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USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.07

Required Report - public distribution

Date: 8/22/2003

GAIN Report Number: TW3029

Taiwan

Poultry and Products

Annual

2003

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Report Highlights:
Although consumption of poultry products has stagnated due to an overall lackluster economy and diet diversification, the poultry products sector represents a significant area of opportunity for imports, as WTO-mandated market opening measures give US suppliers (who generally enjoy a landed cost advantage against domestic producers) increasing access to the nearly 637 thousand metric ton market for chicken meat and offal. Historically low supplier prices for turkey have also helped turn around Taiwan demand for turkey meat, largely used as protein filler in processed meat products. Extension of chicken meat sales from current foodservice customers into the home prepared meal market will require a shift in consumer perceptions toward acceptance of frozen chicken meat for home cooked meals.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Taipei [TW1]
[TW]

Executive Summary

Poultry meat and eggs are pillars of the traditional Chinese diet. From *kungpao* chicken, Peking duck, and stir-fries to Cantonese-style air dried duck, "1,000 year-old" eggs, and deep-fried chicken nuggets, Taiwan today consumes approximately 726 thousand tons of poultry meat (about 87% of this chicken) and 7.5 billion eggs annually. This translates into around 31 kg of poultry and 330 eggs per capita. Local producers currently supply approximately 96% of this market.

International supplier access to the most lucrative segment of this market - chicken meat - remains tightly controlled by tariff rate quotas (TRQs) allowed Taiwan as part of its World Trade Organization (WTO) accession agreement. Annual quota volumes (32,577 mt in 2003 and 45,900 mt in 2004) are nearly fully utilized each year. The United States is the major supplier and one of only 6 countries currently eligible to export to Taiwan based on sanitary approvals. Thailand recently received approval for processed chicken meat. The US is expected to retain its dominant position through the foreseeable future. TRQ restrictions will be eliminated on chicken meat in January 2005. Tariffs on chicken meat will be reduced to 20 percent in 2004 from the pre-accession level of 40 percent. Special Safeguard (SSG) duties of an additional 33 percent of the applied tariff rate will likely also be assessed on chicken meat and, possibly, certain offal imports after liberalization in 2005.

Taiwan currently exports only limited quantities of poultry products, mostly fresh/frozen meat and prepared chicken and duck eggs, to customers in the region. Taiwan broiler producers, in particular, are hoping to see a growing market for processed broiler breast (white) meat in western markets, particularly the United States. USDA’s Food Safety Inspection Service is in the midst of the fairly lengthy review process to establish the equivalency of Taiwan’s poultry slaughter and processing inspection system.

Two principal factors are currently at work with regard to poultry consumption in Taiwan. The first is the health of the general economy, the recently poor state of which has put a damper on consumption. If better economic times return (largely dependent on a turnaround in the US economy), market demand for poultry products, particularly chicken meat and offal, is expected to get a boost of around 7~10%. The second factor is diversification of the Chinese diet. Staple proteins pork and chicken have seen their overall share of the “Taiwan stomach” fall over time as diet diversification has increased consumption of previously lesser consumed items such as beef and seafood.

Despite stagnation in demand for poultry, the outlook for imports is very positive in the critical category of chicken meat. With a cost structure that is highly favorable against local birds (even considering tariffs and likely SSG assessments after 2004), imported frozen chicken meat, particularly leg quarters and drumsticks, is expected to continue earning market share away from local producers through the foreseeable future. By 2006, imports of frozen chicken drumsticks and leg quarters are currently forecast to grow 250% (to around 80mt) over 2003 levels, giving overseas suppliers around a 30% share of the broiler market in 5 years. Given continued favorable pricing for turkey, similar opportunities exist for exports of frozen US turkey meat.

POULTRY

Production

PSD Table

Country Taiwan

Commodity Poultry, Meat, Total (1000 MT)(MIL HEAD)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	A Official [	Estimate [	A Official [	Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	720	700	0	670	0	650	(1000 MT)
Whole, Imports	0	0.2	0	0.1	0	0.1	(1000 MT)
Parts, Imports	26	30.8	0	47.9	0	62	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	26	31	0	48	0	62.1	(1000 MT)
TOTAL SUPPLY	746	731	0	718	0	712.1	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	3	5	0	4	0	5	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	3	5	0	4	0	5	(1000 MT)
Human Consumption	743	726	0	714	0	707.1	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	743	726	0	714	0	707.1	(1000 MT)
TOTAL Use	746	731	0	718	0	712.1	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	746	731	0	718	0	712.1	(1000 MT)
Calendar Yr. Imp. from U	0	29	0	47	0	59	(1000 MT)

Poultry meat production in Taiwan continues to drift downward. Local producers continue to consolidate, leading to a shrinking number of domestic players. Stagnating domestic production levels are expected to continue contracting through the coming several years, at least. Stagnant demand for poultry currently comes principally from the poor economic climate and highly competitive prices for alternative protein sources. Imports are not, as yet, a major factor due to quota restrictions, but will become so when quotas are lifted in 2005.

