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Taiwan

Grain and Feed

Corn Import Situation Mid-year Update

1999

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Report Highlights:

The May 1999 hog census indicates that swine production is on the rise.

Nonetheless, total 1999 demand for feed corn remains unchanged at 4.5 million mt.

So far this calendar year Taiwan has contracted for a total of 2.56 million mt, 60 percent of this year's projected demand. Of this total, 1.7 million mt, worth \$197 million, has already been imported. This is down 11 percent in volume terms, and 28 percent in value terms, from year ago at this time. Last year by the end of August Taiwan had already purchased 72 percent of 1998's total requirements.

Includes PSD changes: No
Includes Trade Matrix: No
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Corn Import Situation Mid-year Update 1999
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Executive Summary

Taiwan's total corn import estimate for 1999 remains at 4.5 million mt. During the first five months of 1999 Taiwan imported 1.7 million mt of corn worth \$192 million, a drop of 11 percent in volume terms and 28 percent in value terms as compared with last year. The average CIF import price for the first five months of 1999 was \$113 per mt versus \$141 for the same period last year. Despite lower prices, Taiwan importers are reluctant to enter the market because prices are still falling. Those who bought earlier this year are complaining that they will lose money because they will not be able to compete with corn purchased at today's prices. Last year the opposite occurred, and importers were able to take advantage of rising corn prices to strengthen profits. Therefore, so far this year, only 60 percent of Taiwan's total projected corn needs for 1999 have been contracted, and no contracts have been made for delivery beyond the end of October. Many purchase decisions are on hold while importers wait for corn prices to bottom out. Last year at this time 72 percent of total 1998 corn imports had already been negotiated.

1999 Corn Import Estimate Update

Twelve months of attractive hog prices on Taiwan have acted as a stimulus to hog production. Current high hog prices are the result of production cutbacks stemming from a Foot-and-Mouth (FMD) outbreak in March 1997 after which a third of the island's pigs were culled to stop the spread of that disease. Publicity about the FMD epidemic led to a decrease in demand for pork. Economic losses sustained by pig farmers during the epidemic, and dampened demand for pork, resulted in a 32 percent decline in pork production in 1998. However, it has been over two years since the 1997 FMD outbreak, and consumers are once again purchasing pork at traditional levels. Revitalized demand for pork is putting pressure on prices, and stimulating production. In July 1998, live pigs began selling at auction for more than NT\$ 4,200 per 100 kg for the first time in a year. That price is considered the breakeven point for pig farmers. From August 1998 to the present, pigs have been selling at auction for between NT\$ 5,000 and NT\$ 7,000 per 100 kg. The hog census conducted by the Taiwan Council of Agriculture (COA) in May 1999 indicates that the standing population for pigs grew from 6.54 million head in November 1998 to 6.79 million head in May 1999, an increase of 4 percent. The current estimate for total 1999 pig production is 8.99 million, 2 percent above the estimate reported in TW9028.

In June 1999, FMD was found in cattle on Kinmen, a small island belonging to Taiwan situated just off the PRC's east coast. Cattle tested on Taiwan from herds sometimes replenished with cattle from Kinmen also tested positive. The led to the depopulation of 637 cattle on Taiwan, about 3 percent of the islandwide herd. Cattle production on Taiwan is very limited and only 3 percent of the feed is for cattle; 40 percent is for pigs; 50 percent for poultry; 6 percent for aquatic products; and 1 percent for other uses. About 60 percent of Taiwan's feed, by volume, is corn. In summary, pig production is on the rise, cattle production is dropping, and poultry and aquatic product production is stable. These three factors combined lead analysts to believe that 1999 demand for corn will be slightly higher than anticipated earlier this year, but only by 0.4 percent, not significant enough an increase to require a revision of the corn PS&D table reported in TW9028.

Corn Imports Mid-year Update

In the first five months of 1999, Taiwan imported 1.7 million mt of corn worth \$192 million, a decrease of 11 percent in volume terms, and 28 percent in value terms, as compared with the corresponding period in 1998 (*Taiwan Customs Statistics*). The US has had virtually 100 percent share of the market this year, compared to a share of 93 percent during the same five months last year. During the first five months of 1999, the average CIF price was \$113 per mt versus last year's \$141 per mt. Trade sources report that falling prices have stimulated a

wait-and-see attitude among corn importers who are limiting purchases until they are confident that the market has bottomed out. Taiwan corn importers typically do not hedge their purchases; therefore, they tend to jump into the market when prices are rising, and to sit on the sidelines when they are falling. Since the beginning of the calendar year, Taiwan has contracted for a total of 2.56 million mt of corn, which represents about 60 percent of anticipated total 1999 corn imports. By this time last year, in a market in which prices were rising, Taiwan importers had already contracted for 3.46 million mt, equivalent to 72 percent of total 1998 corn imports. So far this year, no corn import contract has been for delivery beyond October. In August 1998 importers were already contracting for deliveries through December.

In August 1999 the Taiwan soybean crusher, feed manufacturer, and wheat miller associations held a joint seminar to discuss the bulk commodity futures markets and the use of hedging to manage risk. Currently, the cost of bulk commodities accounts for 85 percent of all input costs in these three industries. They are looking for ways to bring that average down.

Exchange Rates

From January through May 1999, the average exchange rate was \$1=NT\$32.72. The average exchange rate during the same five months in 1998 was \$1=NT\$32.82. The average exchange rate for all of 1998 was \$1=NT\$33.51. The current exchange rate is \$1=NT\$32. According to Taiwan financial authorities, Taiwan's currency is expected to continue to appreciate slightly against the US dollar for the time being because the pace of economic growth in 1999 is returning to traditional levels, after a year of slower growth in 1998.