

*Prepared by: New Zealand Commerce and Industry Office, Taipei*

## **Summary**

The Taiwan New Zealand goods trading relationship has so far seen relatively little impact from the COVID-19 pandemic. In fact, merchandise exports from New Zealand increased significantly over the first quarter of 2020, off the back of diversion of product from China to Taiwan during the peak of the former's epidemic. With relatively little disruption to supply chains – and China Airlines resuming airfreight service - this remains a solid market for New Zealand businesses.

## **Report/findings**

1. While lockdowns and other disruptions from the COVID-19 pandemic have impacted a large part of the globe, Taiwan's economy and supply chains have continued to function relatively normally. This has meant the merchandise trading relationship with New Zealand has seen minimal impact (services are another matter, with tourism severely affected). In the first quarter of this year New Zealand's merchandise exports to Taiwan were a massive 22.2% higher than the same period last year, moving it to New Zealand's seventh largest export market (growth for the entire year to March was a more modest 1.2%).

### *Meat a standout*

1. Some of the biggest growth was in our red meat exports. According to Global Trade Atlas, frozen beef exports increased 23.01% by volume and 42.97% by value in Q1 on the same quarter in the previous year. Sheep meat was even greater, although from a lower base, at 66.57% by volume and 59.20% by value.
2. Some of this may be a short-term impact of the early stages of the COVID-19 crisis. Normally Q1 results would be expected to be weaker, depending on the timing of the Lunar New Year holiday, and would have been in 2019. During the lockdown in China over Lunar New Year this year many New Zealand meat shipments were unable to clear customs there. Product was directed to nearby markets and Taiwan became the top preference for that.
3. There are however reasonable ongoing prospects for Taiwan's market for meat. Demand from restaurants/hotels/foodservice dropped in Q1, but the demand from food manufacturing increased. Industry contacts say food manufacturing of products like family or single portions of frozen meat and prepared meals has been on the rise, along with food deliveries.

### *Dairy exports also up*

1. In the dairy sector businesses report some products are doing well, others less so, but overall it is balancing out. Statistics show exports of dairy products also increased significantly by value and a bit less by volume in the first quarter compared to the previous year, including fresh milk and cream (46.11% by volume and 80.68% by value).
2. Our liquid milk quota under the ANZTEC economic cooperation agreement tends to fill quickly, possibly due to importers seeking to secure some of the quota by bringing in product early in the year. Importers seeking to manage expected fluctuations in the market price may also have played a part in the strong performance in Q1. But industry also say demand for products used in bakeries, such as cream, has been high as COVID-19 has impacted buying patterns.

#### *Horticulture exports continue as normal*

1. Seafreight is operating as normal and New Zealand product such as kiwifruit, onions and apples are arriving in market. Demand is strong, consistent with a normal year (in 2019 New Zealand was Taiwan's second largest source of fruit and fourth largest source of agricultural products overall).

#### *Opportunities for new F&B products?*

1. NZTE have heard anecdotally that some restaurants are refurbishing during the current quieter period and may be more open to hearing about new products (particularly wine).

#### *Nutraceuticals see increased demand*

1. Unsurprisingly industry say that the demand for nutraceuticals has increased significantly. At least one distributor has said they would be happy to consider any other New Zealand nutraceuticals that would work in the Taiwan market.

#### *Supply chains – airfreight impacts certificates*

1. The announcement of China Airlines' successful bid to continue airfreight service enabling goods trade in both directions has been well received here. We are keen to highlight to businesses that New Zealand remains open as a market from which to buy and sell. However we are hearing that airfreight is very expensive.
2. Nevertheless, depending on the economics, continued ability to access airfreight should make a difference for imports and exports of time sensitive or perishable products.
3. One of the biggest impacts of the reduction in air services has been the late arrival of export certificates. MPI and NZCIO have been able to ensure those certificates can be accepted via an

emailed copy and shipments have not faced delayed clearance as a result. We have also been able to confirm those certificates cosmetics exporters require can be submitted electronically.

## **Assessment**

1. Overall the Taiwan market continues to function effectively for New Zealand business, and has even provided an option for goods that have not be possible to sell elsewhere in the current environment. There has been some disruption from the reduction in airfreight services, but that has not visibly dented trade. Likewise, consumer demand for our products appears to have shifted with changing buying patterns, rather than dropped away completely.
2. Our expectation is that this will continue to be a solid market for those New Zealand businesses who have traditionally traded here in the current pandemic environment, and may well offer some opportunities to those finding it hard going in other markets. In this lull – while Taiwan is open and New Zealand's exports are functioning well, but much of the rest of the world is under pressure – there may be new openings for businesses to lift their profile and position themselves well for the future.
3. Agents and distributors value long term relationships and certainty of supply. Those without a presence here already will need to invest a little in the market if they want to take advantage of the stability it offers in this uncertain environment. But Taiwan remains a highly competitive and sophisticated market. Going forward it may become even more so, as major suppliers and competitors from other countries look at investing in marketing and possibly even discount to buy market share (although our tariff advantage under ANZTEC does help us in that).

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