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Report Highlights:

Taiwan MY 2023 fluid milk production is forecast to increase to 465,000 MT. During the supply chain disruptions resulting from the COVID-19 pandemic, milk imports declined by 17 percent in MY 2021, pushing local producers to exceed production expectations to meet high demand. Demand for fluid milk continues to rise due to food/beverage trends and changing consumer preferences. At the same time, Taiwan milk producers are bracing for the impact of unlimited zero-tariff milk from New Zealand in 2025. Butter imports have also been subject to supply interruptions. However, total butter import volume remained relatively unchanged.

Commodity: Dairy, Milk, Fluid

Production:

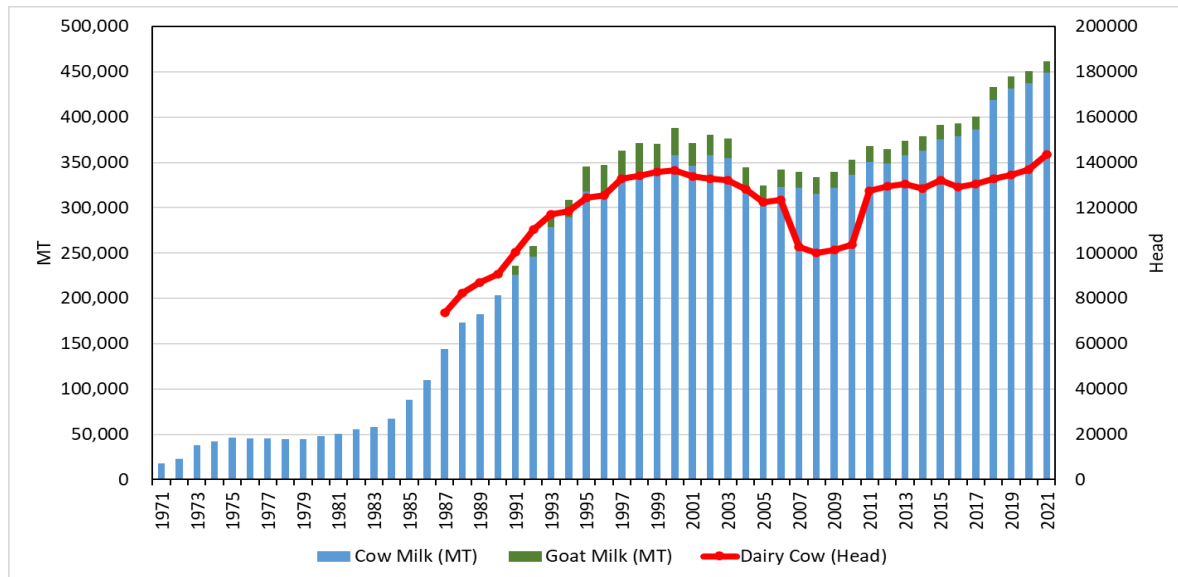
Taiwan's MY 2022 cow's milk production is expected to increase 20,000 MT from the previous forecast to 460,000 MT due to consistently increasing demand. This increase comes despite increased input costs, including higher feed prices and transportation costs. MY 2023 production is forecast to increase slightly again to 465,000 MT as Taiwan recovers from the COVID-19 pandemic and loosens pandemic-related restrictions. MY 2021 production was 13,000 MT higher than expected and is adjusted to 450,000 MT. International port congestion (especially affecting imports from the United States) limited total import supply, which pushed local producers to make up some of the difference.

Taiwan's dairy industry has been active for around 50 years, a relatively short time compared to historical dairy producers in Europe and the United States. Taiwan's primary dairy production areas are Fuxing township, Changhua County, Wandan Township, Pingtung County, Liuying District, Tainan County and Lunbei Township, Yunlin County (see Figure 3). In the second quarter of 2022, Taiwan had 566 dairy cattle farms with an average 222 head per farm (including milking cows and unborn cows). Holstein is the main dairy cattle variety in Taiwan at 95 percent of total herd population; the remainder are Jersey. The average raw milk yield of dairy cattle in Taiwan is 6.7 MT/year/cow. (For comparison, the United States is 10 MT/year/cow; New Zealand is 4 MT/year/cow.) Due to improvements in rearing techniques, Taiwan's per cow yield has increased 12 percent over the past decade.

For goat milk production, there were 199 dairy goat farms with an average of 179 head per farm (including milking goats and unborn goats). Goat milk production continues to decrease. MY 2021 goat milk production was 12,296 MT, seven percent lower than MY 2020.