Chickens dominate the poultry industry in Taiwan - accounting for around 75% of all poultry raised. Ducks follow a distant second at around 17%, with geese, turkeys, and game birds accounting for the remainder. During 2003, 380 million head of chicken are expected to be channeled into meat & offal production and an average 34 million head will be engaged as layers. In a similar ratio, Taiwan will slaughter 34 million head of duck this year while employing an average 3 million head in egg production. Figures are not expected to change significantly in 2004. Eggs of poultry other than chickens and ducks are not produced on a commercial scale.

Commitments made by Taiwan during WTO accession negotiations to open its chicken meat and poultry offal markets to international competition at the start of 2005 imply that domestic poultry producers - for so many decades insulated from global competition - must adapt to the new competitive regime or concede to foreign competition a significant chunk of current sales. Attempting to help prepare the poultry industry for increasing competition, Taiwan authorities are in the process of implementing measures to 1) consolidate production, 2) modernize production and marketing, and 3) create consumer loyalty to local poultry products.

Production Consolidation: After offering to pay farmers to move away from chicken rearing between 1998 and 1999, the Council of Agriculture (COA) has since largely allowed market forces to determine how many farms remain in operation.

Modernization: Through the COA and its several key research affiliates, Taiwan has ongoing programs targeting cooperative extension services for poultry farmers and processors as well as research into breed improvement and consumer product development.

Customer Loyalty Programs: Acknowledging that the broiler segment will face the brunt of coming foreign competition, authorities have been targeting other poultry categories (in particular, eggs and local chicken varieties [i.e., *tuji*]) with technical and marketing assistance to help these segments grow in value and realize gains in production efficiency. One component of this assistance is the introduction of certification marks "T-U-G" for local chicken varieties and "EGG" for locally-raised eggs. The hope is that, over time, consumer awareness of local products and demand for "unique" Taiwan poultry varieties (while as yet ill-defined as commercial breeds, these include varieties such as *tuji*, *wuguji*, and *fangshanji*)[1] will result in increased demand.

Consumption

The average Taiwanese consumes around 75 kg of meat annually. Changes in eating habits triggered by the outbreak of Severe Acute Respiratory Syndrome (SARS) during the first half of this year will likely lead to lower consumption figures for 2003. Consumption should recover to normal levels in 2004. Poultry is a staple of the Chinese diet and, as consumers begin choosing lower fat meals, chicken may, over the longer term, gain ground against other meat proteins. Lower fat content has not yet, however, become a significant factor in meat purchasing decisions by Taiwan consumers. At present "diversity" is driving meat consumption and is leading to lower overall consumption of both pork and chicken in favor of less traditional meats such as beef and seafood.

Trade

Taiwan imposes a strict quota regime on imported chicken meat and certain offals. This system will remain through 2004, at which time a liberalized, tariff-based import regime will take its place. Before 2005, imports will be restricted to a less than 8% share of total consumption (based on current market demand). In 2005 and beyond, Taiwan's WTO Accession Agreement permits Special Safeguard (SSG) tariffs on imports of certain products that are no longer restricted by quota volume limits when market prices or import volumes for these products exceed certain "trigger" levels. In terms of poultry products, SSG protection is to be allowed for two product categories: "Chicken Legs and Wings" and "Poultry Offals". It is anticipated that Taiwan authorities will be in a position to implement

[1] For purposes of this report and unless otherwise noted, all local varieties are categorized under the generic name "*tuji*".

the additional SSG tariffs on products in these two categories once quota volume restrictions are lifted in January 2005. Please refer to the "Chicken, Trade Policy" section below for additional details regarding the SSG.

US exporters are expected to dominate the import market through the foreseeable future. Canada and Australia are currently the only other major producing nations that have earned sanitary clearance to export to Taiwan (neither currently do so in significant quantity). In July 2003, Thailand received a limited factory-based sanitary clearance to export cooked poultry meat to Taiwan. No other country is reported to be actively pursuing sanitary approval for poultry products at this time. Exports from China are not expected in the foreseeable future due both to sanitary and political issues.

