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Report Highlights:
Taiwan's decision to reinstate a suspension of U.S. beef imports following the June 2005 confirmation of the second BSE case in the United States halted the swift recovery of U.S. exports. This report assumes that Taiwan's beef market remains closed, and projects that imports will fall back to fall back to 80,000 metric tons after reaching 88 tons this year. Taiwan's swine sector is undergoing a price-led recovery and will likely show an increase in swine numbers and slaughter through 2006. Imports are price-sensitive and are expected to decline for the balance of 2005 and into 2006.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Taipei [TW1]
[TW]

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Executive Summary

Taiwan's decision to reinstate a suspension of U.S. beef imports following the June 2005 confirmation of the second BSE case in the United States halted the swift recovery of U.S. market share during the six weeks Taiwan allowed the entry of U.S. beef. This brief window of opportunity for U.S. exporters is the primary reason that Taiwan's 2005 beef import estimate was raised 10 percent. Under the assumption the market will remain closed, Taiwan's beef imports are forecast to fall back to the 2004 level of 80,000 metric tons.

With the release of the epidemiology report on August 30, Taiwan authorities can begin the administrative process to remove the current suspension and once again resume imports of U.S. beef.

Following high pig prices in 2004, Taiwan's swine sector is undergoing a price-led recovery and, despite government intentions to stabilize or reduce the size of the swine herd, will likely show an increase in swine numbers and slaughter through 2006. Porcine Circovirus Infection is having less of an impact on swine numbers than in prior years, but lower prices in 2005 and into 2006 will likely lead to poor profitability into next year.

Given the increase in domestic pork production and declining pork prices in 2005, price-sensitive imports are expected to decline for the balance of 2005 and into 2006. The lifting of the tariff-rate quota on pork belly and pork will not necessarily lead to additional imports of these items given the price situation and high current stocks, especially for offal.

Beef

PSD Table

Country Taiwan

Commodity Meat, Beef and Veal

(1000 MT CWE)(1000 HEAD)

	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Slaughter (Reference)	0	0	0	0	0	0	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	5	5	5	5	0	5	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	80	80	80	88	0	80	(1000 MT CWE)
TOTAL Imports	80	80	80	88	0	80	(1000 MT CWE)
TOTAL SUPPLY	85	85	85	93	0	85	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	85	85	85	93	0	85	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	85	85	85	93	0	85	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	85	85	85	93	0	85	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	1	1	0	10	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Consumption

Taiwan's beef consumption in 2005 is estimated to grow 9%, from the 2004 BSE-affected low level, to 93,000 mt, thanks to the short-term return of U.S. beef from April to June 2005. In June 2005, Taiwan decided to once again suspend imports of U.S. beef due to the confirmation of a second BSE positive case in the U.S. Heavy media coverage for several weeks over BSE and beef has misled some consumers to shy away from beef, regardless of its source. Consumers substituted beef largely with chicken meat, not pork, which had negative food safety reports at about the same time.

Trade

The Taiwan market for U.S. beef, which had been closed since the BSE report in December 2003, was re-opened on April 16, 2005. FSIS Forms 9285-1, 9060-5 and 2630-9 were to accompany the products with the following certification remarks:

1) The boneless beef was derived from cattle under the age of thirty months slaughtered in the United States.

2) The feeding of ruminants with meat and bone meal and greases derived from ruminants has been banned and the ban has been effectively enforced.
3) Antemortem inspection is carried out on all bovines.
4) Cattle from which the meat originate were not subjected to a stunning process, prior to slaughter, with a device injecting compressed air or gas into the cranial cavity or to a pithing process.
5) The following material was excluded from products prepared for export to Taiwan: brain, skull, eyes, trigeminal ganglia, spinal cord, vertebral column (excluding the vertebrae of the tail, the transverse processes of the thoracic and lumbar vertebrae, and the wings of the sacrum), dorsal root ganglia, the tonsils and the distal ileum of the small intestine.

The April 16, 2005 market re-access was open to only 16 customs codes including raw, de-boned muscle meat and beef quarter carcass. It did not include beef trimming or processed products.

On June 24, 2005, following the confirmation of the second BSE case, Taiwan authorities re-imposed a suspension of U.S. beef imports, pending the release of the epidemiology report by the USDA. Pipeline products were permitted entry and U.S beef could still be sold (no need to recall). The suspension was for administrative reasons not for food safety concerns. Some people, who were confused by the authority's initial market opening and the later suspension decisions, vehemently criticized the policy. These criticisms and debates were widely covered by the media for several weeks.

