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**Date:** 4/19/2013

**GAIN Report Number:** TW13012

## **Taiwan**

### **Grain and Feed Annual**

#### **Wheat, Corn and Milled Rice Situation and Outlook**

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**Report Highlights:**

Taiwan's wheat imports for MY2012/13 and MY2013/14 are expected to remain stable at 1.25 MMT with an almost 80% U.S. market share. MY2012/13 feed corn imports are estimated to fall slightly to 4.3 MMT as Taiwan adjusts to an oversupply situation in the swine sector, but imports of U.S. corn will fall sharply as Brazil continues as the leading supplier for the second year in a row. As for rice, total imports in MY2012/13 and MY2013/14 are expected to remain at the WTO Tariff Rate Quota level of 126 TMT (milled basis), of which 56 TMT will come from the U.S. rice under a country specific quota.

## Commodities:

Wheat

### Production, Supply and Demand Data Statistics:

Wheat Taiwan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	2	0	2		3
Beginning Stocks	548	548	513	455		451
Production	0	7	0	6		9
MY Imports	1,356	1,264	1,300	1,250		1,250
TY Imports	1,356	1,264	1,300	1,250		1,250
TY Imp. from U.S.	919	862	0	900		900
Total Supply	1,904	1,819	1,813	1,711		1,710
MY Exports	41	0	35	0		0
TY Exports	41	0	35	0		0
Feed and Residual	200	209	100	100		100
FSI Consumption	1,150	1,155	1,150	1,160		1,160
Total Consumption	1,350	1,364	1,250	1,260		1,260
Ending Stocks	513	455	528	451		450
Total Distribution	1,904	1,819	1,813	1,711		1,710
Yield	0.	3.5	0.	3.		3.
TS=TD		0		0		0

## Wheat Situation and Outlook

### Overview:

Taiwan's demand for milling wheat is relatively stable with a slow pace of growth. The local flour market, however, is dynamic with shifting applications/uses that help maintain the already high import demand for wheat. Imports for MY2012/13 and MY2013/14 are projected at 1.25 MMT each year, including 100 TMT of feed wheat imports. Due to Taiwan's demand for high quality flour and superior milling wheat varieties, the United States will likely retain its market dominance and enjoy a conservative 78% share of total imports of milling wheat.

**Production:**

Although there is a group of farmers promotes domestic production, total wheat output is still less than one TMT.

In response to the spike in world wheat prices since 2007, a group of Taiwan farmers has devoted itself to trying to produce wheat in an effort to reduce Taiwan's dependence on wheat imports. In 2012, Taiwan's Council of Agriculture (COA) responded to the farmers' long years of effort by initiating a wheat breeding program. Reportedly, COA's Agricultural Research and Extension Station in central Taiwan imported some 700 varieties of wheat seeds from the International Maize and Wheat Improvement Center in Mexico (CHIMMYT) to screen/breed wheat varieties that can adapt to Taiwan's climate and soil. Wheat was also included in the COA list of recommended rice rotation crops. This means that farmers can grow wheat on the fallow rice paddy fields and still remain eligible to receive NT\$45,000 (US\$1,500) per hectare fallow land subsidy.

**Consumption/Imports:**

Taiwan's overall wheat consumption is relatively stable with a slow pace of growth. The consumption estimates for MY 2012/13 and MY2013/14 are anticipated at 1.25 MMT for each year. Essentially all of Taiwan's demand for wheat must be met by imports. Imported wheat is primarily used for flour milling with the exception of around 20 TMT that is used for fermentation starter and 100 TMT for feed use.

Taiwan has a very competitive domestic market for wheat-based food products. There are many promotional events and activities featuring wheat-based food products throughout the year, such as the "Taipei Best Beef Noodle Contest" held during the winter, the annual "International Taipei Bakery Show" in the spring, "Pineapple Cake Contest" in the summer and the "Traditional Moon Cake Contest" in the fall. The local flour market is dynamic with shifting applications/uses that help maintain the already high import demand for wheat. European style breads are currently very popular, especially those made of specialty flour mixed with whole wheat flour and olive oil instead of shortening to avoid trans fats. Gift packages that include flour-based food items are becoming increasingly popular in Taiwan's booming tourism sector, particularly with the recent influx of mainland Chinese.

**U.S. Wheat Market Share:**

In MY 2011/12, with the exception of 209 TMT of feed wheat imports, the United States held an 81% share of total imports of milling wheat, while Australia supplied 18% of the market. However, Australia was the largest feed wheat supplier to Taiwan in MY2011/12, exporting 188 TMT, followed by the Ukraine and India with about 25 TMT each. Taiwan imposes the same tariff of 6.5 percent on milling wheat and feed wheat compared to zero tariffs for feed corn, soybeans and other feed ingredients. This tends to discourage feed wheat imports except when high corn prices make feed wheat more competitive.