Poultry offal, an important component of which became fully liberalized upon Taiwan's WTO membership, represents a major source of new opportunity for exporters from countries with sanitary clearance. Other products, which were open for import even prior to WTO entry, are expected to see little additional import interest due to factors including domestic oversupply, preference for fresh (as opposed to frozen) meat, and well-established distribution channels.

Taiwan maintains a ban on poultry imports from California, Nevada, Arizona, and Texas due to previous cases in those states of Exotic Newcastle Disease (END) and from Pennsylvania due to a 1985 outbreak of Highly Pathologic Avian Influenza. USDA has applied to change the disease status of Pennsylvania and is expected to soon apply for END-free status for much of California as well as the other three states. The impact on the competitiveness of US suppliers as a whole has been negligible due to limited competition from other supplier countries (i.e., those with sanitary clearance to supply the market).

Tables 2 & 3. Poultry Import and Export Volumes (in 1,000 metric tons)

Export Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Total	
Time Period	2001-2002	1000 Mt
Exports for:	2001	**2002**
U.S.	0	0
Others		
Japan	2	4.5
Hong Kong	0.8	0
China	0	0.5
Total for Others	2.8	5.0
Others not Listed	0.4	0.1
Grand Total	3.2	51

Import Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Total	
Time Period	2001-2002	1000mt
Imports for:	2001	**2002**
U.S.	16.8	29
Others		
Canada	0.4	1.3
Total for Others	0.4	1.3
Others not Listed	0.1	0.5
Grand Total	17.3	30.8

Trade Policy

Current Tariff Rates for various poultry products are noted in the table below. Rates and WTO accession terms remain unchanged from the previous year.

Table 4. Current Tariff Rates for Poultry Meat and Products

Product	Current	WTO Final (date of final implementation in parenthesis)
Chicken Meat	25% (1)	20% (2) (Jan. 2004)
Duck Meat	35%	35%
Goose Meat	25%	25%
Turkey Meat	10%	10%
Egg Products	30%	30%
Poultry Offal	25-40% (1)	25-40% (2) (Jan. 2004)

(1) Tariff rate noted is applied to in-quota imports of quota-regulated offal items (guts, bladders, stomachs). Imports made outside quota restrictions will be subject to punitive tariff rates.
(2) This final tariff quota rate will be applied in 2004. All quota restrictions should end at the start of 2005.

The Impact of WTO Membership

Taiwan's entry into the WTO has had several effects on poultry import policy, including *re-classification of presently banned items* and *expanded quota access eligibility*. At the end of 2004, all poultry-related quotas will expire and any quantity may be imported.

Reclassification of Banned Items: Taiwan ended its long-running ban on certain offal items, including chicken feet & necks and all poultry livers & hearts. In its stead, Customs now assesses standard tariffs of 25% for chicken livers, hearts, and feet, 30~45% for (non-chicken) poultry livers, and 40% for chicken necks and goose, duck, & turkey hearts. Other poultry offal (including guts, bladders, stomachs, etc.) have also come off the banned list, but become subject to a quota and 25% tariff rate.

Quota Access: Taiwan ended the previous practice of actively allocating quotas (i.e., granting a recipient a quota allocation without first confirming recipient intent to import under quota) in favor of a "first come, first served" system under which any importer may apply to import within quota limits. The "first come, first served" system essentially is a lottery for quota rights for minimum 25 ton quota certificates, due to the number of applicants far exceeding the available quota. All initial quota purchase contracts should be signed prior to 1 September of the current year with delivery taken before 31 December. Quota volumes not contracted by 1 September will be reallocated with delivery also required by year's end. This system helps to ensure committed quota volumes are fully available for use for each year.

Taiwan opened an initial quota volume of 19,163 mt for chicken meat in 2002 (3.2% of current meat consumption). The quota is 32,577 mt this year and will rise to 45,990 mt in 2004 (7.7% of current meat consumption). At the beginning of 2005, the quota will be eliminated and replaced by a tariff rate of 20%. The poultry offal (guts, bladders, stomachs) quota set an initial ceiling of 1,836 mt for 2002, 2,754 mt in 2003, and a final 3,674 mt in 2004. Any quantity of quota-controlled product imported above set quota limits is permitted, but subject to high punitive tariffs.

In 2004, companies which imported chicken meat and poultry offals in 2002 and 2003, will be automatically receive TRQ rights equal to their average imports for the two-year period. The remaining quota will be allocated using the first come, first served system.

