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Taiwan

Livestock and Products

Annual Report

2006

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Report Highlights:
U.S. beef exports to Taiwan are estimated at 20,000 mt CWE in 2006, and total beef imports are estimated at 98,000 CWE. Calendar year 2007 beef imports are forecast to decrease 2% to 96,000 mt CWE. The forecast decrease is attributed to Taiwan's weak economic performance, industry's high stocks of boneless ribs and the substitution of chicken meat. Exports of U.S. beef to Taiwan will be partly determined by the disposition of the Korean market to U.S. beef. Pork imports are estimated at 33,000 mt CWE in 2006. With a smaller domestic supply, 2007 pork imports are forecast to grow by 9% to 36,000 mt CWE.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Executive Summary

U.S. beef exports to Taiwan are estimated at 20,000 mt CWE in 2006, and total beef imports are estimated at 98,000 CWE. Calendar year 2007 beef imports are forecast to decrease 2% to 96,000 mt CWE. The forecast decrease is attributed to Taiwan's weak economic performance, industry's high stocks of boneless ribs and the substitution of chicken meat. Exports of U.S. beef to Taiwan will be partly determined by the disposition of the Korean market to U.S. beef. These estimates assume the status quo.

The U.S. continues to be the leading pork supplier to the Taiwan market. Pork imports are estimated at 33,000 mt CWE in 2006. With a smaller domestic supply, CY2007 pork imports are forecast to grow by 9% to 36,000 mt CWE. Taiwan is a significant pork producer, and imports of pork are largely determined by relative prices between Taiwan and the rest of the world.

Data included in this report is not official USDA data. Official USDA data is available at http://www.fas.usda.gov/psd.

Beef

Country	Taiwan				(1000 MT CWE)(1000 HEAD)		
Commodity	Meat, Beef and Veal						
	2005 USDA Official [Old]	Revised Post Estimate [New]	2006 USDA Official [Old]	Estimate Post Estimate [New]	2007 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		01/2005		01/2006		01/2007	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	6	0	5	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	92	92	98	98	0	96	(1000 MT CWE)
TOTAL Imports	92	92	98	98	0	96	(1000 MT CWE)
TOTAL SUPPLY	97	97	103	104	0	101	(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	97	97	103	104	0	101	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	97	97	103	104	0	101	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL	97	97	103	104	0	101	(1000 MT CWE)

DISTRIBUTION							
Calendar Yr. Imp. from U.S.	10	10	18	20	0	19	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Data included in this report is not official USDA data.
Conversion factor is 1.36 for beef and 1.0 for beef bones

Consumption

Taiwan's beef demand is mainly met by imports. Domestic beef production, mostly from spent dairy cattle, totaled 6,000 mt CWE in 2006. CY2006 beef consumption is estimated at 103,000 mt CWE. The figure would be even larger if some of the consumption was not taken by greatly increased chicken meat imports. During the past two and a half years since Bovine Spongiform Encephalopathy (BSE) was reported in the United States, uncertainty concerning the supply of beef has not only reshaped the beef sourcing choices of some Taiwan buyers, but has also shifted some beef consumption to other meats - especially chicken, which is cheaper. Beef consumption in 2007 is forecast to decrease slightly to 101,000 mt CWE, due to reduced imports and further substitution by chicken meat. (see Pork Consumption for details of chicken meat substitution.)

Trade

CY2006 U.S. beef imports are estimated at 15,000 mt, PWE (20,000 mt, CWE) while total beef imports would be 71,000 PWE (97,000 mt CWE). The statistics in the PS&D table are based on these estimates plus 1,000 mt of imports of beef bones (conversion factor 1.0).

Taiwan announced its market reopening for U.S. beef on January 25, 2006. Import conditions and certification requirements remain unchanged as reported in TW6004. Following the market resumption announcement, Taiwan consumers enthusiastically received the first shipments of U.S. beef to arrive in mid February. Frozen shipments arrived in March, peaked in April and May, stayed in plateau in June and started to decline in July. In mid August, U.S. beef packers stopped price quotation to Taiwan buyers, all awaiting a decision made by Korea in its beef market access. If the Korean market continues to be closed to U.S. beef in 2006, Taiwan will increase its purchases of U.S. beef purchase, but at a slower pace, till year-end.

