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## Taiwan

### Livestock and Products

### Hog Producers Squeal Under Cost-Price Squeeze

### 2007

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**Report Highlights:**

High corn prices may be having a larger impact on Taiwan pig producers than that seen in other markets. High feed costs, coupled with low pork prices, are driving a small contraction in the local industry. The culling of sows, partly conducted by the Taiwan authorities due to pressure from farmers, is further reducing local prices in the short term. The reduced level of production from the smaller animal population may ultimately lead to increased imports, an outcome the hog producers want to avoid.

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

Desperate Taiwan hog producers recently petitioned Taiwan authorities for assistance in overcoming a cost/price squeeze. Led by opposition legislators, they claimed that due to high feed prices, 20 percent of Taiwan pig farmers would be forced to close operations. Feed prices are high globally and not expected to go down any time soon. In addition to the burden of higher input costs, Taiwan pig prices fell below NT\$50/ kg in October 2006, and have been further depressed as larger numbers of slaughter pigs at lighter weights (TW7005) have entered the market. Taiwan imports of pork in the fourth quarter of 2006 were the lowest since 2001, signaling that relative prices here were low.

Current live pig auction prices are 6-7 percent lower than they were 6 months ago. Piglet prices have dropped by 10 percent, and many farmers lose more money the more pigs they raise. However, pork retail prices did not reflect the downturn, but instead grew by 3-5 percent. This, of course, did not stimulate pork consumption and should be a temporary anomaly. The farmers have blamed what they perceive as a stagnated economy and continuous press reports over pork from diseased pigs as partial causes of the low demand.

In their statements the farmers attributed their losses in pig farming to the Taiwan authority's inability to stabilize feed prices, to deal with the oversupply of slaughter pigs, to limit imports of pork and pork variety meats, and to explore pork export markets for the industry. They also blamed authorities for not being able to re-open the Japanese market for Taiwan pork after ten years of market closure following the FMD outbreak in 1997. In contrast, they pointed out that U.S. beef gained market access to Taiwan only two years after BSE was detected in the U.S. (Note: Taiwan's hog producers did not note that Taiwan's FMD eradication program is still ongoing.) Producers also complained that imports, permitted in line with Taiwan's WTO accession, have been the main cause of pork oversupply.

Taiwan's Council of Agriculture (COA) responded to farmers' petitions with a pig-culling plan beginning March 26, 2007. The plan is to cull, through the Taiwan Animal Industry Foundation, 50,000 piglets and 20,000 sows. About 40 percent of the culled piglets will be rendered and the remaining 60 percent will hopefully be made into a popular cuisine, roasted suckling pigs. Farmers will get a NT\$800/head indemnity. The sows are likely to be auctioned to meat processors at lower prices. Farmers will get NT\$800-1,000/head as a compensation. COA has also requested the Taiwan Sugar Corporation, a public enterprise, to temporarily stop slaughtering pigs or to inventory its pork so as to reduce pork supply in the Taiwan market. These measures, however, do not directly address production issues in the local pork industry, or address the high price of imported corn.

The Taiwan pig industry may be going through a period of low prices relative to global prices, and may contract proportionately more as a result. Imported supplies of pork ensure that local prices do not exceed global prices, but market restrictions - due to Foot and Mouth disease - mean that Taiwan can not sell into the global market when its prices are lower. Lower inventories mean that, contrary to pig farmers' hope of limiting imports, Taiwan is expected to import more pork to supplement the shortfall later in 2007 and in 2008. A pig inventory survey conducted in November 2006 indicated that sow numbers were 33,000 head less than a year earlier. The further culling of 20,000 sows will guarantee that Taiwan's slaughter pig supply in 2007 will not only be smaller than the 2006 level, estimated at 9.75 million head, but also smaller than the 9.45 million head that Post estimated in TW7005.