Other poultry products presently permitted without quota restriction into Taiwan, including eggs/egg products, prepared poultry products, and non-chicken poultry meat, enjoy lower tariffs following WTO accession, but have yet to see increased trade volume due to competitive local supply (e.g., duck meat and prepared egg products) or freshness requirements that are difficult for overseas suppliers to meet (e.g., fresh eggs).

CHICKEN

Production

Table 6. Chicken Meat Production, Supply, and Demand (in 1,000 mt)

PSD Table

Country Taiwan

Commodity Poultry, Meat, Broiler (1000 MT)(MIL HEAD)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	A Official [	Estimate [	A Official [	Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	611	612	610	605	0	590	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	20	20	33	33	0	45	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	20	20	33	33	0	45	(1000 MT)
TOTAL SUPPLY	631	632	643	638	0	635	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	1	1	1	1	0	1	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	1	1	1	1	0	1	(1000 MT)
Human Consumption	630	631	642	637	0	634	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	630	631	642	637	0	634	(1000 MT)
TOTAL Use	631	632	643	638	0	635	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	631	632	643	638	0	635	(1000 MT)
Calendar Yr. Imp. from U.	20	18.2	26	31	0	43	(1000 MT)

Taiwan's chicken production falls into two categories, namely US-style broilers and native / crossbred birds. The latter include native chicken breeds as well as chickens resulting from crossbreeding native roosters with broiler hens. While different names are used to identify the 3 ~ 4 major native / crossbred categories sold in market (including *tuji*, *wuguji*, and *fangshanji*) , the generic term "*tuji*" is used in this report to denote all native & crossbred categories, unless otherwise noted.

Taiwan produced 612.000 mt of chicken meat in 2002, with 1.9% and 2.5% decreases expected for 2003 and 2004, respectively. A continued focus on consolidation in the industry, with larger producers buying out smaller ones will continue through the coming several years. This is due to continued predominance of small-scale farmers who continue to produce chickens in the same volumes despite low prices and demand. Broiler meat prices (farm gate) averaged NT$32.4 per kg for the year, with prices falling as low as NT$27 (monthly average) in June 2003, largely due to the short-term negative impact of SARS on purchasing behavior. Prices are expected to recover to the low to mid NT$30's during the second half of 2003.

The current production ratio -- 45% broiler meat & offal to 55% *tuji* meat & offal -- can be expected to continue a gradual trend in favor of *tuji*, with the ratio balancing out at around 40 / 60 at total production levels of 630,000 mt in 2005, when Taiwan's WTO agreement mandates the end of poultry import quotas.

Government statistics report that just over 80% of broilers are slaughtered and processed in modern, sanitary facilities. Only 6% of *tuji* are similarly handled. The remainder are processed either in small, low-tech processing plants or killed & dressed in the many traditional wet markets. Government and industry-sponsored efforts to handle *tuji* in automated processing environments have been dogged by many problems, not least of which has been the lack of uniformity among *tuji*, even within species.

Even more so than the poultry industry in general, chicken farmers and processors must become efficient producers within a short span of several years, or accept a greatly reduced market share in the face of foreign competition. The government, directly and through industry associations, is supporting activities to advance industry consolidation / cooperation, product development, technical improvement, and consumer marketing efforts. The largest farm currently maintains a capacity of 210,000 head, with broader industry measures showing that better than 90% of broiler farms still operate on a scale of 20,000 head or less.

Industry experts note that the relatively small scale and protected nature of Taiwan's poultry rearing industry has saddled local producers with high relative costs of production. A survey run during 2000 estimates the average investment (including depreciation costs) required to raise 100 kg worth of farm gate-ready broilers to be NT$3,216 (approximately US$93). Feed-related expenses comprise the bulk (60%) of this total. In 2000, profits after taxes and expenses for the Taiwan broiler farmer averaged a net loss of NT$23 (US$0.67) per 100 kg. On paper, all but the largest poultry farms are operating with a thin or negative balance sheet.