If Korean market opens in the coming weeks, U.S. beef is expected to surge into that market, which had been closed since December 2003, and U.S. beef will be partly priced out of the Taiwan market. Estimated U.S. beef exports to Taiwan in the fourth quarter if Korea opens will very likely be limited mainly to fresh and chilled products. Total CY2006 imports of U.S. beef in this scenario are estimated at 13,000 mt, PWE, and our competitors, Australia and New Zealand, would gain market share in the fourth quarter of 2006. Post will update its forecast whenever the situation becomes clear.

The reopening of the Japanese market to U.S. beef, announced in July 2006, did not have a large impact on Taiwan's beef imports as the two markets have very different import requirements (20 months vs. 30 months, etc.) Taiwan imports are, on the other hand, very dependent on the market access of U.S. beef in Korea.

CY2007 beef imports are forecast to decrease 2% to 96,000 mt CWE. The forecast decrease is attributed to Taiwan's weak economic performance, industry's high stocks of boneless ribs and the substitution of chicken meat. Fresh and chilled products and steak cuts may make some gains, which help keep the U.S. market at 20 percent. The 2007 import forecast in the PSD table assumes that market access in key Asian markets remains unchanged. If these major markets all resume partial imports of U.S. beef in 2007, the composition of beef supplying sources in the Taiwan market as well as total imports may change. Post will amend forecasts for 2007 whenever new information becomes available.

About half of the year-to-date imports of U.S. beef have been boneless rib cuts due mainly to the cheaper prices. A large stockpile has undermined purchases of other cuts, such as more expensive steak cuts. The demand for U.S. steak cuts, which is now partly taken by competitors, will hopefully increase in the fourth quarter of 2006 and 2007.

Beef imports by country in 2005 and from January to July 2006: (in metric tons, PWE)

	U.S.	Australia	New Zealand	Panama	Nicaragua	Paraguay	Total Imports
2005	7,041	30,254	28,092	1,411	862	0	67,660
1-7/2006	10,452	16,270	17,290	963	769	217	45,961

Source: Council of Agriculture compiled from Customs data

Imports of beef and products from Canada were banned entry on May 21, 2003 in response to the detection of BSE in Canada. The recent report of the 8th BSE case in Canada may delay Taiwan's beef safety risk assessment review on Canadian beef in 2006.

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, and the import ban remains in place due to BSE concerns. Trade contacts reported that Taiwan is currently facing a supply shortage of beef variety meats.

Beef Offal Imports (mt)

Supplying Source	U.S.	Panama	Australia	New Zealand	Nicaragua	Total Imports
2005	0	56	785	401	110	1,352
1-7/2006	0	54	243	170	41	508

Source: *Council of Agriculture compiled from Customs data*

Policy

On July 1, 2006, Guatemala joined Panama as a FTA partner of Taiwan, and enjoys preferential import tariffs for many commodities including beef and beef variety meats. While Guatemala is not eleigible to ship beef to Taiwan, the duty on beef from Guatemala, now at NT$9/kg, will be lowered following the FTA staged reduction schedule until it reaches zero on January 1, 2015. Beef from Panama is now free of duty, while beef from other countries is faced with a tariff of NT$10/kg. For beef variety meats, Panamanian products are subject to 4.3% or 5% duty rate, Guatemala's tariff is 14% 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.

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 Panama, Nicaragua, Honduras and Costa Rica (only one establishment approved in 2006). U.S. beef is limited to establishments on the AMS BEV list. In October 2005, Taiwan recognized Paraguay's FMD-free-with-vaccination status and re-approved boneless beef, no offal, from five approved facilities in Paraguay. In May 2006, the 220 mt quantity limit was doubled to 440 mt and announced during a state visit by Taiwan leaders. The 440 mt reportedly was calculated using the OIE-recommended FMD risk assessment models. Sweden was recently removed from the acceptable supplier list due to BSE reports. Neither Guatemala, Taiwan's new FTA partner, nor any of the LDCS is qualified to supply beef to Taiwan.