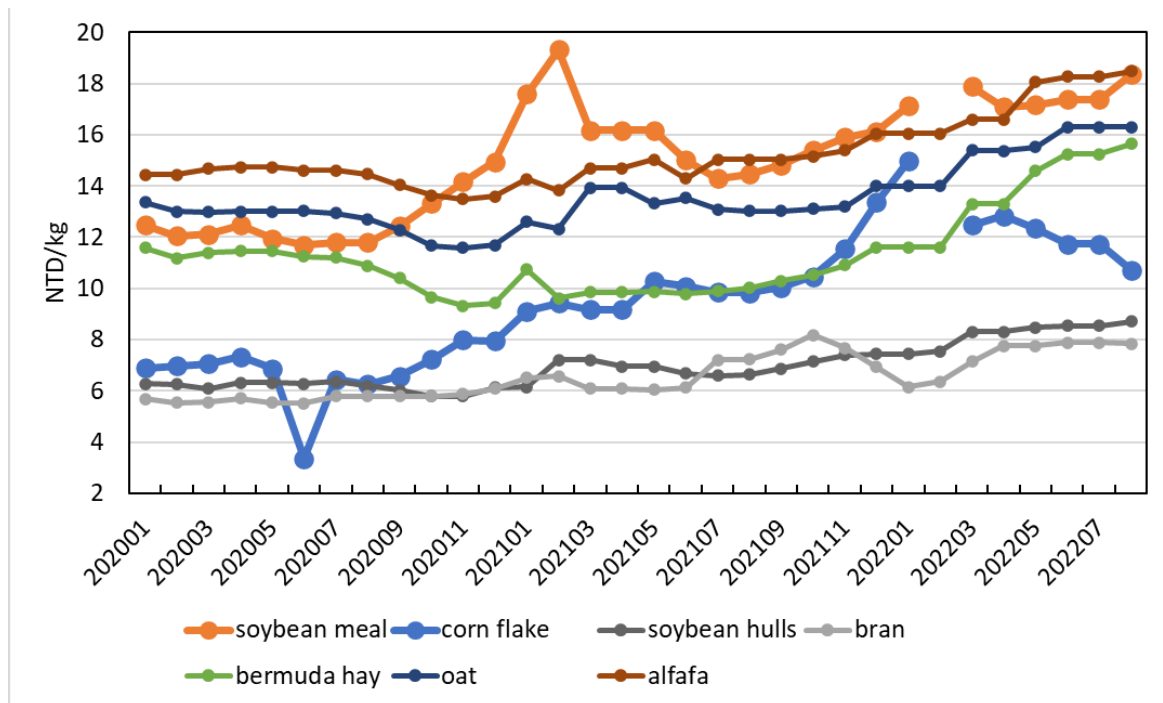
Most of Taiwan's herbivorous animal feed is imported and only half of grass hay is produced domestically. According to Taiwan's Council of Agriculture (COA), feed costs account for 60 percent of the total production cost of milk. Due to supply chain issues stemming from the COVID-19 pandemic, feed prices have increased about 40 percent with significant impact on the dairy industry. For example, the cost of soybean meal increased 50 percent from 12 NTD/kg (USD \$0.38/kg) in 2020 to 18 NTD/kg (USD \$0.56/kg) in 2022. Feed costs, labor availability, and complicated regulations for farm establishment management are still the most crucial factors impacting Taiwan's dairy industry potential expansion. However, another major factor in future milk production will be Taiwan's market opening to import competition. Dairy industry insiders estimate that up to 30 percent of Taiwan dairy farmers may exit the business after the full opening of zero-tariff New Zealand dairy under the Taiwan-New Zealand ANZTEC agreement in 2025.