On the other hand, Taiwan consumers, who missed the flavor of US beef, welcomed it in great earnest. Nearly 7,000 mt of U.S. beef was imported during the permitted period (from April 16 to June 24 plus 3 to 4 weeks of grace period for the arrival of pipeline shipments.) This equals to roughly half of the pre-BSE U.S. beef annual imports. Imports were mostly short ribs, rib finger and some steak cuts (ribeye and strip loins, etc.). Traders reported that 3,000 mt out of the 7,000 mt imports was boneless short ribs and restaurants have developed new menus for this item. U.S. beef is currently not widely exhibited in retail stores but is available through wholesale channels and still served in restaurants. Local contacts believe that the stock can last till the end of 2005.

Total 2005 imports are estimated at 65,000 mt (88,000 CWE), up 10% from the 2004 level when there was no U.S. beef. For forecasting purposes, this report assumes that there will be no changes in the suspension on imports of U.S. beef and products. If U.S. beef is re-permitted entry while it is still blocked out from other major markets, Japan, Korea, etc., Taiwan importers will take advantage of the low prices and buy more, regardless of the current large stocks. Total 2005 imports will then increase by that quantity and U.S. share will go up accordingly.

The 2006 import forecast in the PSD table is also under the assumption that there is no U.S. beef. If US beef re-enters, total 2006 imports will hopefully resume the pre-BSE level, with the U.S. taking its previous 21% share. Actual 2006 imports are heavily dependent on US beef's market access into other major markets, such as Japan and Korea. If the Japanese market is open to U.S. beef, prices will rise and supply will become short. Taiwan may have to shift to sourcing its beef supply more to Australia and New Zealand.

Beef imports by country in 2004 and from January to July 2005: (in metric tons, PWE)

	U.S.	Australia	New Zealand	Panama	Nicaragua	Others	Total Imports
2004	645	27,056	29,804	791	366	0	58,662
1-7/2005	6,964	15,668	19,239	772	401	1	43,045

Source: Council of Agriculture

Competition

Before BSE, Taiwan's demand for upper-end steak cuts was met mainly by U.S. beef. As a result of the market closure to U.S. products, New Zealand became the largest beef supplier to Taiwan in 2004 and 2005. In 2004, its market share rose to a record high 51% from the 30% level in 2003 but dropped to 45% in 2005 when U.S. beef made a short-time come-back in April. New Zealand has virtually no grain-fed beef. Its exports to Taiwan are mostly chilled steak cuts from young bulls for restaurant use and bone-in short ribs. Australian beef, especially its grain-fed beef, became too expensive for Taiwan due to competition with buyers from other markets, such as Japan and Korea. Total beef imports from Australia declined in 2004, although its market share rose marginally. Australia will remain Taiwan's second largest beef supplier in 2005, with market share being dependent on Taiwan policy over US beef re-entry.

Imports of beef and products from Canada were banned entry on May 21, 2003 in response to the detection of BSE in Canada. Taiwan has not agreed to lift the ban on Canadian beef like it did for US beef in April 2005 because Canada had several domestic BSE cases while the U.S. had only one case on imported cattle then. The situation may change if and after the suspension on US beef is lifted.

Taiwan's FTA with Panama, its only FTA partner, allows free imports (no quantity limit, zero tariff) of beef beginning January 1, 2004. Although Taiwan has only approved two packing plants, beef imports from Panama have doubled in 2004 and 2005, although from a very low base. In July 2003, Nicaragua was approved to supply beef and products to Taiwan but only 3 packing plants were qualified. Two establishments in Honduras and certain establishments in Sweden were also qualified for supplying beef and variety meats to Taiwan but no imports have been recorded in recent years.

Beef offal imports were liberalized on Jan. 1, 2002 upon WTO accession. Offal imports are not taken into account in the PS&D table. U.S. beef offal has been banned since the December 2003 BSE report. The ban remains in place despite the short-term market reopening for U.S. beef in April 2005.

Policy

In order to export meat to Taiwan, a country's meat quarantine inspection and health certification system must be reviewed and found acceptable by the Taiwan authorities. Taiwan currently accepts the beef system of Australia and New Zealand and selected packing plants in Sweden, Panama, Nicaragua and Honduras.