Swine

Country	Taiwan						
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)		
	2005 USDA Official [Old]	Revised Post Estimate [New]	2006 USDA Official [Old]	Estimate Post Estimate [New]	2007 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Slaughter (Reference)	9650	9499	9800	9750	0	9550	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	920	911	935	935	0	920	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	39	38	38	33	0	36	(1000 MT CWE)
TOTAL Imports	39	38	38	33	0	36	(1000 MT CWE)
TOTAL SUPPLY	959	949	973	968	0	956	(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	949	973	967	0	956	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	959	949	973	968	0	956	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	959	949	973	968	0	956	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	16	19	12	19	0	19	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Data included in this report is not official USDA data.
Conversion factor is 1.43 for pork and 1.0 for pork bones

Country	Taiwan							
Commodity	Animal Numbers, Swine				(1000 HEAD)			
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
TOTAL Beginning Stocks	6819	6819	7202	7172	7102	7102	(1000 HEAD)
Sow Beginning Stocks	828	828	841	838	0	830	(1000 HEAD)
Production (Pig Crop)	12000	11982	12200	12100	0	12000	(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	18819	18801	19402	19272	7102	19102	(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	9650	9499	9800	9750	0	9550	(1000 HEAD)
Total Slaughter	9650	9499	9800	9750	0	9550	(1000 HEAD)
Loss	1967	2130	2500	2420	0	2352	(1000 HEAD)
Ending Inventories	7202	7172	7102	7102	0	7200	(1000 HEAD)
TOTAL DISTRIBUTION	18819	18801	19402	19272	0	19102	(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)

Data included in this report is not official USDA data.

Production

Hogs are Taiwan's most valuable farm crop. In 2005, hog production, valued at NT$ 58.8 billion (US$ 1.8 billion), accounted for 15.38% of Taiwan's total farm production. A recent pig inventory survey taken in May 2006 showed declines in all categories of breeding stocks, indicating a smaller pig supply in the early half of 2007. CY2007 pig supply (fat pigs slaughter) is forecast at 9.55 million head, down two percent from the 9.75 million estimate for 2006.

Taiwan Hog Population Data

	May 2005	Nov. 2005	May 2006
No. of farms	13,463	12,930	12,905
Pigs on farm	7,167,559	7,202,435	7,119,025
Boars	35,771	35,368	34,450
Sows/gilts	845,945	841,322	822,686
Sows	755,894	749,761	730,695
Gilts	90,051	91,561	91,991
Fattening Pigs	6,285,843	6,325,745	6,261,889
Piglets	1,081,772	1,043,401	1,092,600
Under 30 kg	1,835,464	1,804,502	1,822,763
30-60 kg	1,704,710	1,745,124	1,707,433
Above 60 kg	1,663,897	1,732,718	1,639,093

Source: Council of Agriculture

Numbers of pig farms continue to decrease while small-scale growers are gradually being phased out. Taiwan is a small island densely populated with people and pigs. The very high pig waste-water treatment cost makes not only small farms uncompetitive but also a threshold too high for new comers to reach.

The break-even level for pig farming is estimated at between NT$ 4,500 and NT$ 4,800 per 100 kg. Pig prices in 2005 and 2006 have been above the level and farmers are profitable in the past several years. Even when pig prices are sometimes below that level, farmers would weather the downs using profits accumulated in the past. On the other hand, the loss of pork export market (to Japan prior to the FMD epidemic in 1997) and the hiking feed prices will discourage farmers from expanding their herd size. According to the May 2006 survey, over 90 percent of hog farmers plan to maintain the current herd size.

Taiwan Pig Auction Prices (NT$/100 kg)

CY2004	CY2005	Jan. 2006	Feb. 2006	Mar. 2006	Apr. 2006	May 2006	Jun. 2006	Jul. 2006
5,912	5,912	5,212	4,833	4,717	4,658	4,937	5,136	5,203

Source: National Animal Industry Foundation
Exchange rate: approximately NT$33.49=US$1 in 2004, NT$32.13=US$1 in 2005 and roughly NT$32.24=US$1 in the first half of 2006.

2005 Pig Production Cost Analysis (NT$ per head of 118 kg)

Feeders	Feed	Other Costs	Total Cost	Gross Income	Loss/Profit
1,194	3,308	821	5,323	6,189	866

Source: Council of Agriculture
Exchange rate: NT$32.13=US$1 in 2005

The above cost, NT$ 5,323/118 kg, is equivalent to NT$ 4,511/100 kg (US$ 140.4/100 kg and $ 0.64/lb).

Consumption

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 2006, surging imports of chicken meat continue to substitute pork intake, especially in the institutional and the boxed lunch areas. Taiwan has followed its WTO accession commitments to lift tariff rate quotas (TRQ) for red meat and poultry in 2005 and also increased the special safeguards (SSG) trigger volumes annually. Chicken meat imports have been 45,543 mt in 2004, 74,382 mt in 2005 and 85,215 mt for the first seven months of 2006. The chicken legs/wings volume SSG was triggered as early as March 15, 2006, promising a record high chicken imports in 2006. Pork demand is expected to be further depressed by chicken meat in 2006 and 2007.