Figure 1: Taiwan Milk Production by Volume and by Head, 1971-2021



Source: Council of Agriculture (COA), Taiwan

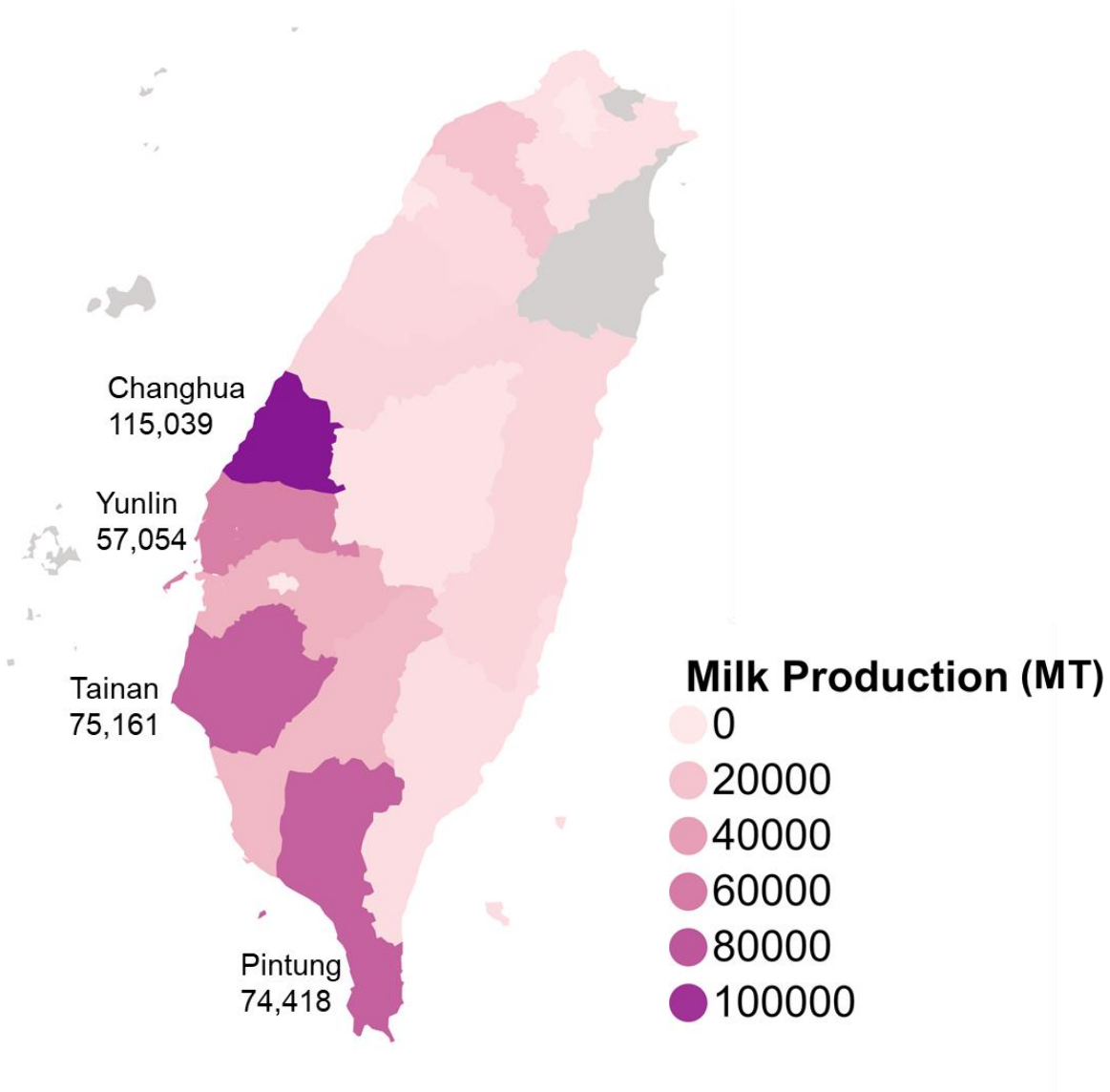
Figure 2: Taiwan Herbivorous Animal Feed Import Price by Feed Type, 2020-2022*



Source: National Animal Industry Foundation (NAIF)

*broken lines indicate the absence of imports to Taiwan during this period

Figure 3: Taiwan Cow's Milk Production by Area, 2021



Source: COA

Consumption:

In Taiwan, 85 percent of Taiwan raw milk is used for fresh milk production. The remainder is used in fermented products or flavored milk. Due to the high cost and absence from Taiwan's traditional diet, Taiwan has no industrial scale butter or cheese production. In MY 2021, total consumption of fluid milk was 520,000 MT, slightly lower than in MY 2020 because of tightened supply. 40 percent of fluid milk is for business use, with especially strong demand from Taiwan's ubiquitous milk tea shops and coffee shops. Growth in this sector is one of the primary drivers of Taiwan's long-term increasing demand for and per capita consumption of fluid milk. For MY 2022, fluid milk consumption is estimated stable at 523,000 MT while international supply is still tight but is forecast to recover to 535,000 MT in MY 2023.

Trade:

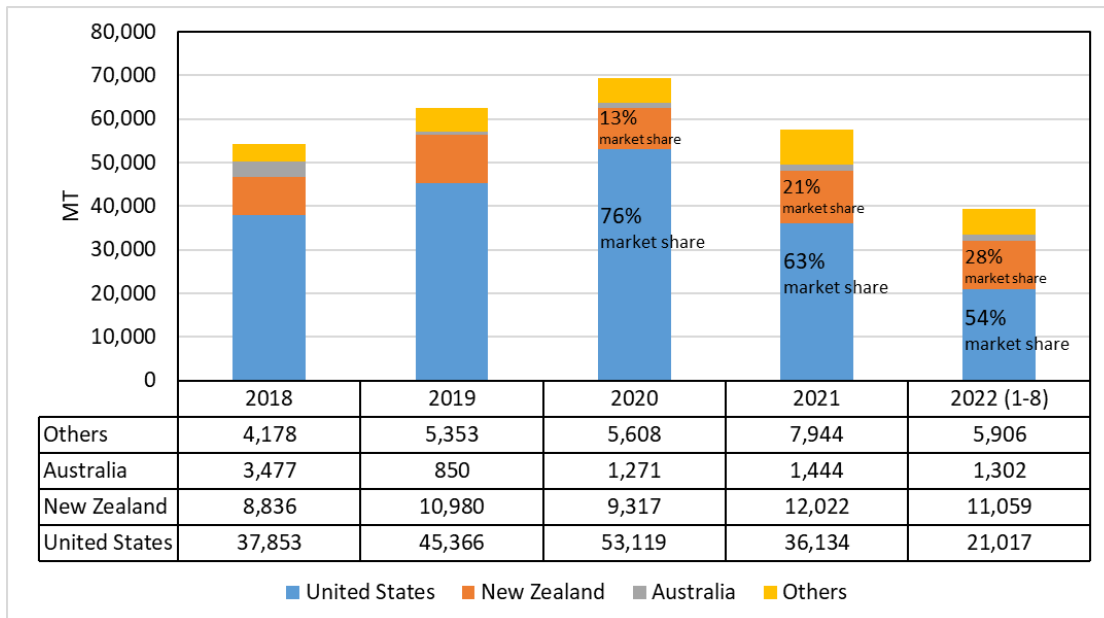
Due to soaring feed prices, Taiwan's reference purchase price increased by 2 NTD/liter after June 2022. According to media reports, from 2012 to 2021 the actual raw milk purchase price increased 14 NTD/L (USD \$0.44/L) to 34.59 NTD/L (USD \$1.08/L).