Table 5. Farm Gate Prices for Broilers

Commodity	Poultry, Meat, Broiler		
Prices in	NT$	per uom	kg
Year	2002	2003	% Change
Jan	34.76	30.28	-13%
Feb	39.41	29.18	-26%
Mar	38.06	30.99	-19%
Apr	37.53	31.99	-15%
May	35.73	29.47	-18%
Jun	33.87	26.97	-20%
Jul	33.35		
Aug	36.45		
Sep	35.59		
Oct	34.32		
Nov	34.81		
Dec	32.41		

Consumption

The last decade has witnessed steady growth in market demand for US-style broiler meat. In the home, breast and leg meat are heavily used in stir-fry dishes. Nearly all fast food chain restaurants, international and local, offer batter fried chicken breasts & drumsticks and processed chicken burgers. Spicy chicken wings, served with Western-style sauces, are staple menu fare at mid-range Western chain restaurants such as TGI Fridays & Dan Ryan's and are offered by nearly all pizza franchises as a popular side dish. Turkey wings, smoked and spiced locally to Chinese tastes, are hot sellers at grocery stores and hypermarkets. The flame-cooked chicken leg quarter with rice & veggies is (along with the pork chop) one of the two most popular lunch box entrees in Taiwan - accounting for better than 30% of all lunch box sales.

Offal consumption is expected to be little changed over the coming several years. Offal is consumed in greatest quantities by the street vendor food service segment -- which is less impacted by general economic conditions than other segments, such as sit-down restaurants and hotels. With domestic prices for offal significantly higher than in other markets, attractive sales opportunities for US firms exist now that this once-protected market is open to competition. However, there is some question as to whether the market can absorb the full quantity of the poultry offal TRQ, especially now that chicken liver and heart imports are liberalized.

Trade Policy

Taiwan opened a "first come, first served" quota for 19,613 mt to WTO members meeting Taiwan sanitary rules. The quota volume grew to 32,577 tons this year and will end in 2004 at 45,990 mt. In 2004, companies which imported chicken meat and poultry offals under the 2002 and 2003 TRQ's, will be automatically receive TRQ rights equal to their average imports for the two-year period. The remaining quota will be allocated using the first come, first served system. The in-quota tariff for chicken meat of 25% is scheduled to fall further to a final 20% by 2004 - after which Taiwan will end quota restrictions and apply a flat tariff rate of 20% to all imported chicken meat.

Taiwan requires that chicken meat and products enter Taiwan only from countries certified free of Highly Pathenogenic Avian Influenza (HPAI) and Newcastle Disease (ND). Currently, Taiwan has certified the United States, Canada, Australia, New Zealand, and Sweden as free[2] of these two diseases.

Taiwan has announced plans to impose Special Safeguard (SSG) tariffs on chicken meat and offal products brought into Taiwan out-of-quota, based on the price and volume "triggers" noted in the following table.

SSG Triggers

Product Item	SSG implemented if volume exceeds:	SSG implemented if market price falls below:
Chicken Meat: Legs and Wings	23,953 mt	NT$30,000 /mt
Chicken Meat: Other Cuts	included under above limit	NT$42,000 / mt
Poultry Offal*	2,295 mt	base price yet to be established

* Note: SSG will not apply to imports of poultry livers or of chicken hearts, feet, or necks.

The term "out of quota" will apply to all imports of formerly quota-restricted items once quota restrictions are eliminated in January 2005. In 2005, the SSG, if triggered, will likely increase the duty on chicken meat to 26.33% (as opposed to the 20% "normal" duty). The duty for offal will be similarly affected.

Imports & Exports

As of May 2003, Taiwan importers had cleared 67% (21,759 mt) of the 2003 chicken meat quota. Because of market preference, nearly all of the import volume was dark meat (leg quarters), frozen (HS02071411002). This situation is expected to continue through the foreseeable future.

2 As previously mentioned, Taiwan currently bars all poultry product shipments from California, Nevada, Arizona, Texas, and Pennsylvania due to sanitary concerns specific to those states.

Table 7. Taiwan's Chicken Meat Imports

Import Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Broiler	
Time Period	2001-2002	1000 Mt
Imports for:	2001	**2002**
U.S.	9.3	18.2
Others		
Canada	0.4	1.8
Total for Others	0.4	1.8
Others not Listed	0	0
Grand Total	9.7	20

Export Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Broiler	
Time Period	2001-2002	1000 mt
Exports for:	2001	**2002**
U.S.	0	0
Others		
China		0.5
Japan	0.4	0.3
Hong Kong	0.8	0.3
Total for Others	1.2	1.1
Others not Listed	0	0
Grand Total	1.2	1.1

Marketing

As with most food products raised in Taiwan, there is an undercurrent of concern regarding the quality of local chicken among consumers. With expanding quota volumes and the eventual lifting of volume restrictions, US suppliers may benefit significantly by conducting promotion work which underscores the healthful conditions under which US chickens are reared, the emphasis on production and processing quality control at US facilities, and trust in US brand or country-of-origin labels.