Australian wheat is recognized by Taiwan millers and noodle manufacturers for its quality and is competitive with U.S. hard white wheat. As a result, Australian wheat exports to Taiwan have the potential to increase if there are sufficient supplies of Australian Prime Hard (APH) or Australian Hard (AH). When available and competitively priced, Taiwan also imports Canadian Western Red Spring (CWRS) wheat.

According to the Taiwan Flour Millers' Association (TFMA), in CY 2012, approximately 55% of U.S. wheat imports under the TFMA's collective group purchases was comprised of 14.5% protein Dark Northern Spring (DNS). About 32% of imports consisted of 13% or 12.5% protein Hard Red Winter (HRW). Low protein wheat, including Western White and Soft White, made up the remaining 13% of milling wheat imports from the United States.

Taiwan wheat importers have indicated that a stable wheat supply with reliable gluten quality is critical for maintaining quality control for flour milling and Chinese noodle making. Taiwan's wheat flour market is sophisticated, and only certain classes of wheat meet domestic milling requirements. The United States is expected to maintain a conservative 78% share of total imports of milling wheat in MY 2012/13 and MY 2013/14, based on the needs of the Taiwan market.

### **Imports/Exports of Flour:**

Taiwan's imports of wheat flour remain low, accounting for approximately 2% of the total flour consumption on a 75% flour extraction rate. In MY 2011/12, Taiwan imported a total of 24 TMT of wheat flour, of which 9 TMT was from Japan, followed by Australia (6 TMT), Thailand (3 TMT), India (2 TMT) and Vietnam (1 TMT). Taiwan also exported 11 TMT of flour, mainly to Hong Kong. Taiwan imposes a 17.5% tariff rate on flour under HS 1101 and a 20 percent tariff on flour under HS 1103 while the tariff on wheat is 6.5 percent.

### **Stocks:**

According to local milling industry sources, millers usually hold about 1.5 months of stocks on-site to avoid disruptions in operation because of shipping delays. Therefore, the minimal level of Taiwan's wheat ending stocks is estimated at 150 TMT. Actual stocks are adjusted according to world wheat price trends.

### **Policy Developments:**

To combat food price inflation, Taiwan occasionally implements a 50 percent tariff reduction on wheat and flour imports during periods of high world wheat prices. The most recent tariff reduction period was February 10, 2011 through February 9, 2012.

### **Cross-Strait Trade:**

On June 29, 2010, Taiwan and mainland China signed an Economic Cooperation and Framework Agreement (ECFA). The ECFA went into effect on September 12, 2010. Taiwan authorities have repeatedly stated that Taiwan will not liberalize imports of 830 agricultural products currently denied entry from China, including wheat products. According to Taiwan wheat millers, any market opening for processed wheat-based products from China would be a potential threat to the Taiwan milling industry. By contrast, Taiwan millers are considering shipping specialty flour products or processed wheat-food products to mainland China. However, China currently imposes high import duties and taxes, which prevents Taiwan millers' from moving forward with such export endeavors.

### **Taiwan Buying Practices**

At present, Taiwan has 24 mills operating, with an estimated annual milling capacity of two MMT based on 24-hour and 25-working-day a month operations. The largest (and also the newest) flour mill began operating in October 2007 with daily milling capacity of 1,000 MT, while the second largest mill has daily capacity of 720 MT.

With this milling scale, the Taiwan flour milling industry continues to import through its long-standing collective group purchasing system, under which companies pool their import volumes and jointly bring in large grain shipments to cut costs. During periods of high ocean freight costs and given the ready availability of empty backhaul containers, some mills seek opportunities to import wheat individually through containerized shipments. In CY 2012, according to the TFMA, one hundred percent of U.S. wheat imports were made by bulk shipment, while Australian wheat imports were shipped via containerized shipments.

## Commodities:

Corn

### Production, Supply and Demand Data Statistics:

Corn Taiwan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7	5	9	10		10
Beginning Stocks	434	434	447	398		383
Production	38	27	47	50		50
MY Imports	4,400	4,384	4,300	4,260		4,260
TY Imports	4,400	4,384	4,300	4,260		4,260
TY Imp. from U.S.	1,501	1,485	0	875		2,100
Total Supply	4,872	4,845	4,794	4,708		4,693
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	4,200	4,222	4,100	4,100		4,100
FSI Consumption	225	225	225	225		225
Total Consumption	4,425	4,447	4,325	4,325		4,325
Ending Stocks	447	398	469	383		368
Total Distribution	4,872	4,845	4,794	4,708		4,693
Yield	5.	5.4	5.	5.		5.
TS=TD		0		0		0

## Corn Situation and Outlook

### Overview

Taiwan's imports of feed corn in MY2012/13 are estimated at 4.26 MMT (million metric tons), a decline of about 3% from MY2011/12. The expected drop is largely due to reduced hog feed demand as that sector readjusts following an oversupply of local hogs in MY2011/12. A small increase in domestic feed corn production and modest growth in the use of other feed ingredients, including rice, were also contributing factors. Feed demand and imports are expected to remain at about the same levels in MY2013/14.