In the second half of MY 2021, due to global supply chain issues and severe port congestion, Taiwan importers often received expired or very limited shelf-life fluid milk. Since then, importers are hesitant to import fluid milk. The United States is the dominant supplier of imported fluid milk, while several brands from New Zealand and Australia entered the market during this upheaval. In MY 2022 to date, the U.S. share of the import market is 54 percent, down from 76 percent in 2020 (see Figure 4). The price of imported fluid milk price has also increased in MY 2022, up 7 NTD/kg (USD \$0.22/kg) to 40.3 NTD/kg (USD \$1.26/kg).

Taiwan's end-market milk price is 94 NTD/L (USD \$2.95/L), the third highest in the world. (For comparison, New Zealand is USD \$1.69 USD/L; the United States is USD \$0.93 USD/L; Japan is USD \$1.35 USD/L.) Taiwan's consumer price index for milk has increased four percent over the previous year (see Figure 5).

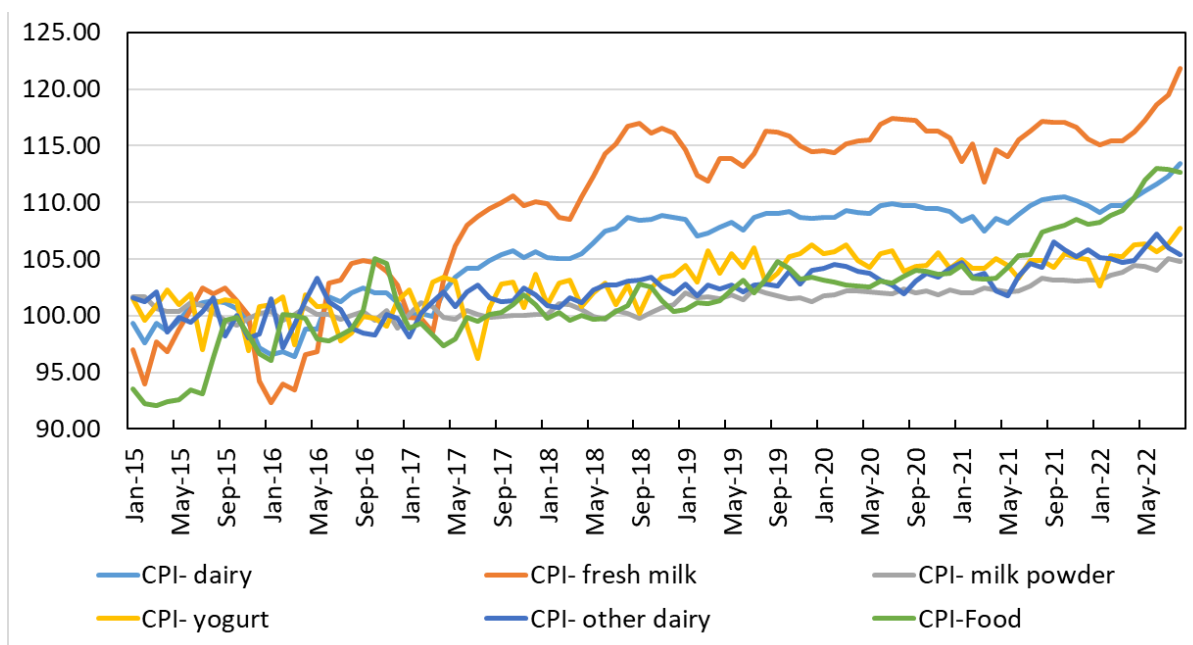
Taiwan's top five dairy processors have an 85 percent share of the local fresh milk market. Small local dairy farm brands capture about 12 percent market share. The Milk House label's success highlights Taiwan consumers' preference for traceability, sustainability, and single-origin dairy product. Capitalizing on this trend, major supermarket chain PXMart promotes dedicated shelf space for small dairy farm brands. The major milk processors have also begun to launch some single-origin milk products.

Figure 4: Taiwan Fluid Milk Imports by Volume, 2018-2022



Source: COA

Figure 5: Taiwan Food Consumer Price Index (Using 2016 as a Baseline)



Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan

Policy:

After Taiwan's WTO accession in January 2002, fluid milk imports are subject to Tariff Rate Quota (TRQ) and Special Safeguard (SSG) controls. Sheep and goat milk are not included in the TRQ and SSG controls.