In recent years, the COA established a quality certification logo for *tuji* to heighten its quality image and encourage increased consumption. The "T-U-G" label certifies that chicken was processed in a facility using modern, standardized processing techniques. The myriad obstacles to processing standardization in the *tuji* segment has held the volume of such to between 8% and 10% of *tuji* birds processed. Most *tuji* sold in supermarkets now bear this "T-U-G" logo. The largest retail outlet for *tuji*, the traditional market, is barred from participating in the "T-U-G" system as birds are slaughtered at time of purchase.

> *A Note About Tuji*: Chinese consumers view native / crossbred chickens (*tuji*) as a meat product "similar to, but distinct from" broiler chickens. *Tuji* is used in many very traditional Chinese dishes (examples include sesame oil chicken, chicken soup [where meat, skin, and bones are simmered together with traditional herbs], and chicken cold plate) for which broiler meat is not an acceptable substitute. Similarly, tougher meat and lack of sizing standards make *tuji* unfit for most broiler applications.

Therefore, while production and marketing trends for *tuji* should be of interest to US broiler exporters, particularly from the context of how many broiler producers are heeding government calls to switch to *tuji* production, these two segments of the chicken meat market operate with significant independence from each other.

The Impact of WTO Membership

The immediate impact of WTO on the chicken market is not significant, due to the relatively small, although growing, quota volume granted to Taiwan importers under Taiwan's WTO accession agreements. With liberalization, imports are expected to cut further into demand for locally-produced western-style broilers, but still find their main outlet in the lunch box food service industry.

TURKEY

Production

Table 9. Production, Supply, and Demand Table for Turkey Meat (in 1,000 mt)

PSD Table

Country **Taiwan**

Commodity **Poultry, Meat, Turkey** (1000 MT)(MIL HEAD)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	A Official [	Estimate [	A Official [	Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	5	4	0	4	0	4	(1000 MT)
Whole, Imports	0	0.2	0	0	0	0	(1000 MT)
Parts, Imports	12	10.7	0	16	0	16	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	12	10.9	0	16	0	16	(1000 MT)
TOTAL SUPPLY	17	14.9	0	20	0	20	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	0	0	0	0	0	0	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Human Consumption	17	14.9	0	20	0	20	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	17	14.9	0	20	0	20	(1000 MT)
TOTAL Use	17	14.9	0	20	0	20	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	17	14.9	0	20	0	20	(1000 MT)
Calendar Yr. Imp. from U.	0	10.9	0	16	0	16	(1000 MT)

Turkey production in Taiwan is principally driven by market demand for a single food service menu item – turkey fried rice ("Chiayi Turkey Rice"). A small volume (10~30%) is channeled into other applications such as pork substitute in processed foods and street vendor cooked-to-order barbequed wings / tails. The rise in popularity of Chiayi Turkey Rice in past years resulted in a small production boom that peaked in 2000. Poor economic conditions and a plateauing of popularity of the specialty dish held production to 4,000 mt in 2002, with little change anticipated for the coming years.

Consumption

While domestic turkeys have principally been channeled into turkey fried rice and fresh food service channels, imported turkeys and turkey meat are principally used as (1) a substitute for pork in processed foods (turkey thigh meat), (2) for prepared barbecued wings sold by vendors or at grocery / hypermarket stores, and (3) as an oven-baked meal for Thanksgiving and Christmas.

Domestic turkeys are sold fresh or chilled, while imported turkeys / turkey meat are sold frozen. As mentioned previously, turkey thigh meat is accepted by manufacturers as a pork substitute / filler in processed meat products. The trigger hog price making turkey thigh meat cost-down substitute for pork is reportedly NT$5,000 / 100 kg live weight. Recent pork prices have been rising, with recent (June 2003) quotes averaging NT$5,300 / 100kg live weight. This, combined with dropping US exporter prices (reportedly the lowest in many years), has rallied demand for turkey as a meat-filler in Taiwan’s food processing industry. Imports of frozen turkey meat are expected to rise nearly 50% this year and, with steady producer prices, should remain at these high levels.

Trade

As with chicken meat, turkey imports into Taiwan must arrive from countries certified by Taiwan authorities as free of both ND and HPAI. As noted elsewhere, the countries with such certification include the US, Canada, Australia, New Zealand, and Sweden. The United States is expected again to be the only registered exporter of turkeys to Taiwan during 2002 and 2003.