The market share for U.S. corn in MY2011/12 fell to a record low of only 34% as Brazil became Taiwan's largest corn supplier for the first time. Unfortunately, U.S. market share is expected to

continue this slide in MY2012/13 as imports during the first five months of MY2012/13 fell to only 11%. Imports of U.S. corn and U.S. market share are expected to recover in MY2013/2014, but this will obviously depend on U.S. production and prices relative to supplies from South America and India.

## **Production**

Nearly all domestic demand for feed corn is met by imports. Domestic production in MY2011/12 was only 27 TMT, accounting for a mere 0.6% of total consumption. However, there is increasing attention on Taiwan's overall food self-sufficiency. In line with Taiwan's farm land utilization policy and food security concerns, Taiwan's Council of Agriculture (COA) recently revised the 2013 corn production target to 50 TMT from 10,000 HA thru contract farming compared to the previous target of 32 TMT from 6,000 hectares (HA). The contract price for the 2013 crop has also been adjusted to NT\$9/kg (US\$0.30/kg) based on current world feed corn prices. Farmers will also receive an additional payment of 90 percent of the price difference between the domestic market price for corn and the contracted price if domestic corn prices are higher than the contracted price. Wholesale corn prices at port of entry were NT\$10.50/kg (US\$350/MT) for U.S. corn and NT\$9.99/kg (US\$333/MT) for Brazilian corn based on the average of prices during the first 10 days in April.

Beginning in 2008, while under pressure from high world corn prices, the COA started an initiative to revive farmland that was taken out of production under the rice diversion program. In an effort to improve Taiwan's overall food security/self-sufficiency, the COA has been encouraging farmers to plant feed corn or forage on portions of the 220,000 hectares of land that had previously been fallow. Under the 2008 initiative, rice farmers are allowed to grow feed corn on set-aside paddy rice fields and are still be eligible to receive a direct payment of NT\$45,000/HA (US\$1500) for fallow land.

## **Consumption (refer to Statistical Table 1)**

With the exception of approximate 225 TMT of corn for wet milling, the bulk of consumption is for local livestock production, including feed for swine, poultry, dairy, fishery and other sectors. Total feed demand for MY2012/13 and MY2013/14 is expected to reach 7.16 MMT and 7.13 MMT, respectively. However, corn for feed use is anticipated to be 4.26 MMT for each year with a somewhat lower corn inclusion rate in the forecast year MY2013/14 due to Taiwan's current farmland utilization policy to encourage farmers to grow more forage and sweet potato to substitute for imported feed grains, primarily feed corn.

## **Domestic Livestock Productions**

Swine and poultry production account for about 80% of Taiwan's total livestock output. The local swine and poultry sectors have proven to be generally competitive with imported pork and poultry meat products since Taiwan liberalized its markets as part of its 2002 WTO accession. A non-scientific ban on imports of pork containing residues of the feed additive ractopamine, however, severely limits imports of U.S. pork. In 2011, Taiwan was 90% self-sufficient in pork production with an annual per

capita pork consumption of 37.32 kg. Per capita poultry consumption, in 2011, was 33.84 kg with an 85% self-sufficiency rate.

To help compete with imports, Taiwan promotes domestically produced pork and poultry meat freshness, traceability and reduced carbon footprint with "local consumption from local production." In some retail outlets, consumers can use a quick response code to trace-back domestic production information and find a producer's name, where the animal was raised and processed, processing date, the sanitary quality of the product, and even the kind of feed given to the animal. Locally produced poultry meat and pork products that carry the Council of Agriculture's (COA) Certified Agricultural Standard (CAS) logo are promoted as premium products with the aim of increasing domestic competitiveness.

On April 18, 2013, the COA announced that it would ban live poultry slaughter in wet markets beginning June 17, 2013. The ban was recommended by the Central Epidemic Command Center, which is an inter-agency organization for centralized disease control, in response to growing concerns about the spread of the H7N9 virus in China. The COA has tried to ban fresh-kill slaughter in wet markets in the past in response to local avian influenza outbreaks but has always relented under pressure from producers and consumers. At this point, it is not yet clear if the ban or concerns about H7N9 will have the same effect on consumer demand and chicken prices (and ultimately feed demand) as is the case in China.

### **Hog Sector (refer to Statistical Table 2)**

Taiwan conducts a local hog census twice a year. According to the most recent census (November 2012), the standing hog population is 6 million head, down 4.1% year-over-year. The COA's 2013 swine target production is 8.6 million heads (slaughtered) estimated from the 6 million standing population, a 2% of reduction from the previous year.