Tariff Rate Quota (TRQ): The annual TRQ volume for fluid milk is 21,298 MT with 15 percent in-quota tariff, while the out-of-quota tariff is NT\$15.6/kg (USD \$0.49/kg). Import quota rights are auctioned once a year. All importers registered with Taiwan's Board of Foreign Trade (BOFT) are eligible to bid on quota rights. The Bank of Taiwan administers the TRQ allocations through a competitive process.

In 2022, as specified under ANZTEC, 10,000 MT of fluid milk from New Zealand is eligible to enter Taiwan duty-free. All tariff restrictions for New Zealand dairy products will end by 2025.

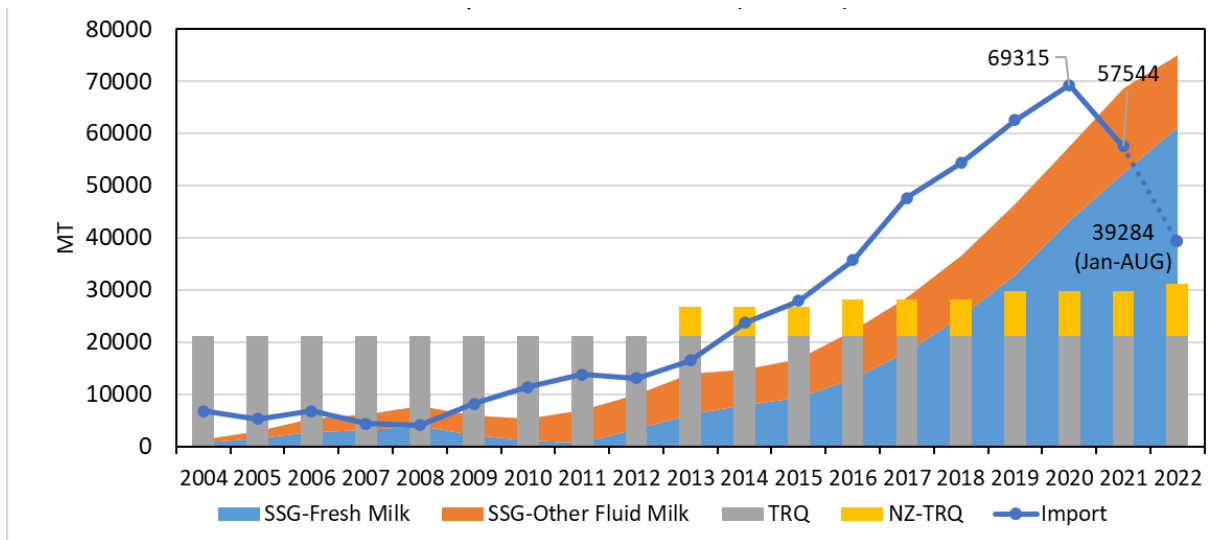
Special Safeguard (SSG): Taiwan also adopted an SSG to control the volume and price of fluid milk. The SSG volume/price will be announced at the beginning of each year and the volume is measured by the 3-year average consumption change and import volume. The 2022 SSG volume for fluid milk is 61,254 MT for fresh milk and 13,719 MT for other fluid milk with a total of 74,973 MT. If fluid milk imports exceed the notified SSG volume, an additional 33.3 percent tariff rate is imposed. The SSG price trigger for fluid milk is NTD 17 CIF/liter.

Fresh Milk: 04011010, 04012010, 04014010, 04015010, 04029910

Other Fluid Milk: 04011020, 04012020, 04014020, 04015020, 04029920, 04029992, 04039029, 04039040, 04039059, 04039090, 18069053, 18068055, 19019025, 19019027

ANZTEC TRQ: 04011010, 04011020, 04012010, 04012020, 04014010, 04014020, 04015010, 04015020

Figure 6: Taiwan Fluid Milk Imports and SSG/TRQ, 2004-2022



Source: COA & Customs Administration, Ministry of Finance

Sanitation Standard and Import Regulation:

The “Sanitation Standard for Milk and Milk products” was repealed on July 1st 2021 and the current regulations are in “[Sanitation Standard for General Foods](#)”, “[Sanitation Standard for Microorganism in Foods](#)” and “[Standards for Specification, Scope, Application and Limitation of Food additives](#)”. Since May 2020, TFDA requires dairy products for food use under HS code 0401, 0402, 0403, 0404, 0405 and 0406 to be accompanied by official sanitary certificates. ([G/SPS/N/TPKM/519](#)). The official certificates should be issued by the competent authority of the exporting country indicating that the attested products are suitable “for human consumption”, or “in compliance with relevant food safety and sanitary regulations”.

Melamine and veterinary drug residues are prohibited in milk and milk products. Taiwan requires that imports of U.S.-origin fresh milk and milk products be accompanied by a Veterinary Service (VS) 16-4 export certificate for animal products.

For additional information, please see the instructions in the [latest international regulations \(IRegs\)](#) for animal product exports from USDA APHIS and the [worksheet of dairy product sanitary certificate](#) from USDA AMS.