Tables 10 & 11. Imports & Exports of Turkey Meat (in 1,000 metric tons)

Country	Taiwan	IMPORTS
Commodity	Poultry, Meat, Turkey	
Time Period	2001-2002	1000 mt
Imports for:	2001	**2002**
U.S.	7.5	10.9
Others		
	0	0
Total for Others	0	0
Others not Listed		0
Grand Total	0	10.9

Country	Taiwan	EXPORTS
Commodity	Poultry, Meat, Turkey	
Time Period	2001-2002	mt
Exports for:	2001	**2002**
U.S.	0	0
Others		
	0	0
Total for Others	0	0
Others not Listed	0	0
Grand Total	0	0

Marketing

Efforts to increase turkey meat sales at the retail level continue to be dogged by consumer lack of understanding of meat characteristics / qualities and poor product availability in retail outlets (grocery stores, hypermarkets, traditional markets). Turkey meat in sausages is typically used "covertly", with either no mention at all on the packaging (aside from the small-print ingredient label) or simply a statement that the sausages are lower in fat.

Turkey lacks a foundation in the Chinese universe of ingredients and thus does not find a ready home in dishes such as stir-fries and soups. The Chinese chef, whether in the home or in a restaurant, is typically not innovative and would be unwilling on his/her own to substitute turkey meat in, for example, a stir fry that calls for chicken. Appropriate consumer education and promotion should help pique interest and salve concerns regarding substituting turkey for other poultry meats in popular dishes. The market for turkey in Western dishes represents a small niche market comprised primarily of 4- and 5-star hotels and a few restaurants in Taipei, Taichung, and Kaohsiung.

Duck

Three-thousand years of duck rearing history in China bequeath to Taiwanese a well-founded fondness for duck meat and eggs. The distinctive dishes in which duck products are served give duck meat and eggs a market categorization distinct from other poultry meats and products.

Production and consumption of duck is expected to remain stable during 2003 and 2004 (at around 64,000 mt), due to the lack of growth in the food service industry. In terms of domestic production, ducks raised in Taiwan for meat production are principally of the variety *tufanya* (80%), with the remainder divided roughly evenly between *fanya* and *beijingya* (Peking duck) breeds. Layers are almost exclusively of the *chensecai* variety.

In recent history, the duck farming and processing industry in Taiwan was heavily export-oriented, with exports of meat, eggs, and feathers targeting consumers in Japan and Southeast Asia. The entry of China as a low cost duck meat / products exporter has pared export markets for Taiwan ducks significantly. The entry of both China and Taiwan into the WTO is expected to cut further into the margins of local producers margins and, eventually, entice international sales into this market. Industry experts anticipate that high-quality US producers will pose the most effective challenge to domestic ducks. China and Thailand offer strong price competition - although current sanitary restrictions rule out importation from either.

The current tariff for duck meat (whole) is 35%. Only the previously mentioned countries recognized by Taiwan as free from ND and HPAI are permitted to export duck meat to Taiwan. No duck meat is expected to be imported into Taiwan during 2003 or 2004 due to flavor expectations among consumers (Taiwan-raised, freshly-slaughtered), conservative supplier - buyer relationships, and little market growth in this category.

GEESE

As late as the 1980s, geese were generally raised as a sideline to a main farm business, such as fish or vegetable farming. As such, the industry remains in the early stages of development as a production-scale industry. Taiwan breeds are largely descended from varieties including White Roman & Embden (imported initially from Denmark during the 1970s and 80s) and Tulouse, African, and White Chinese (imported during the 1980s from the US).

During 2003, Taiwan is expected to produce about 24,500 mt of goose meat. Most goose meat is sold as a ready-to-eat product in small local restaurants. Although goose meat imports are permitted, no imports have occurred in recent years nor are they expected in the near future. Similarly, Taiwan is not expected to export any goose meat during 2003 or 2004.

EGGS

Production

Table 12. Production, Supply, and Demand Table: Chicken Eggs (in million pcs.)