Regarding trade, since FMD outbreaks in 1997 closed the Japan market, Taiwan has no significant exports of pork. In 2012, there was a 45% drop in pork imports, mainly due to domestic oversupply and lower prices. In the absence of export markets and stable domestic consumption, Taiwan's oversupply situation is a result of improved production (approximately 10% efficiency gains). Increased piglet numbers are partially due to a new vaccine preventing piglet infection from the Porcine Cycle Virus Type 2 strain (PCV-2 Vaccine). Improved production efficiency is also, in part, a result of U.S. Grains Council (USGC) Taiwan's efforts to introduce updated animal husbandry practices and technology to local hog farmers.

This oversupply situation last year caused the per 100 kilo hog farm gate auction price to decline from an NT\$7,199 (US\$240) average in 2011 to NT\$6,275 (US\$210) in 2012. With an estimated primary production cost of NT\$6,200, farmers have complained about low production margins. Still, domestic hog production forecasts for coming years will likely remain stable at around 8.6 million head with equivalent hog feed demand of about 3.16 TMT.

### **Poultry Sector (refer to Statistical Table 3)**



Total poultry output in 2012 is estimated at 363 million birds (slaughtered), a 6% reduction from 2011 due in part to local avian influenza outbreaks. Production in 2013 is expected to increase modestly to 368 billion birds, approximately one percent above the 2012 level. The equivalent poultry feed demand for 2013 and beyond is forecast at 3.22 MMT. Broiler production accounts for 54% of total poultry production, native "tugi" birds 32%, and geese, duck and turkey production accounting for the remainder.

- **Broiler** - Deep-fried chicken fillets have remained popular since 2011 when a movie featuring a vendor at a local night market selling deep-fried chicken fillets debuted. These night markets and the chicken fillet vendors remain a popular draw for tourists and local youth. (Interestingly, a local PhD graduate determined that this is a lucrative business and recently became a deep-fried chicken fillet vendor. This story generated a great deal of debate regarding Taiwan's educational system, which has been accused of inadequately accommodating the local job market.) Broiler output and consumption increased by 8% to 201 million birds in 2011. However, the local broiler sector was somewhat less competitive relative to imports during 2012. Chicken meat imports under HS0207 in 2012 peaked at 130 TMT, a 15% increase from 2011, as local broiler output declined by 5.5% to 190 million birds. To adjust for the increasing consumption trend, the COA has put its 2013 target production for broilers at 197 million birds (slaughtered), a 3.6% increase from 2012.
- **Tugi (native bird)** - The local tugi sector was negatively impacted by Taiwan's first ever high pathogenic H5N2 strain of avian influenza (HPAI) detected in March 2012, which resulted in a 9% drop in 2012 production. The 2013 target production for tugi is further reduced by 2% to 117 million birds (slaughtered). Tugi output and consumption is anticipated to decline in the long-run as the popularity of eating outside the home continues to increase, while the younger generation is typically less fond of tugi cuisine.
- **Other Poultry Sectors** - Broiler and tugi production together make up more than 86% of Taiwan's total poultry output. Other local poultry production includes duck, geese and turkey. Annual output in slaughtered number of birds is stable, with 29 million for duck, 5 million for geese, and 2 million for turkey.

The 2013 chicken egg target production is set at 6.45 billion eggs, approximate 1.5% lower than 2012. Duck egg target production is set at 485 million eggs, a 0.4% increase from 2012. With an already-high per capita egg consumption level of 16.90 kg, flock sizes for chicken and duck are not anticipated to vary significantly.

## **Substitutes for Feed Corn**

### Other Feed Grains:

The feed inclusion rates for all other imported grains are calculated at 5-6% as reflected in the table below. Consumption of other feed grains is estimated based on imports, plus domestic stocks of old rice. In addition to imported grains, some of the domestically produced sweet potato will be diverted to feed use starting in 2013 under Taiwan's food security policy in an effort to increase the self-sufficiency rate.

### **Imports of Other Grains in TMT:**

<b>MY (Oct/Sept)</b>	<b>MY2010/11</b>	<b>MY2011/12</b>	<b>MY2012/13</b>
<b>Barley</b>	45 (9)	51 (4)	60
<b>Sorghum</b>	97 (6)	84 (0)	100
<b>Feed Wheat</b>	92 (6)	207 (2)	100
<b>Feed Rice (CY)</b>	183	82	100
<b>Total feed output (CY)</b>	7,340	7,160	7,130
<b>Est. combined inclusion rate</b>	5.7%	5.9%	5.0%
<i>Source:</i> Taiwan's Customs and Council of Agriculture (COA) <b>*Imports from the United States are in the parentheses.</b>			

### Distillers Dried Grain (DDGS):

The Taiwan Feed Industry Association (TFIA) petitioned for and received a permanent zero tariff on DDGS under HS 2303.30 beginning in June 2010 in a bid to assist Taiwan livestock and poultry farmers reduce input costs. Taiwan Customs import data indicates steadily import demands for DDGS, with about 3% of feed inclusion rate since then. Based on a U.S. Grains Council recommended feed formulation with a 10 percent DDGS inclusion rate, 100 MT of DDGS could replace with 89 MT of corn. DDGS imports are estimated at 220 TMT for MY2012/13 and for forecast year, based on a 3% of feed inclusion rate.