Dairy, Milk, Fluid: Production, Supply, and Distribution

Dairy, Milk, Fluid Market Year Begins Taiwan	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	66	65	66	66	0	66
Cows Milk Production (1000 MT)	437	450	440	460	0	465
Other Milk Production (1000 MT)	12	12	11	11	0	10
Total Production (1000 MT)	449	462	451	471	0	475
Other Imports (1000 MT)	72	58	80	52	0	60
Total Imports (1000 MT)	72	58	80	52	0	60
Total Supply (1000 MT)	521	520	531	523	0	535
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Fluid Use Dom. Consum. (1000 MT)	471	470	480	475	0	480
Factory Use Consum. (1000 MT)	50	50	51	48	0	55
Feed Use Dom. Consum. (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	521	520	531	523	0	535
Total Distribution (1000 MT)	521	520	531	523	0	535
(1000 HEAD), (1000 MT)						

Commodities:**Dairy, Dry Whole Milk Powder (WMP) and Skim Milk Powder (SMP)****Production:**

Taiwan does not produce milk powder in commercial quantities.

Consumption:

In recent years, Taiwan's milk powder demand has been relatively stable. Bakery industry demand remains strong while some retail-end demand is in decline due to fluid milk's increasing availability and extended shelf life (ESL) milk's competitive price.

Trade:

Taiwan's milk powder imports are extremely stable; there is no significant fluctuation of milk powder demand or supply. MY 2022 WMP imports are expected flat at 36,000 MT based on year-to-date data; SMP imports are also essentially flat at 24,000 MT. The MY 2023 forecast is left unchanged.

New Zealand is Taiwan's dominant supplier milk powder. Over 96 percent (34,678 MT) of WMP and 77 percent (19,291 MT) of SMP imports came from New Zealand. Belgium had 9 percent (2,322 MT) and Australia had 6 percent (1,672 MT) market share of skim milk powder in MY 2021.

The price of imported milk powder increased to over USD \$4/kg in April 2022 and remains high. Among all the suppliers, New Zealand's milk powder is the most expensive, with an average price of USD \$4.25/kg.

Policy:

Due to strongly increasing prices, Taiwan's government announced a temporary tariff reduction on milk powder from 10 percent to 5 percent. Since the dominant supplier, New Zealand, already has tariff-free access under ANZTEC, very little impact is expected with this policy.

Item (HS code)	Current Tariff	Temporary Tariff 05/01/2022 – 12/31/2022
Whole Milk Powder (0402.21.00)	10% (NZ 0%)	5% (NZ 0%)
Skim Milk Powder (0402.10.00)	10% (NZ 0%)	5% (NZ 0%)

Dairy, Dry Whole Milk Powder: Production, Supply, and Distribution

Dairy, Dry Whole Milk Powder Market Year Begins Taiwan	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	0	0	0	0	0	0
Other Imports (1000 MT)	36	37	41	36	0	36
Total Imports (1000 MT)	36	37	41	36	0	36
Total Supply (1000 MT)	36	37	41	36	0	36
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Human Dom. Consumption (1000 MT)	36	37	41	36	0	36
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	36	37	41	36	0	36
Total Use (1000 MT)	36	37	41	36	0	36
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	36	37	41	36	0	36
(1000 MT)						

Dairy, Nonfat Dry Milk Powder: Production, Supply, and Distribution

Dairy, Milk, Nonfat Dry Market Year Begins Taiwan	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	0	0	0	0	0	0
Other Imports (1000 MT)	25	25	23	24	0	24
Total Imports (1000 MT)	25	25	23	24	0	24
Total Supply (1000 MT)	25	25	23	24	0	24
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Human Dom. Consumption (1000 MT)	25	25	23	24	0	24
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	25	25	23	24	0	24
Total Use (1000 MT)	25	25	23	24	0	24
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	25	25	23	24	0	24
(1000 MT)						

Commodities:

Dairy, Butter

Production:

Taiwan has no large-scale commercial butter production. A few small local artisan producers use local raw milk to produce butter.

Consumption:

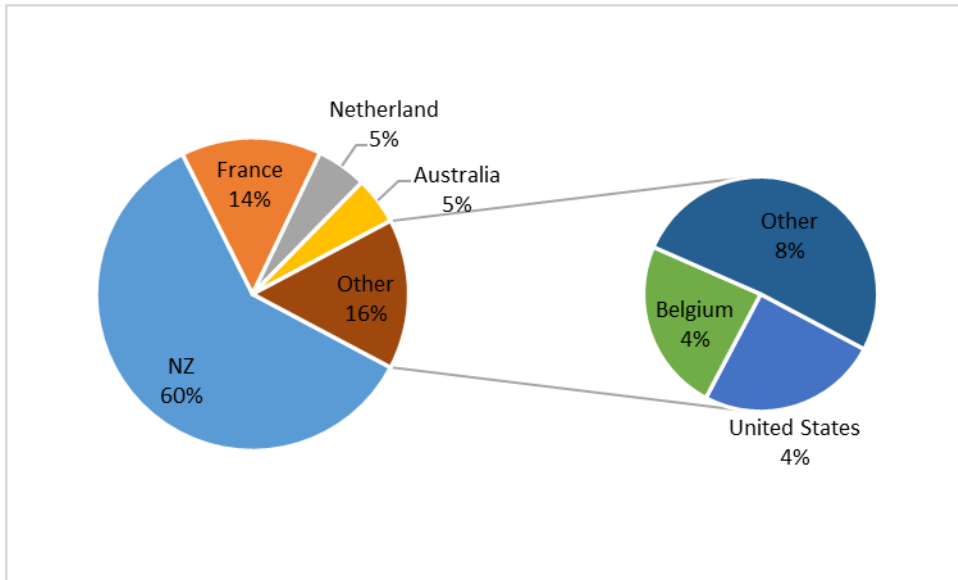
MY 2022 butter consumption is expected to be 24,000 MT.