Trade

Live pig imports, for breeding not for slaughtering, totaled 81 head during the first half of 2006, with 48 pigs being supplied by the U.S., 20 from Canada and 13 from U.K.
In 2006, the U.S. continues to be the leading pork supplier in the Taiwan market. Pork imports are estimated at 33,000 mt CWE. With smaller domestic supply, CY2007 pork imports are forecast to grow by 9% to 36,000 mt CWE.

Taiwan Pork Meat Imports by Country (mt, PWE)

	U.S.	Canada	Australia	Denmark	Sweden	Hungary	Netherlands	Total Imports
2005	12,979	11,057	144	1,265	87	423	217	26,172
1-7/2006	7,584	4,794	90	155	137	121	51	12,933

Source: Council of Agriculture compiled from Customs data

Pork imports are very price sensitive. Imports become large when Taiwan pig prices are high and U.S. pork prices are low, which is the opposite of 2006. However, U.S. pork picnics, for processing purpose, are still well accepted in Taiwan. Pork trimmings supplied by Canada are more competitive, in quality and specification, than U.S. products. However, the price gap between U.S. and Canadian products narrowed in 2006, increasing U.S. market share from 50% to 59%.

Pork bone imports for the first 7 months in 2006 totaled 218 mt, virtually all from Canada. Total CY2006 imports of pork bones, at about 1,000 mt, have been included in the PSD table for pork.

Under Taiwan's WTO commitments, Special Safeguards (SSG) came into play following Tariff Rate Quota (TRQ) liberalization on January 1, 2005. SSG volume trigger for pork belly in 2006 is 11,762.5 mt, price trigger is NT$ 30/kg. SSG volume trigger for pork offal in 2006 is 23,637.5 mt and there is no price trigger for that item. 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%.

CY2005 SSG trigger volume and imports, CY2006 SSG trigger volume for pork belly and pork offal, are as follows: (mt)

	2005 SSG Volume Trigger	2005 Imports	2006 SSG Volume Trigger	1-7/2006 Imports
Pork Belly	10,066	9,237	11,762.5	4,772
Pork Offal	15,177	19,246	23,637.5	12,901

Source: Directorate General of Customs, Ministry of Finance

Because SSG volumes increase each year, and because Taiwan pig prices are low and U.S. pork prices are high, the SSG's for pork belly and pork offal may not be triggered in 2006.

Taiwan's pork offal SSG only consists of 4 tariff items: pig hocks (HS 0206.30.20 and 0206.49.30), guts including intestines and stomachs (HS 0504.00.21) and prepared and processed pork offal (HS 1602.49.30). Not all pork variety meats are subject to the SSG. Imports of pork liver, tendon and other offal items are not counted against the SSG. Imports of pork offal, whether or not classified under SSG, are not taken into account in the PSD table.

In 2006, the U.S. remains the leading supplier of pork offal, mainly hocks, rectum, stomach and cheek meat. However, U.S. market share has been gradually undermined by European products, such as pork hocks from Hungary and Sweden. Denmark, which did a brisk business in Taiwan in 2005, reduced its sales sharply in 2006 reportedly due to price factors.

Policy

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. Beginning on July 1, 2006, Guatemala joined Panama as a FTA partner with Taiwan and enjoys preferential import tariffs for many commodities. However, no pork establishment in Guatemala has been approved to supply pork to Taiwan. Pork from Panama is now dutiable at 0%, 5.2% or 5.4% depending on various cuts, while pork from non-FTA countries, including the U.S., are faced with a tariff of 12.5%. For pork variety meats, Panamanian products are subject to a 8%, 14% or 15% duty rate, Guatemalan products face a tariff of 14% while products from non-FTA countries face a 15% duty.

In order to export pork 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 pork beef system of the United States, Canada, Australia, New Zealand and the Netherlands. Selected packing plants in Sweden, Hungary, Finland and Japan are approved to supply to Taiwan. Neither Guatemala, nor Panama, nor any of the LDCS is qualified to supply pork to Taiwan.

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.customs.gov.tw for current tariff schedule (English version available) .
http://www.mof.gov.tw for WTO & FTA staged tariff reductions
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).