<b>Product</b>	<b>MY2010/11</b>	<b>MY2011/12</b>	<b>MY2012/13</b>
<b>Brewing or distilling dregs &amp; waste (HS 2303.30)</b>	225 (214)	243 (238)	220
<b>Maize (corn) germ oil residue (HS 2306.9090.10)</b>	8 (0)	2 (0)	5
<b>Bran, sharps &amp; residues of maize (corn gluten feed) (HS 2302.10)</b>	13 (0)	13 (0)	12
<b>Residues of starch manufacture and similar residues (corn gluten meal) (HS 2303.10 – 2% tariff)</b>	25 (21)	39 (24)	36 (20)

### **Stocks**

Taiwan is a stable corn import market with stock levels maintained at around two months of consumption, including landed stocks and stock still on the water.

With diversified import sources from the region and the availability of containerized shipments, Taiwan is able to keep its corn stocks at relatively low levels. In CY2012, about 22 percent of total corn imports were shipped via containers.

### **Trade: Corn Import Demand**

Nearly all domestic demand for feed corn is met by imports. Taiwan authorities will often take steps to create a friendly import environment to help local livestock farmers cope with high world feed corn price situation. As an example, Taiwan Customs waived the 5% of VAT (value added tax) for corn importers/feed millers during April 2012 and April 2013.

Taiwan's imports of feed corn in MY2012/13 are estimated at 4.26 MMT (million metric tons), a decline of about 3% from MY2011/12. The expected drop is largely due to reduced hog feed demand as that sector readjusts following an oversupply of local hogs in MY2011/12. A small increase in domestic feed corn production and modest growth in the use of other feed ingredients, including rice, were also contributing factors. Feed demand and imports are expected to remain at about the same levels in MY2013/14.

The market share for U.S. corn in MY2011/12 fell to a record low of only 34% as Brazil became Taiwan's largest corn supplier for the first time. Unfortunately, U.S. market share is expected to continue this slide in MY2012/13 as imports during the first five months of MY2012/13 fell to only 11%. Imports of U.S. corn and U.S. market share are expected to recover somewhat in MY2013/2014.

Taiwan importers' preference for U.S. corn is based primarily on consistent quality and reliable delivery. However, high world corn prices have factored into Taiwan's search for cheaper priced corn from other sources, such as Brazil, Argentine and India.

### **Cross Strait Developments**

Corn imports from mainland China are currently banned. As a follow-up to the Cross-Strait Economic Cooperative Framework Agreement (ECFA), which was signed in September 2010, the Cross Strait Trade Goods Agreement talks are currently ongoing and are anticipated to conclude by the end of 2013. Commodities like feed corn that do not threaten Taiwan domestic agricultural production or raise food safety concerns may be on the agenda for future trade liberalization with mainland China. Taiwan livestock industry groups may, in fact, welcome the option to purchase feed corn from China, especially during periods of high global commodity prices.

Taiwan has occasionally allowed feed corn from China to be imported to mitigate global price spikes. Below is a list of the time-periods and volumes when corn imports from China were permitted.

- October - December 2002: 71,000 metric tons

- November 2003 - January 2004: 67,502 metric tons
- March - May 2004: 22,946 metric tons
- November 20, 2006 – February 2007: no recorded imports
- October 1, 2007 – March 31, 2008: 8,010 metric tons
- April 1 – December 31, 2008: 129,810 metric tons
- January 1 – December 31, 2009: 6,285 metric tons
- January 1 – December 31, 2010: no recorded imports
- April 18 – June 30, 2011: no recorded imports

### **Biotechnology and Labeling**

Taiwan's agricultural biotechnology regulations apply only to soybeans, corn and related products. All single event corn and soybean and their stacked products are required to apply to the Taiwan Food and Drug Administration (TFDA) for registration approval. The registrations are valid for five years for food, feed, and processing (FFP) use but are not valid for environmental release or planting. As of April 11, 2013, Taiwan has granted registration approvals for a total of 27 single biotech events (18 corn and 9 soybean) and 31 stacked corn products (14 two-way, 7 three-way, 8 four-way and 2 five-way).

All food derived from biotech corn or soybeans, such as corn flour or grits, must be labeled as containing GMO ingredients, with a tolerance level of five percent. TFDA authorities conduct domestic market surveillance inspections.