Food service makes up the dominant demand for butter. During the COVID-19 pandemic, butter in retail sales experienced strong growth as consumers switched to at-home cooking. Home baking and Western-style dining drives butter demand and trends point toward an increase in consumption.

Trade:

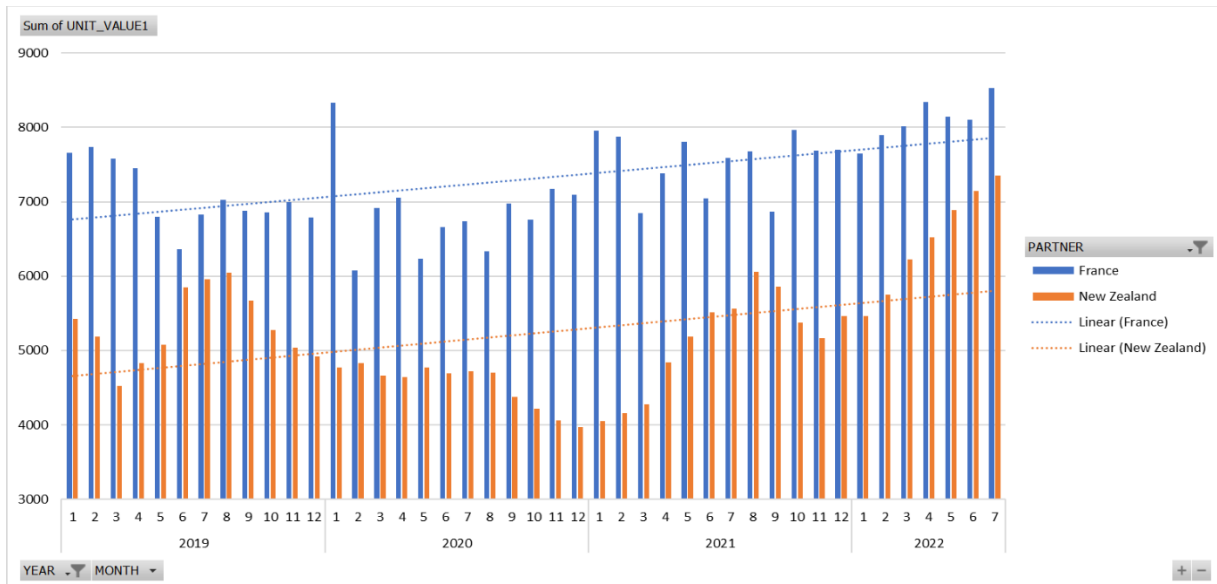
New Zealand is the leading exporter of butter to Taiwan, followed by France. The United States is the fifth-largest supplier. Since the start of the COVID-19 pandemic, Taiwan's butter supply has not been as stable as before. The past two years have seen some temporary supply shortages. Furthermore, butter's price continues to rise; Taiwan's butter CIF price has risen 20 percent in the past three years. Nevertheless, imports are forecast stable and increasing slightly on gradually increasing demand.

Figure 7: Taiwan Butter Imports by Country



Source: TDM

Figure 8: Butter CIF (Cost, Insurance, and Freight) Price, 2019-2022



Data source: TDM

Policy:

To control inflation, the Taiwan government announced import tariff reductions for several bulk commodities for May 2022 to December 2022. Butter and dehydrated butter are among the included products. New Zealand, as with milk powder, is trading partner most poised to benefit but already enjoys zero tariff access under ANZTEC.

Item (HS code)	Current Tariff	Temporary Tariff (05/01/2022-12/31/2022)
Butter (0405.10.00)	5% (NZ 0%)	2.5% (NZ 0%)
Dehydrated Butter (0405.90.10)	8 % (NZ 0%)	4% (NZ 0%)

In 2017, Taiwan adopted [labeling regulations](#) for milk content in butter and cream. The regulation is in accordance with the Act Governing Food Safety and Sanitation.

