



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

Date: 1/27/2006

GAIN Report Number: TW6004

Taiwan

Livestock and Products

Annual

2006

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Report Highlights:

Taiwan will resume imports of U.S. boneless beef cuts under specified conditions, leading to an increase in Taiwan's forecast 2006 beef imports.

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

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Executive Summary

On January 25, 2006, Taiwan announced that, effective immediately, it would resume imports of a limited category of U.S. beef products. The conditional lifting of the import suspension will lead to additional Taiwan beef imports in 2006, although the United States is not expected to immediately recapture its pre-ban market share. Taiwan's total 2006 beef imports are now forecast at 98,000 metric tons (CWE), up from an estimated 92,000 metric tons (CWE) in 2005.

Taiwan's pork situation in 2006 is forecast to be essentially unchanged from 2005. Taiwan's plans to stop foot-and-mouth disease (FMD) vaccination and become recognized as FMD-free by 2007 will likely be postponed. Taiwan's once vibrant pork export industry is unlikely to regain its status and the highly-efficient swine sector will continue to produce pork for the domestic market, supplemented by imports for processing or to cover the occasional shortfall.

Beef**PSD Table**

Country	Taiwan Meat, Beef and Veal						UOM
Commodity	(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]	
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	5	5	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	80	80	88	92	80	98	(1000 MT CWE)
TOTAL Imports	80	80	88	92	80	98	(1000 MT CWE)
TOTAL SUPPLY	85	85	93	97	85	103	(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	93	97	85	103	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	85	85	93	97	85	103	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	85	85	93	97	85	103	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	1	1	10	10	0	18	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Conversion factor is 1.36 for beef.

Consumption

Taiwan's beef consumption forecast is increased to 103,000 mt CWE in 2006, principally due to the resumption in imports of U.S. beef imports on January 25, 2006. This forecast increase raises Taiwan's beef consumption above the 2005 estimate by 6,000 metric tons.

Trade

Due to the recent re-opening of the market, the 2006 import forecast for Taiwan is raised to 98,000 metric tons (CWE). The Taiwan market for U.S. beef, which was closed for the second time in June 2005, was re-opened on January 25, 2006. The import requirements

are essentially unchanged from those that prevailed last April when the market was initially opened. The one exception is the addition of a sixth statement to the Letterhead Certificate FSIS Form 2630-9. While exporters should confirm this information, FSIS Forms 9285-1, 9060-5, and the Letterhead Certificate for Boneless Beef Intended for Export to Taiwan FSIS Form 2630-9, are to accompany the products with the following certification statements:

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 greaves 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 wing of the sacrum), dorsal root ganglia, the tonsils and distal ileum of the small intestine.
6. The exported beef to Taiwan fulfilled all of the required conditions described in the Export Verification Program. The exported beef to Taiwan has been handled at an establishment with an approved EV Program in such a way as to prevent contamination with ineligible specified risk materials.

Under the new market opening conditions, only those facilities listed under the USDA Export Verification Program are eligible to export beef to Taiwan. The list of Eligible Suppliers to the Bovine EV Program Identified as eligible to produce beef for Taiwan can be found in the following AMS website:

<http://www.ams.usda.gov/lsg/arc/bevlisting.htm>

The market was re-opened to 10 customs codes including raw, de-boned muscle meat and beef quarter carcass. These are exactly the same cuts that were approved for entry in 2005, but a tariff nomenclature modification, effective September 1, 2005, reduced the number of tariff lines from 16 to 10.

The Taiwan market for U.S. beef, which had been closed since the Bovine Spongiform Encephalopathy (BSE) report in December 2003, was re-opened on April 16, 2005, to boneless, SRM-removed products derived from cattle below 30 months of age. On June 24,

2005, following the confirmation of the second BSE case in the U.S., Taiwan authorities imposed a suspension on U.S. beef imports. The epidemiological report for the second BSE case was presented to Taiwan authorities in September 2005 and after 5 months of risk assessment and food safety review, the suspension was lifted.

Taiwan imported 67,660 mt (92,000 mt CWE) of beef in 2005. This represents a 15 percent increase from 2004, and was primarily due to the six week long resumption of imports of U.S. beef from April 16 to June 24, 2005. About 7,000 mt of U.S. beef, about half of the pre-BSE level of annual U.S. beef imports, was imported in that period.

CY2006 total imports are forecast to return to the pre-BSE level of 72,000 mt (98,000 mt CWE). This assumes a continuation of the current market access for U.S. beef and that the market remains closed to Canadian beef. Reportedly, some retailers are holding substantial amount of U.S. beef stock. U.S. market share in 2006 may not reach the pre-BSE level, 22% or 16,000 mt. On the other hand, many Taiwan consumers, who miss the flavor of American beef, are willing to pay a premium for it. U.S. market share may reach 18% in 2006, if prices are competitive. Market openings in Japan and South Korea may influence beef prices and Taiwan beef imports. Subsequent updates will be provided to reflect policy changes.

