Foundation for Natural Ecology; the China Organic Agribusiness Association (COAA); and The Taiwan Organic Production Association (TOPA). These private entities all began certifying to their own standards one or two years ago. MOA was the first entity, public or private, to certify organic products on Taiwan, beginning in December 1997. All three have applied for COA accreditation as certifiers of organic products, but none has yet received COA's approval. All COA accredited entities will be required to apply the COA's March 1999 national organic standards.

National Organic Standards

Taiwan's National Organic Standards include *organic* and *adjusted-organic* standards. The adjusted-organic classification is applied mostly to perennial plants such as fruits and tea. To qualify as organic, vegetables and rice must be grown without the use of any chemicals, including pesticides, herbicides, and chemical fertilizers. Small amount of chemical fertilizers and pesticides are allowed in the cultivation of adjusted-organic tea and fruit, but no herbicides are allowed. In the production of adjusted-organic tree fruit, not more than 20 percent of normal amounts of nitrogen, phosphorus, and potassium fertilizers can be used; and in the production of adjusted-organic tea, not more than 30 percent of normal amounts of nitrogen fertilizers can be used. Adjusted-organic tea bushes and fruit trees can be sprayed with fungicides and insecticides, but only before the emergence of tea leaves and the onset of fruit.

Taiwan National Organic Standards do not cover processed agricultural products, livestock products, poultry products, or dairy products. However, the COA is expected to establish organic standards for these products in the future, and to include them in the National Organic Standards that already in place. In mid-1999 one farm began producing organic chicken eggs for sale through commercial channels. A dairy farm is in the process of transforming itself into an organic milk farm. Although the process is not yet complete, this farm's milk is already commanding premium prices.

Developing Marketing Channels

The Internet. E-commerce and home delivery are becoming more and more popular on Taiwan. E-commerce and Internet home delivery companies will not be long in coming. Marketers of organic products will no doubt make use of this technology to expand their market. The COA recently established a web site at www.brandfoods.org.tw where consumers can order products advertised by farmers. The COA also recently established a homepage at <http://Ae-organic.ilantech.edu.tw> to promote organic production and consumption to the general public, the food industry, and academics.

Vegetarian Restaurants. Organic food restaurants affiliated with organic/health specialty stores are becoming more prevalent. Some of them offer training to the public on the preparation of high fiber, high calcium, low salt, and low fat dishes. They encourage the increased consumption of raw vegetables, organic cereals, and sprouts grown from organic seeds. A large percentage of imported organic dry grains, beans, lentils and seeds are used to produce organic sprouts.

Import Policy

Taiwan does not have specific import regulations for organic foods. All import regulations for conventional foods also apply to organic products. Fresh fruit and vegetable imports must meet Taiwan's phytosanitary and pesticide residue standards. Meat and fishery products must meet Taiwan's quarantine/food health requirements. Processed foods must meet labeling and food additive requirements. In August 1999, Taiwan's Legislative Yuan passed the Health Food Control Act. All foods, including organic foods, that make biological or medical claims for humans must apply to the Food Sanitation Bureau of the Department of Health (FSB/DOH) for a product license before they can be distributed. Import requirements and the enforcement of rules covering Customs clearance of imported food products are frequently modified. It is recommended that US exporters contact their Taiwan importers directly to ensure that

product specifications and labeling meet Taiwan regulations. The FSB/DOH does not scrutinize organic food imports more stringently than imports of conventional food products. Food imports fraudulently labeled as organic are in violation of Taiwan's Fair Trade Law and the responsible parties will be punished.

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