PSD Table

Country **Taiwan**

Commodity **Poultry, Eggs** (MIL HEAD)(MIL PCS)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [A	Official [	Estimate [A	Official [	Estimate [	New]
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Layers	36	36	0	34	0	34	(MIL HEAD
Beginning Stocks	1000	1600	0	1500	0	1200	(MIL PCS)
Production	7700	7400	0	7100	0	7200	(MIL PCS)
Hatch Eggs, Imports	0	0	0	0	0	0	(MIL PCS)
Shell Eggs, Imports	0	0	0	0	0	0	(MIL PCS)
Other Imports	20	8	0	8	0	8	(MIL PCS)
Intra EC Imports	0	0	0	0	0	0	(MIL PCS)
TOTAL Imports	20	8	0	8	0	8	(MIL PCS)
TOTAL SUPPLY	8720	9008	0	8608	0	8408	(MIL PCS)
Hatch Eggs, Exports	0	0	0	0	0	0	(MIL PCS)
Shell Eggs, Exports	3	1	0	1	0	1	(MIL PCS)
Other Exports	1	6.4	0	6.5	0	6.8	(MIL PCS)
Intra EC Exports	0	0	0	0	0	0	(MIL PCS)
TOTAL Exports	4	7.4	0	7.5	0	7.8	(MIL PCS)
Hatch Eggs,Consumption	0	0	0	0	0	0	(MIL PCS)
Shell Eggs, Human	7516	6600.6	0	6700.5	0	6600.2	(MIL PCS)
Shell Eggs,OT.Use/Loss	200	200	0	200	0	200	(MIL PCS)
Other Dom. Consumption	1000	700	0	500	0	500	(MIL PCS)
Total Dom. Consumption	8716	7500.6	0	7400.5	0	7300.2	(MIL PCS)
TOTAL Use	8720	7508	0	7408	0	7308	(MIL PCS)
Ending Stocks	0	1500	0	1200	0	1100	(MIL PCS)
TOTAL DISTRIBUTION	8720	9008	0	8608	0	8408	(MIL PCS)
Calendar Yr. Imp. from U.	0	0	0	0	0	0	(MIL PCS)

Poultry eggs include hen and duck eggs. Egg production was 7.4 billion pieces in 2002 and the market found a certain level of stability, which allowed prices to stabilize at price levels higher on average than in recent years. In-shell eggs supply three-quarters of demand. Producers are continuing to make strides in automated production, washing, and sorting, although a majority (68%) of chicken eggs continue to be sold unsorted and unpackaged. Industry plans to construct one or more powdered egg processing plants to help channel excess supply out of the immediate market have been announced, although no specific funding has yet been allocated. Such processing capability could do much to help reduce the impact of overproduction which will continue to dog this market.

Nearly the entirety of duck egg production is consumed as salty and alkalized (1,000 year-old) eggs. As both are traditional foods, demand from year to year is largely stable - at around 540 million pieces.

Duck layers number approximately 3 million, while hen layers number around 35 million.

Price

Chicken egg production costs are estimated at NT$20 per kg, with the industry considered profitable when farm gate prices are higher than NT$26 per kg. Egg prices averaged NT$22.35 during 2002. 2003 is anticipated to realize an average increase in farm gate prices of around 12%.

Table 13. Farm Gate Prices for Chicken Eggs

Prices Table			
Country	Taiwan		
Commodity	Poultry, Eggs		
Prices in	NT$	per uom	kg
Year	2002	2003	% Change
Jan	24.26	29.87	23%
Feb	26.55	30.17	14%
Mar	21.11	26.67	26%
Apr	23	28.78	25%
May	18.61	23.68	27%
Jun	16.78	22.58	35%
Jul	21.92		
Aug	20.96		
Sep	25.55		
Oct	23.04		
Nov	26.67		
Dec	26.57		

Consumption

Egg consumption is around 338 eggs per capita, reportedly the third highest in the world – after Japan and Hong Kong. Most chicken eggs are destined for table use and sold through traditional or grocery stores, prepared in restaurants, or retailed as stewed or tea-marinated eggs. Approximately 5% of all domestic chicken eggs are processed into liquid and powdered eggs. Currently Taiwan has no regulation requiring pasteurization of liquid eggs and so production is scattered amongst small-scale producers recovering the whites and yolks of broken whole eggs. Statistics record an uptick in powdered egg production due to government and industry-inspired efforts to provide price supports for fresh eggs. There remains little trade, either local or international in liquid or powdered eggs as most downstream product manufacturers and consumers request whole eggs.

Egg Products: Nearly all duck eggs are consumed as salty and 1,000 year-old eggs. The small volume of out-of-shell chicken egg products consumed include liquid eggs and powdered eggs.

Marketing

Four of every 5 eggs retailed to consumers are sold by farms to traditional markets and retail outlets in 12 kg trays. Consumers purchase by weight or by number based on individual retailer practice. Traditional market vendors typically sell by weight, while local convenience store chains and some local grocers sell by number. The remaining retail eggs are packaged in 10-piece cartons and distributed principally through supermarket and hypermarket chains.