Swine

PSD Table

Country	**Taiwan**						
Commodity	**Animal Numbers, Swine**				(1000 HEAD)		
	2004 USDA Official [Old]	Revised Post Estimate [New]	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
TOTAL Beginning Stocks	6779	6779	6819	6819	6900	7100	(1000 HEAD)
Sow Beginning Stocks	812	812	828	828	0	830	(1000 HEAD)
Production (Pig Crop)	10300	11895	10500	12000	0	12200	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL SUPPLY	17079	18674	17319	18819	6900	19300	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Exports	0	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0	(1000 HEAD)
OTHER SLAUGHTER	9500	9410	9500	9530	0	9800	(1000 HEAD)
Total Slaughter	9500	9410	9500	9530	0	9800	(1000 HEAD)
Loss	760	2445	919	2189	0	2500	(1000 HEAD)
Ending Inventories	6819	6819	6900	7100	0	7000	(1000 HEAD)
TOTAL DISTRIBUTION	17079	18674	17319	18819	0	19300	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

PSD Table

Country	**Taiwan**						
Commodity	**Meat, Swine**				(1000 MT CWE)	(1000 HEAD)	
	2004 USDA Official [Old]	Revised Post Estimate [New]	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Slaughter (Reference)	9500	9410	9500	9530	0	9800	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	895	898	895	910	0	935	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	61	61	68	40	0	30	(1000 MT CWE)
TOTAL Imports	61	61	68	40	0	30	(1000 MT CWE)
TOTAL SUPPLY	956	959	963	950	0	965	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	956	959	963	950	0	965	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	956	959	963	950	0	965	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	956	959	963	950	0	965	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	29	29	30	16	0	12	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

(The conversion factor used to derive pork meat to carcass weight equivalent (CWE) is 1.43. Imports of pork bones are also included in the PS&D Table at a conversion factor of 1.0. Imports of pork variety meats (offal) are not included in the PSD table.)

Production

Fat pigs slaughter in 2005 is estimated to grow 1.5 percent to 9.53 million head. Pig farmers, who made good profits in the past two years, have tried hard to increase production. In 2005, the industry seems to make some progress in combating the disease, Porcine Circovirus Infection (PCV), which has high mortality in pigs weighing between 15 to 30 kg. A recent pig inventory survey conducted in May 2005 showed that, comparing to previous surveys done in 6 months and a year ago, every category exhibited significant increase. With larger standing pigs, total production in the later half of 2005 is estimated to grow 5 percent from the output 6 months before, making total 2005 pig production at roughly 9.53 million head. Larger breeding pig numbers have also promised a larger CY2006 pig production, which is estimated at 9.8 million head.

Taiwan Hog Population Data

	May 2004	Nov. 2004	May 2005
No. of farms	13,025	13,360	13,463
Pigs on farm	6,732,991	6,818,970	7,167,559
Boars	36,901	35,410	35,771
Sows/gilts	826,834	827,639	845,945
Sows	740,168	738,429	755,894
Gilts	86,666	89,210	90,051
Fattening Pigs	5,869,256	5,955,921	6,285,843
Piglets	1,014,746	1,023,580	1,081,772
Under 30 kg	1,728,205	1,687,222	1,835,464
30-60 kg	1,596,617	1,640,160	1,704,710
Above 60 kg	1,529,688	1,604,959	1,663,897

Source: Council of Agriculture

The same survey also indicated that 90 percent of pig farmers wanted to maintain the current herd size while 7 percent planned to increase production. Only 3 percent planned to downsize. To prevent an oversupply of pork, Council of Agriculture has been continuously urging farmers not to expand production.

Prices

Very high pig prices in 2004 encouraged farmers to expand their herd sizes. Pig prices in 2005 began to decline, following heavy media coverage in the spring of illegal slaughtering of dead/diseased pigs. Pig prices gradually recovered after May. Demand in the second half of 2005 will remain strong and peak around the Moon Festival (the full moon of the eighth lunar month, September 18, 2005), but is expected to decline afterwards. With larger pig population, CY2006 pig prices may continue to drop to the level below NT$4,800/100kg, roughly the break-even point for pig production.

2004 Pig Production Cost Analysis (NT$ per head of 115 kg)

Feeders	Feed	Other Costs	Total Cost	Growth Income	Loss/Profit
1,217	3,367	812	5,396	6,727	1,331

Source: Council of Agriculture

Taiwan Pig Auction Prices (NT$/100 kg)

CY2003	CY2004	Jan. 2005	Feb. 2005	Mar. 2005	Apr. 2005	May 2005	Jun. 2005	Jul. 2005
5,298	5,912	5,931	5,701	5,272	4,913	5,182	5,355	5,588

Source: Council of Agriculture

Exchange rate: approximately NT$34.5=US$1 in 2003, NT$33.49=US$1 in 2004 and roughly NT$31.5=US$1 in the first half of 2005.

Trade

The vast majority of pork meat consumed in Taiwan is produced domestically, with imports being used mainly for processing or to supplement occasional shortfalls.
In first half year of 2005, Taiwan pig prices declined from the 2004 high levels and imports slowed accordingly. Till the end of 2005 and continuing into 2006, Taiwan pig prices are expected to decline further, with a larger domestic pig supply.

