



Taiwan: Packaging Equipment

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Summary

For the past 30 years, Taiwan's packaging equipment market has developed hand in hand with Taiwan's economy. As the economy matures, there is increasing demand for high speed, automatic, high accuracy and sophisticated packaging equipment to reduce labor costs and ensure quality. The overall packaging equipment market expanded by four percent, from US\$ 224.9 million in 2005 to US\$ 233.6 million in 2006. Imports of packaging equipment saw impressive growth in the past year, from US\$ 86.7 million in 2005 to US\$ 108.6 million in 2006. Major sources of imports are Japan, Germany, and the U.S.

For U.S. suppliers to expand in the Taiwan market, it is crucial that they understand the local business culture, offer more flexible pricing, respond more quickly to trade inquiries, participate in trade fairs, and provide strong after-sales service.

This report covers the following products with the Harmonized System codes:

TABLE I. Product Category Description

Harmonized System Codes	Product Description
8422200003	Industrial washing machines
8422200000	Machinery for cleaning or drying bottles or other containers
8422300008	Machinery for filling, closing, sealing, or labeling bottles, cans, boxes, bags, or other containers; machinery for capsuling bottles, jars, tubes, or similar containers; machinery for aerating beverages.
84224000104	Aseptic vacuum packing machines for liquid foods
84224000907	Other packing or wrapping machinery
84229000005	Parts of articles of heading no.8422

Source: ITIS, Industry and Technology Intelligence Service

Market Demand

Packaging machinery is among the most versatile categories within the overall machinery industry. The market is divided into four major segments: food & beverages, chemicals, pharmaceuticals, and cosmetics & personal care products. Among those segments, the food/beverage and pharmaceutical packaging equipment sectors hold the greatest potential growth.

The food and beverage industry is the largest end-use market for the packaging equipment industry in Taiwan. There is a continuing demand for convenient packaging, characterized by lightweight, easy-to-carry, easy-to-open and re-sealable features. Also for the food & beverage industry, automatic filling, capping, and packaging machines and aseptic packaging machines are in high demand.

Pharmaceutical packaging is a fast growing segment of Taiwan's packaging industry. An aging population and a rising emphasis on healthcare have contributed to the higher demand for pharmaceutical products. With the pharmaceutical market booming, the outlook for the pharmaceutical packaging equipment market is promising. End-users in this industry are basically looking for pharmaceutical packaging machines that will speed up the

packaging process and extend product shelf life. Automation, aseptic packaging, high speed and safety are generally expected by end-users.

Market Data

The packaging equipment market in Taiwan is comprised of some 200 small and medium-sized companies concentrated in northern and central Taiwan, typically capitalized at less than US\$ 1.5 million and fewer than 30 employees. The strength of local packaging equipment manufacturers lies in their high level of production flexibility. They generally contract out the majority of components and parts to satellite plants and operate assembly lines at their plants. Although locally-produced machinery may not be as sophisticated as that from foreign countries, it has a significant price advantage over foreign brands. With the assistance and incentive from the Taiwan authorities, Taiwan has gradually become one of the major suppliers of packaging equipment in international markets, especially in emerging countries such as China, Vietnam, India, and also in developed countries such as Japan and the U.S.

Though their costs are relatively low, local manufacturers have difficulty maintaining and controlling product quality, which puts them at a disadvantage in terms of quality, innovation, and technology levels compared to imported equipment.

Imported machinery is of a much higher quality and technological level. Major import countries are Japan, Germany and the U.S. In recent years, imports from China have been growing steadily, reaching a total of US\$ 4.9 million in 2006, which is a significant 25% growth from the previous year.

Statistical Data

**TABLE II. Market size of packaging equipment
(Unit: US\$ million)**

	2005	2006	2007 (e)
Import Market	\$86.7	\$108.6	\$76.7
Local Production	\$345.6	\$357.2	\$405
Exports	\$207.4	\$232.2	\$263.3
Total Market Size	\$224.9	\$233.6	\$218.4
Imports from the U.S.	\$10.4	\$8.5	\$5.8
Exchange rates	\$32.2	\$32.5	\$32.5

Note: Estimated Future Inflation Rate for 2007 is 1.43%.

Sources: Statistical Department, Directorate General of Customs, Ministry of Finance

Best Prospects

Best prospects for U.S. products include:

- a. automatic filling, capping and packaging equipment for beverages
- b. automatic weighing, filling and packing machines
- c. bottle washers
- d. rotary tablet presses
- e. tablet packing machines
- f. capsule filling machines
- g. soft capsule making machines
- h. bag making machines
- i. ink jet coders
- j. printing machines
- k. blister packing machines

Key Suppliers

A number of foreign packaging equipment manufacturers have had a long presence in Taiwan and established reputations for supplying high-quality and reliable machines. Leading sources are Japan, Germany and the U.S. Japan has traditionally lead the import market and in the recent two years, the market share of Japanese packaging equipment has made a giant leap, from 32% in 2005 to 52% in 2006, and an estimated 46% of the 2007 import market. Germany comes in a distant second, taking up 13% of the import market share in 2007. The market share of U.S. products has shrunk from 12% in 2005 to 7% in 2006 and 2007.

TABLE III. Import Market Share

Country	2005	2006	2007 (e)
U.S.	12%	7%	7%
Japan	32%	52%	46%
Germany	26%	6%	13%
China	4%	4%	7%

Note: Estimated Future Inflation Rate for 2007 is 1.43%.