## Commodities:

Rice, Milled

### Production, Supply and Demand Data Statistics:

Rice, Milled Taiwan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	280	258	280	278		278
Beginning Stocks	370	370	405	374		377
Milled Production	1,175	1,172	1,161	1,160		1,160
Rough Production	1,679	1,674	1,659	1,657		1,657
Milling Rate (.9999)	7,000	7,000	7,000	7,000		7,000
MY Imports	142	125	130	126		126
TY Imports	145	125	130	126		126
TY Imp. from U.S.	0	70	0	60		60
Total Supply	1,687	1,667	1,696	1,660		1,663
MY Exports	2	13	2	3		3
TY Exports	5	13	5	3		3
Consumption and Residual	1,280	1,280	1,306	1,280		1,280
Ending Stocks	405	374	388	377		380
Total Distribution	1,687	1,667	1,696	1,660		1,663
Yield (Rough)	6.	6.4884	6.	5.9604		5.9604
TS=TD		0		0		0

## Rice Situation and Outlook

### Overview:

According to Taiwan's WTO accession agreement, Taiwan's Tariff Rate Quota (TRQ) for rice is 144,720 tons on brown rice basis (126 TMT milled equivalent), which accounts for approximately 10% of total rice food consumption. The U.S. Country Specific Quota (CSQ) allocation is 56 TMT. Consequently, total rice imports in MY2012/13 and MY2013/14 are expected to remain at 126 TMT, with a minimum of 56 TMT sourced from the United States. A shift to increasing CSQ purchases of U.S. rice under the Simultaneous-Buy-Sell (SBS) regime has led to more imports of small, decoratively labeled packages of U.S. rice, which are now available at high-end retail outlets. By contrast, U.S. rice imported under the CSQ normal tender regime is included in public reservoir stocks and is released to the market per the Council of Agriculture's (COA) approval and oversight.

**Production:**

Taiwan produces two rice crops each year. Give local production supports and limited imports, Taiwan rice is generally not price competitive in the global market. Therefore, domestic production is primarily for local consumption, accounting for approximately 90% of the total staple rice consumed in Taiwan. Imports under the WTO TRQ supply the remaining 10% of the market.

The COA, in an effort to stabilize domestic rice market, sets a target production each year. Rice output in 2012 was at the targeted level, but resulted from higher yields from a below-target harvested area. The production forecast for MY2013/2014 is 1.16 MMT from 278,000 hectares based on normal yields. Actual rice output is monitored closely by COA to ensure market stability; and the production targets are politically sensitive.

Currently, a 9,000 hectare increase in 2013's target for first crop planting has created concerns among farmers as to whether the COA will have sufficient budget and/or storage to procure the rice if there are above average yields. The COA immediately responded to the farmers' concerns and confirmed the availability of adequate storage to accommodate some 50 TMT of extra rice.

**Consumption:**

To aid in a drive for greater food self-sufficiency, the COA is promoting domestic rice flour as a substitute for imported wheat and wheat flour. However, Taiwan authorities face a tough battle to reverse declining per capita annual rice consumption that once stood at 98 kg but fell to only 45kg by 2011. By comparison, over the past 30 years, per capita wheat flour consumption has risen from 23 kg to 36 kg according to the COA. Taiwan authorities hope to increase per capita rice consumption to 51 kg by the end of 2014. Taiwan's goal is to reach a 40% overall food self-sufficiency rate by 2020 compared to only 33% in 2011

Taiwan has looked to Japan as a model for breeding specialty high yield and high amylose rice varieties for flour milling. Currently, two rice flour mixes for bread baking are available on the market. However, such substitution efforts have had limited success in persuading consumers to choose rice flour for their baking needs. This preference is not only due to the fact that rice flour is priced significantly higher than wheat flour, but rice flour-based bakery products also have a shorter shelf-life than wheat-based products.

The COA is also promoting traditional rice noodle products made from 100% rice flour as a way to increase rice consumption. Currently, many rice noodle products are made with a large percentage of cornstarch or other lower priced starches to cut production costs.

Based on these factors and combined with a very slow population growth, total rice consumption is anticipated to remain more-or-less stable at 1.28 MMT, including 100 TMT for feed use.

**Stocks:**

As the result of a spike in world commodity prices during 2008, the COA revised its agricultural production policies to increase food self-sufficiency by gradually adjusting upward its rice security stocks to 400 TMT (352 TMT milled equivalent) from the previous level of 300 TMT (260 TMT milled equivalent).

## **Trade:**

Rice Imports (see Table # 4): All rice imports are made under the WTO TRQ of 126 TMT annually with country specific quotas (CSQ). The United States' CSQ allocation is 56 TMT. According to Taiwan Custom's 2012 data, Taiwan imported 125 TMT of rice on a milled basis, of which the United States supplied 70 TMT for a 56% market share, followed by Vietnam (21%), Australia (10%), Thailand (9%) and India (2%). Taiwan's rice imports for calendar year (CY) 2012 and CY 2013 are anticipated to equal the 126 TMT TRQ, with a minimum of 56 TMT expected to be sourced from the United States.