Pork imports are very price sensitive. CY2005 pork imports are expected at 28,000 mt 40,000 CWE), down 34% from the 2004 level, due to larger domestic supply and decreased demand, caused by negative reports of illegal slaughtering of sick and diseased pork. With even larger domestic supply, CY2006 pork imports are forecast to decline further to 30,000 mt CWE.

Taiwan Pork Meat Imports by Country (mt, PWE)

	U.S.	Canada	Australia	Denmark	Sweden	Hungary	Netherlands	Total Imports
2004	19,787	18,209	154	728	483	548	72	39,981
1-7/2005	6,175	6,955	106	875	25	277	157	14,570

Source: Council of Agriculture

Canada replaced the U.S. as the leading pork meat supplier in 2005 because of its cheaper prices. In terms of import value, the U.S. is still narrowly ahead of Canada.

U.S. Spare rib tips has become the most popular item. U.S. pork picnics, for processing purpose, is still well-accepted in Taiwan. Pork trimming supplied by Canada seems to be more competitive, in quality and specification, than U.S. products.

Pork bone imports totaled only 624 mt from January through July 2005. They were 354 mt from Canada; 186 mt from US; 77 mt from Hungary and 7 mt from Australia.

Under Taiwan's WTO commitments, Special Safeguards (SSG) came into play following Tariff Rate Quota (TRQ) liberalization on January 1, 2005.

CY2004 TRQs and imports, 2005 SSG trigger volume for pork belly and pork offal, are as follows: (mt)

	2004 TRQ	2004 Imports	2005 SSG Volume Trigger	1-8/2005 Arrivals
Pork Belly	15,400	13,331	10,066	5,958
Pork Offal	27,500	25,359	15,177	13,236

Source: Directorate General of Customs, Ministry of Finance

SSG volume trigger for pork belly in 2005 is 10,066 mt, price trigger is NT$30/kg. Imports totaled 5,958 mt as of August 26, 2005. SSG volume trigger for pork offal in 2005 is 15,177 mt and there is no price trigger. If SSG is triggered, the tariff rate will increase by 33.3 percent, making duty for belly to grow from 12.5% to 16.67%, and that for offal to grow from 15% to 20%. If demand is strong and imports are profitable, importers are willing to pay the extra duty, which applies to all importers. However, pork belly imports in 2005 may not reach the 10,066 threshold and SSG may not be triggered. The offal SSG will likely be triggered in 2005 but total imports are expected at only 19,000 mt, much less than the 2004 import level of 25,359 mt. Local traders reported high stocks for imported pig offal. Imports of both pork belly and pork offal in 2005 will be smaller than the 2004 level.

In 2005, the U.S. remains the leading supplier of pork offal, mainly hocks, rectum, stomach, and cheek meat. However, its market share is gradually being undermined by European products, such as pork hocks from the Netherlands and rectum from Denmark.

Policy

Although Taiwan has been FMD-free since 2001 and was declared FMD-free with vaccination in May 2003 by the World Animal Health Organization (OIE), exports are not likely to recover to pre-FMD levels. Taiwan's FMD vaccination rate in pig herd reached 89% in 2004. The animal health authority's plan to do without the FMD vaccination on a couple of offshore islets beginning July 1, 2005 was postponed to August 1 and later suspended indefinitely. The initial plan to completely stop vaccination in 2006 and get OIE recognition of FMD free without vaccination in 2007 is now being re-evaluated. In the long term, the very efficient Taiwan swine industry will continue to produce pork for the local market, with imports mainly used for processing or to supplement occasional shortfalls.

In order to export meat to Taiwan, a country's meat quarantine inspection and health certification system must be reviewed and found acceptable by the Taiwan authorities. Taiwan currently accepts the pork system of the United States, Canada, Australia, New Zealand, Denmark, and Sweden and selected packing plants in Japan, Hungary and Finland.

Internet Resources

Most Taiwan (.tw) domain websites are only in Chinese, but the amount of English content is increasing.

http://www.coa.gov.tw/english/index.htm for agricultural statistics and general agricultural information (in English).
http://www.baphiq.gov.tw for Taiwan quarantine requirements (English version available).
http://www.trade.gov.tw/english.index.htm for trade statistics, trade rules, TRQ bidding rules and general trade information (English version available).
http://www.wto.org The WTO's website for information about Taiwan's WTO accession.

http://www.doca.mof.gov.tw for tariff reduction schedule (English version available) and TRQ implementation measures.
http://210.69.119.40/seadb for Special Safeguards application (Chinese only).
http://www.naif.org.tw for pig auction prices and pork retail prices (Chinese only).