Sources: Statistical Department, Directorate General of Customs, Ministry of Finance

U.S.: U.S. suppliers have a limited market presence in Taiwan, holding a 7% share of the total imports. Leading U.S. products exported to Taiwan are strapping machines, printing machines, ink jet coders and liquid filling machines. U.S. companies face strong competition from Japanese and German companies. In spite of reliability and technically-advanced features, U.S. equipment is considered expensive and pricing inflexible. The general perception for U.S. suppliers is they are unwilling to lower prices or to modify their equipment design to meet customers' needs. For U.S. suppliers to expand in the Taiwan market, it is crucial that they understand the local business culture.

Japan: Japanese packaging machinery suppliers have long been the market leaders. Taiwan end-users have preference for Japanese machinery because of the following factors:

- a. Japanese suppliers have had a strong presence in Taiwan for many years. They provide high-quality equipment at very competitive prices, compared to their counterparts in the U.S. or Europe. Japanese companies have established substantial distribution channels in Taiwan and actively participates in trade fairs so end-users are very familiar with their products.
- b. Japanese suppliers are more willing to customize their equipment to fulfill the needs of their end-users
- c. Japanese companies provide very good and timely after-sales services.
- d. Japanese companies are well versed in Chinese culture and customs and can understand better their customers' needs.

German: German or European packaging equipment is well accepted to local end-users because of its high technology level. German packaging machinery is noted for its superior quality and durability but is considered expensive. The strength of German products lies in their high-speed, heavy-duty equipment. They have a strong position in supplying automatic filling, bottling, and capping machinery for beverages in the Taiwan market.

Prospective Buyers

Major end-user industries include food and beverage, pharmaceutical, chemical, and cosmetics & personal care products. Local end-users have preference for high-speed, automatic, sophisticated, and high-precision packaging equipment. High-speed and fully automatic packaging lines enable end-users to achieve higher production outputs and lower labor costs. Local buyers also demand machines to be flexible, capable of handling a variety of packaging materials, and quick and simple to change over between product runs to enhance production efficiency.

TABLE IV. Major Local End-Users

Segment	End-Users
Food & Beverages	Chi Mei Frozen Food Co., Ltd. Uni-President Enterprises Corp. Hey Song Corporation AGV Products Corp. King Car Group Wei Chun Corp. Vitalon Foods Co., Ltd.
Pharmaceuticals	Chen Ho Pharmaceutical Co. Ltd. Ko Da Pharmaceutical Co., Ltd. Weidar Chemical & Pharm. Co. Ltd. China Chemical & Pharmaceutical Co., Ltd. SinoPharma Taiwan Ltd. Y F Chemical Corp. Chen Ho Pharmaceutical Co., Ltd.
Chemicals	Chi Mei Corporation Chang Chun Corporation China Steel Chemical Corporation Eternal Chemical Industry Co., Ltd. Nan Ya Plastics Corp. Formosa Petrochemicals Co.
Cosmetics & Personal Care Products	Bio Chemical Co., Ltd. Chenden Top Enterprise Co., Ltd. Taiwan Salt Industrial Corp. Colame Cosmetics Co., Ltd. Imei Chemical Enterprise Ltd.

Source: CS Taipei Library

Market Entry

Distribution/Business Practices

The most common distribution channel for imported packaging equipment is through local distributors. There are no special regulations of laws for distribution agreements in Taiwan. Generally, a distribution agreement is governed by the conditions agreed upon between the parties involved.

End-users generally make purchases from distributors who can supply a wide range of products, minimizing time and problems in import procedures. While after-sales service is mandatory for purchasers of packaging equipment, some complain that distributors offer insufficient technical support or poor after-sales service.

It is quite common for domestic manufacturers to act as distributor of imported machinery as a way of complementing their own product lines, especially high-end products. Supplying reputable foreign-brand packaging equipment increases awareness of their own company name in the local market and elevates their market position. Manufacturing firms are also generally more capable of providing technical support than companies that only act as distributors.

There are also some large foreign packaging companies that have established subsidiaries or branch offices in Taiwan, including Tetra Pak, Signode and others. The advantages include proximity to the local market, better ability to provide good services to clients, and better control over distribution and sales.

Direct purchase from foreign suppliers takes place when local end-users are buying large-scale or whole-plant (turnkey) equipment. However, after-sales service could be extremely expensive for foreign manufacturers with no local presence.

It is recommended that U.S. manufacturers who wish to establish a presence in Taiwan cooperate with a competent distributor and support the distributor by training sales and technical staff, providing promotional support, and keep close contact with the distributor and customers. Guan xi, or connections, are very important in the Taiwan society, so it is very important to maintain a very close and good relationship with your distributors.

Financing

Payment method depends on the creditworthiness of buyers and trade relationships. When the transaction involves companies that have no past interaction, payments are usually made by a Letter of Credit (L/C). Typically, L/Cs are issued for a period to cover production and shipping and payments are made right after the shipment is completed. However, when both parties have established a relationship of trust, some importers are offered payment terms of 30 to 90 days after delivery, depending on the negotiation between the two parties. For small-amount orders, cash remittance through commercial banks is very common.

Market Issues & Obstacles

The current Taiwan tariff rate system is based on the Harmonized System. The duty on imported products is defined on an ad valorem basis. Taiwan's import climate for packaging equipment is favorable to foreign suppliers. There are no significant trade barriers or impediments to the import of packaging equipment. The customs duty on packaging equipment varies between 2.5% and 4%.

Trade Events

2008 Taipei International Packaging Industry Show (held concurrently with FOOD and FOODTECH Taipei 2008)

Date: June 18 – 21, 2008

Location: Taipei World Trade Center Nangang Exhibition Hall, I Area

Address: No.1, Jingmao 2nd Rd., Nangang District, Taipei City 11568, Taiwan

Event Organizer:

Taiwan External Trade Development Council (TAITRA)

Tel: 886-2-2725-5200 ext.2617, 2204

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