Comparison of beef imports in 2004 and 2005 is as follows: (in metric tons, PWE)

Supplying Source	U.S.	Australia	New Zealand	Panama	Nicaragua	Canada	Total Imports
2004	645	27,056	29,804	791	366	0	58,662
2005	7,041	30,254	28,092	1,411	862	0	67,660

Source: Customs data for 2004 imports; Council of Agriculture for 2005 imports

Imports of beef and products from Canada were banned entry on May 21, 2003 in response to the detection of BSE in Canada.

Beef offal imports were liberalized on Jan. 1, 2002 upon WTO accession. Offal imports are not taken into account in the PS&D table. The recent market opening for U.S. beef does not include offal, which means that the BSE import ban remains for that product.

Preliminary CY2005 Beef Offal Imports (mt)

Supplying Source	U.S.	Panama	Australia	New Zealand	Nicaragua	Total Imports
2005	0	56	785	401	110	1,352

Source: Council of Agriculture data

Policy

Panama, Taiwan's only FTA counterpart, enjoys preferential import tariffs for many commodities. Beef from Panama is free of duty while beef from other countries is faces a tariff of NT\$10/kg. For beef variety meats, Panama products are subject to 4.3% or 5% duty rate while products from other countries face a 15% duty. Taiwan applies a three-column tariff classification for imports. WTO members and those with reciprocal treaties with Taiwan are eligible for duties in Column One. Column Two applies to FTA countries and Least

Developed Countries (LDCS) while Column Three applies to other countries/territories. Effective December 19, 2005, LDCS are subject to the lowest schedule of tariff rates – those in Column Two.

In order to export beef and variety meats 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. The U.S. program is described under the Trade section. Boneless beef, not including offal, from approved facilities in Paraguay is also approved. None of the LDCS are qualified to supply beef to Taiwan.

Effective December 5, 2005, beef and beef variety meats packed in approved facilities in Kinmen, an offshore islet of Taiwan which is geographically closer to China than to Taiwan, was allowed to re-enter Taiwan. It has been banned from entry since the foot-and-mouth disease outbreak in 1997. There is only one approved packing plant in Kinmen and its supply is insignificant.

Swine

PSD Table							
Country	Taiwan						
Commodity	Meat, Swine				(1000 MT CWE)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA	Post	USDA	Post	USDA	Post	
	Official	Estimate	Official	Estimate	Official	Estimate	
	[Old]	[New]	[Old]	[New]	[Old]	[New]	
Market Year Begin	01/2004		01/2005		01/2006		MM/YYYY
Slaughter (Reference)	9410	9410	9530	9650	9800	9800	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	898	898	910	920	935	935	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	61	61	40	38	30	38	(1000 MT CWE)
TOTAL Imports	61	61	40	38	30	38	(1000 MT CWE)
TOTAL SUPPLY	959	959	950	958	965	973	(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	959	959	950	958	965	973	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	959	959	950	958	965	973	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	959	959	950	958	965	973	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	29	29	16	19	12	19	(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

A recent pig inventory survey showed that pig production in 2006 is likely to grow slightly from the 2005 level. Pig slaughter is estimated at 9.65 million head in CY2005 and forecasted at 9.8 million head in CY2006.

Taiwan Hog Population Data

	Nov. 2004	May 2005	Nov. 2005
No. of farms	13,360	13,463	12,930
Pigs on farm	6,818,970	7,167,559	7,202,435
Boars	35,410	35,771	35,368
Sows/gilts	827,639	845,945	841,322
Sows	738,429	755,894	749,761
Gilts	89,210	90,051	91,561
Fattening pigs	5,955,921	6,285,843	6,325,745
Piglets	1,023,580	1,081,772	1,043,401
Under 30 kg	1,687,222	1,835,464	1,804,502
30-60 kg	1,640,160	1,704,710	1,745,124
Above 60 kg	1,604,959	1,663,897	1,732,718

Source: Council of Agriculture

Taiwan Pig Auction Prices (NT\$/100 kg)

Year/ Month	CY2003	CY2004	CY2005 (preliminary)	Mar. 2005	Jun. 2005	Sept. 2005	Oct. 2005	Nov. 2005	Dec. 2005
Prices	5,298	5,912	5,327	5,272	5,355	5,147	4,992	5,119	5,218

Source: Council of Agriculture

Exchange rate: approximately NT\$34.5=US\$1 in 2003, NT\$33.5=US\$1 in 2004, roughly NT\$31.8=US\$1 in 2005.