Butter: More than 80 milk fat content

Cream: 10 - 80 percent milk fat content

Margarine: More than 80 percent edible oils content/ fat spread: 10-80 percent edible oil content

Dairy, Butter: Production, Supply, and Distribution

Dairy, Butter	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Taiwan						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	0	0	0	0	0	0
Other Imports (1000 MT)	22	23	23	24	0	25
Total Imports (1000 MT)	22	23	23	24	0	25
Total Supply (1000 MT)	22	23	23	24	0	25
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Domestic Consumption (1000 MT)	22	23	23	24	0	25
Total Use (1000 MT)	22	23	23	24	0	25
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	22	23	23	24	0	25
(1000 MT)						

Commodities:**Dairy, Cheese****Production:**

Taiwan has no commercial-scale cheese production.

Consumption:

In MY 2021, Taiwan cheese consumption was 36,754 MT. MY 2022 consumption is estimated to increase upwards to 37,500 MT. During the COVID-19 pandemic, as Taiwan consumers shifted to at-home cooking and baking (at least temporarily), cheese demand also increased.

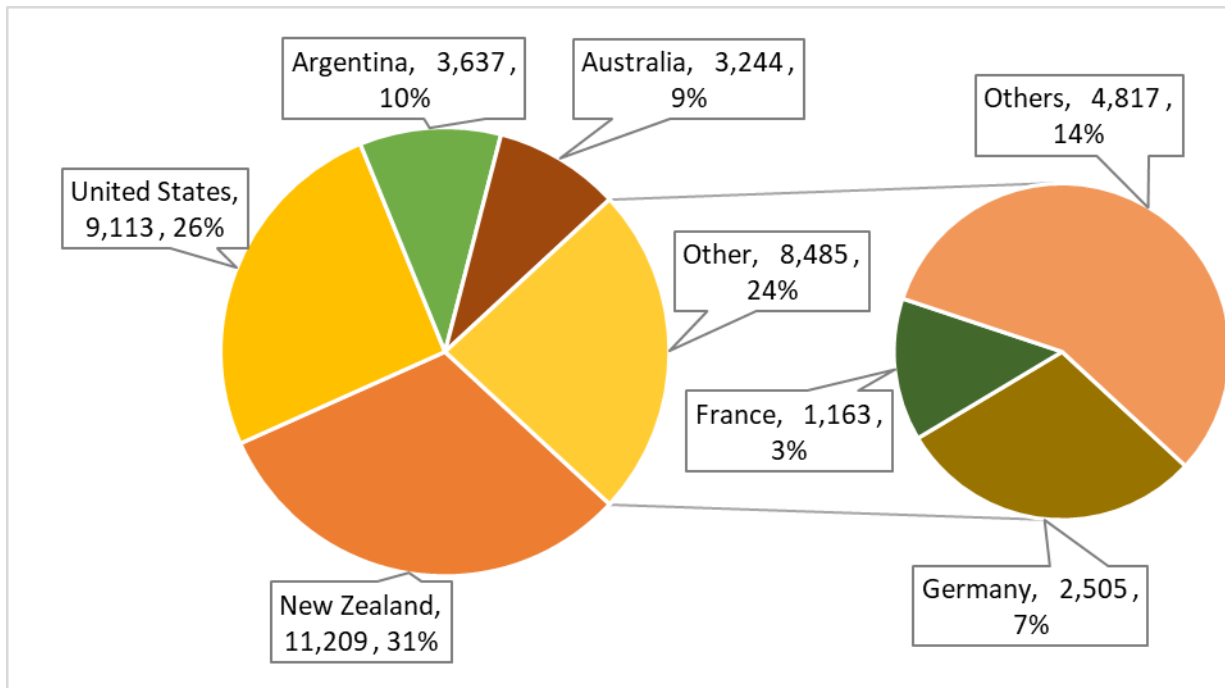
Cheese is not historically part of Taiwan's traditional diet but is increasingly present as Taiwan gradually transitions to more Western-influenced cuisine. Taiwan consumers tend to prefer cheese as an ingredient within dishes rather than directly consumed. Sliced processed cheese has the biggest market share while soft cheese has gained market share recently.

Local consumers are just beginning to gain awareness of cheese characteristics such as texture, age, and flavor. Over time, this may drive up specialty cheese demand away from processed cheese, and the first signs can already be seen for this market segmentation.

Trade:

Taiwan imports cheese mainly from New Zealand, the United States, Argentina, and Australia. New Zealand is the largest cheese supplier by value (31 percent) while the United States is the second largest with 26 percent market share. Argentina is gaining rapidly in the market with 10 percent currently.

Figure 9: Taiwan Cheese Import Value by Country



Source: TDM

Dairy, Cheese: Production, Supply, and Distribution

Dairy, Cheese	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Taiwan						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	0	0	0	0	0	0
Other Imports (1000 MT)	37	37	38	38	0	39
Total Imports (1000 MT)	37	37	38	38	0	39
Total Supply (1000 MT)	37	37	38	38	0	39
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Human Dom. Consumption (1000 MT)	37	37	38	38	0	39
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	37	37	38	38	0	39
Total Use (1000 MT)	37	37	38	38	0	39
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	37	37	38	38	0	39
(1000 MT)						

Attachments:

No Attachments