Rice Exports (see Table #5 and #6): Taiwan's rice exports in 2012 amounted to 13 TMT, of which 10 TMT was dedicated to humanitarian food aid with the balance sold on a commercial basis. The average export (FOB) sale price was \$1,686/MT (milled basis) and \$2,830/MT (brown basis). In accordance with Taiwan's food security policy, only top quality premium rice is allowed for export, generally in specialty consumer packaging. Exports for CY 2013 and CY 2014 are expected to reach only about 3 TMT each year. Under the bilateral Economic Cooperation Framework Agreement (ECFA), mainland China opened its import market to Taiwan rice in May 2012. The first shipment of 120 MT was made in June of that year, with a total of 770 MT exported from Taiwan to China in 2012. Taiwan's rice exports to China are produced primarily under the COA's Certified Agricultural Standards (CAS) program, which is designed to promote Taiwan's agricultural production by certifying product quality and guaranteeing traceability.

## **Trade Policy under WTO TRQ:**

Taiwan's rice TRQ of 144,720 tons (brown basis) is divided into two portions – 35 percent or 50,652 MT (44,067 MT milled equivalent) is reserved for private sector imports and 65 percent or 94,068 MT (81,839 MT milled equivalent) is set for public sector imports. Taiwan has used a CSQ regime for the public sector rice imports since June 2007.

Private Sector Imports: The quota for private sector imports is divided among three separate auctions. Bidding is scheduled each year during the months of November, February and April. See the table below for the bidding results for the 2013 quota allocation. Under the TRQ system, importers bid for quota rights that are sold to the highest bidder(s). Using the so-called "System Three" quota bidding system, Taiwan has successfully allocated all 50,652 tons (brown basis) of its annual private sector import quota rights to local importers since Taiwan's entry to the WTO in 2002. According to the COA's records, Taiwan's fill rate for the 2012 rice TRQ for private sector imports is calculated at 99.89 percent or 50,597 MT, of which 4,822 MT was U.S. rice exported to Taiwan under the TRQ for private sector imports.

## **2013 Private Rice Quota Allocation Schedule & Results**

Product	Quota Amount (MT)	Quota Validity Duration	Date	Weighted Avg. Bid Price (per kg)	Max. Bid Price (per kg)	Minimum Bid Price (per kg)	# of Allocations
Rice	15,000	Jan. 1/ Sept. 15	Nov. 29	NT\$10.489	NT\$11.100	NT\$10.100	14
	20,652	Mar 1/Sept. 15	Feb. 21	NT\$9.984	NT\$12.251	NT\$9.166	30
	15,000	May 1/Sept. 15	Apr. 25	TBD	TBD	TBD	TBD
Total	50,652 MT (44,067 MT milled equivalent)						

#### Public Sector Imports under Country Specific Quota (CSQ):

The 65 percent quota for public sector imports is divided by both country of origin and tender type: Simultaneous-Buy-Sell (SBS) and normal tender. SBS tendering is subject to a markup price (a floor price), and normal tendering is subject to a pre-set ceiling price calculated on the basis of delivery and duty paid (DDP) terms for delivery to designated COA warehouses. In recent years, the COA has built air-conditioned warehouses in the northern, central and southern regions. The newly built air-conditioned warehouses can accommodate 34,000 MT of public imported rice, which is a little less than the total imports under the 2013 CSQ normal tender. According to COA records, as of March 31, 2013, a total of 30,000 MT of the 42,034 MT 2012 U.S. rice CSQ under normal tender have yet to be delivered but are scheduled for April/June delivery. For CSQ rice under the SBS scheme, 1,008 MT of U.S. rice and 600 MT of Thai rice have yet to be delivered by the April 30, 2013 deadline.

Note: The COA's Agriculture and Food Agency (AFA) references the domestic wholesale price as an indicator when doing price comparisons between domestic and U.S.-origin rice. All domestic rice data is sourced from AFA and it is available online from the COA website at <http://www.coa.gov.tw>.

#### **2013 Country-Specific Quota (CSQ) Allotments for Public Sector Imports (MT brown basis)**

Country	SBS Tender	Traditional Tender	Total CSQ
Egypt	2,500	0	2,500
Thailand	8,300	0	8,300
Australia	9,400	9,234	18,634
USA	32,600	32,034	64,634
Total	52,800	41,268	94,068

Source: Council of Agriculture (COA) announcements

#### **Domestic Rice Purchase Programs**

Taiwan established voluntary purchase programs for domestic rice in 1974. In April 2011, the COA announced an NT\$3/kg increase in prices for domestic paddy rice purchases. As a result, paddy sales to



the government under the rice purchase program doubled from 191 TMT in 2010 to 384 TMT in 2011 and 442 TMT in 2012, accounting for approximately one quarter of total annual output. Domestic commercial rice prices immediately responded to this announcement. Wholesale prices for rice (milled basis) averaged NT\$34.11/kg in 2012 and NT\$32.24/kg in 2011 (procurement price increase was effective April 29), compared with NT\$31.26/kg in 2010 (old purchase price).