Domestic pig prices fell below NT\$5,000/100 kg in later half of January 2006. The decline would have been greater if prices were not partly offset by strong pork demand for the Chinese New Year holiday, from January 28 to February 3, 2006. The large pig herd in 2006 is expected to reduce pig prices NT\$4,800/100 kg shortly after the holiday. Prices are likely to decline further to NT\$4,500/100 kg, a rough break-even point for Taiwan hog production, later in the year.

Trade

In 2005, Taiwan imported 160 head of live hogs, 155 head from the United States and 5 from Canada. Live hog imports in 2006 are expected at similarly low levels.

CY2005 total pork meat imports were down 35% to 26,172 mt, PWE (37,426 mt CWE), with

U.S. taking nearly half of the market. CY2005 pork bone imports totaled 985 mt (985 mt CWE). This makes the total CY2005 pork import level, as shown in the PS&D table, 38,000 mt CWE.

The U.S. replaced Canada as the leading pork supplier in 2005, a situation expected to continue in 2006.

Taiwan's pork imports are heavily dependent on prices. Taiwan's pig prices are expected to be low in 2006, which may discourage imports. Total CY2006 pork imports are forecast at about the 2005 level, with the United States being the leading supplier. U.S. pork picnics, for processing purpose, will continue to be the cut with the highest market potential in Taiwan. Pork trimming supplied by Canada seems to be more competitive, in quality and specification, than U.S. products.

Comparison of Taiwan Pork Meat Imports in CY2004 and CY2005 (mt, PWE)

Supplying Source	U.S.	Canada	Australia	Denmark	Sweden	Hungary	Netherlands	Total Imports
2004	19,787	11,057	154	728	483	548	72	39,981
2005	12,979	11,057	144	1,265	87	423	217	26,172

Source: Council of Agriculture

Pork bone imports totaled 985 mt in 2005. They were 536 mt from Canada; 301 mt from US; 117 mt from Hungary; 24 mt Sweden 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. Taiwan's SSG volumes for pork belly and pork offal in 2005 and 2006 are as follows: (in mt)

	2005 SSG Volume Trigger	2006 SSG Volume Trigger
Pork Belly	10,066	11,762.5
Pork Offal	15,177	23,637.5

Source: Council of Agriculture

Preliminary CY2005 pork belly and pork offal imported under SSG are as follows: (in mt)

	U.S.	Canada	Australia	Denmark	Sweden	Hungary	Netherlands	Total Imports
Belly	4,025	3,788	137	798	62	367	171	9,347
Offal	11,492	4,185	218	388	14	608	2,341	19,246

Source: Council of Agriculture

The CY2005 pork offal volume SSG of 15,177.5 mt was triggered on October 11, 2005. The most popular pork offal items have been hocks, which took about 60% of all imports in 2005, followed by rectum. Only 4 tariff items, HS 0206.3020 (fresh/chilled hocks), 0206-4930 (frozen hocks), 0504.0021 (guts including intestines and stomachs) and 1602.4930

(processed hocks and guts) are subject to SSG. Imports of pork liver, tendon, and other pork offal items, which are not counted against the SSG, totaled about 6,000 mt in 2005.

Imports of pork offal, whether or not classified under SSG, are not taken into account in the PS&D table. Taiwan's demand for pork offal imports has been strong over the past years. However, retailers reportedly kept a big pork offal inventory in 2005. 2006 pork offal imports are not expected to exceed the 2005 level. In 2006 the volume SSG may not be triggered.

The CY2006 SSG price trigger for pork belly remains unchanged at NT\$30/kg. There is no SSG price trigger for pork offal.

Policy

Taiwan recognizes the pork meat inspection and food safety system of the United States, Canada, Australia, New Zealand, Denmark and the Netherlands. Any pork or pork variety meats supplied by government-approved establishments from these countries may be allowed entry into Taiwan. On the other hand, only certain establishments in Sweden, Hungary, Finland and Japan are qualified to supply pork and variety meats to Taiwan.

The same Three-Column tariff rate structure reported in the Beef Section applies to pork. Panama, as Taiwan's sole FTA partner, enjoys preferential tariffs for pork and products. However, no establishment in Panama has been approved to supply pork and products to Taiwan.

Taiwan's FMD vaccination rate exceeded 90% in 2005. 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. The animal health authority's plan to stop FMD vaccination on a couple of offshore islets beginning July 1, 2005 was postponed and now being rescheduled to begin in March 2006. It now seems unlikely that Taiwan will meet its initial goal to completely stop vaccination in 2006, and become recognized by the OIE as FMD free without vaccination in 2007. 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.

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.baphig.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.customs.gov.tw> for tariff classification and rates, customs practice and SSG fill rate

<http://www.wto.org> The WTO 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).

<http://www.ams.usda.gov> for U.S. beef facilities eligible for exports to Taiwan and other EV Program requirements