**Marketing:**

Taiwan's domestic rice market is very competitive. To compete with imported rice, AFA has been working with local rice millers/farmers under a voluntary Taiwan Good Rice Program to improve domestic demand by producing and promoting specialty rice varieties with geographical indicators. Market diversity is indicated by retail price differences between high and low-end branded rice packages. Rice gift packages to celebrate holidays, weddings and other events are becoming increasingly popular. Producers also hold events celebrating the new rice harvest twice a year to promote the freshness of locally-produced rice.

## Background Statistical Tables

Table 1 - Taiwan Feed Production for CY2009-2013 in TMT

	2009	2010	2011	2012 (estimate)	2013 (Forecast)
<b>Total Feed</b>	7,139	7,182	7,340	7,160	7,130
<b>Hog Feed</b>	3,169	3,160	3,213	3,235	3,160
<b>Poultry Feed</b>	3,189	3,313	3,375	3,173	3,220
<b>Others</b>	781	708	752	752	750

Table 2 - Pork Imports, Domestic Production and Wholesale Market Auction Price (calendar year basis)

Year	Pork Imports in 1,000 metric tons (TMT)		Domestic Pork Production in 1,000 head slaughtered	Auction Price in NT\$/100kg
	Meat [HS0203]	Offal [HS0206]		
<b>2008</b>	29	27	8,727	6,619
<b>2009</b>	54	28	8,745	6,372
<b>2010</b>	44	29	8,575	6,936
<b>2011</b>	44	27	8,786	7,199
<b>2012 (prelim)</b>	24	29	8,800	6,275
<b>2013 (forecast)</b>	44	29	8,600	6,500 (Jan-Feb avg.)

Source: Council of Agriculture (COA) and Taiwan Customs Statistics

Table 3 - Poultry Meat Imports, Domestic Production and Farm Prices

Year	Imports of Poultry Meat & Products in 1,000 metric tons (TMT) [HS0207]	Domestic Poultry Production in million birds slaughtered	Farm Price in NT\$/kg (Broiler)
<b>2008</b>	82	359	43.52
<b>2009</b>	83	363	42.28
<b>2010</b>	115	370	41.85
<b>2011</b>	113	386	44.04
<b>2012 (prelim)</b>	130	363	42.99
<b>2013 (forecast)</b>	125	368	42.99 (Jan-Feb avg.)

Source: Council of Agriculture (COA) and Taiwan Customs Statistics

**Table 4 - Rice Imports in 2012 in MT (milled)**

Origin	HS100610 paddy	HS100620 brown (milled)*	HS100630 milled-total	HS100630- 0010-4 milled - glutinous	HS100640 broken-milled	Total/Share on a milled basis
U.S.A.	0	59,155 (51,465)	18,890	(1,675)	0	70,355 (56%)
Australia	0	8,333 (7,250)	5,065	0	0	12,315 (10%)
Cambodia	0	0	142	0	0	142
Egypt	0	0	0	0	0	0
Thailand	0	25 (22)	11,744	(4,272)	0	11,766 (9%)
Japan	3	22 (19)	137	0	0	156
India	0	0	2,747	0	0	2,747 (2%)
Korea	0	0	1	0	0	0
Vietnam	0	0	26,311	(14,331)	0	26,311 (21%)
Italy	0	0	54	0	0	54
Myanmar	0	0	740	0	0	0
Uruguay	0	0	500	0	0	500
Total	0	67,535 (58,756)	66,331	(20,278)	0	125,087

Source: Taiwan Customs Arrival Data

\* Import numbers in parentheses under HS100620 are on milled basis. Conversion factor is 0.87 to milled rice from brown based on Taiwan's official conversion factors used in its WTO rice TRQ calculation.

**Table 5 - Taiwan Food Aid Shipments in 2011 in MT**

Recipient Destination	Tonnage
Haiti	2,560
Lesotho	2,060
Swaziland	2,060
Philippines	1,360
Pakistan	550
South Africa	440
Zimbabwe	80
Total	10,210

Source: Council of Agriculture (COA)

**Table 6 - Taiwan Commercial Exports in 2012 (milled - MT)**

Destination	Tonnage	
	HS100620 brown (milled)	HS100630
Australia	4 (3)	422
Hong Kong	175 (152)	595
Canada	25 (22)	28
China	0	773
Japan	0	372
Malaysia	40 (35)	2
Venezuela	0	144
S. Africa	1	44
Singapore	18 (16)	178
U.S.A.	28 (24)	55
Others combined	16 (14)	184
Subtotal	307 (267)	2,797
Grant Total	267 + 2,797 = 3,064	

Source: Council of Agriculture (COA)