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## **Taiwan**

### **Grain and Feed**

# **Farmers Make Money Selling Imported Sorghum to Taiwan Authorities 1998**

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#### **Report Highlights:**

**Farmers are selling imported sorghum to Taiwan authorities under a guaranteed purchase program and making a substantial profit. Taiwan sorghum imports for 1998 are expected to decline by 12 percent due to reduced feed demand resulting from the 1997 FMD outbreak.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Taipei, TW

## Summary

Some individuals on Taiwan are importing sorghum and purchasing sorghum stocks bought at auction in order to sell it to farmers. Farmers are reselling this sorghum to Taiwan authorities under a guaranteed purchase program and making a substantial profit. Taiwan sorghum imports for 1998 are expected to decline by 12 percent due to reduced feed demand resulting from the 1997 FMD outbreak. So far this year, the U.S. has supplied only 1 percent of Taiwan's sorghum imports.

### Taiwan Farmers Make Money Selling Imported Sorghum to Taiwan Authorities

Taiwan has a guaranteed purchase program for rice, soybeans and coarse grains. The guaranteed purchase price for sorghum is NT\$14 (US\$0.43) per kilo with a tonnage limit of 5 MT per hectare. Sorghum purchased under the guaranteed purchase program is later sold at auction onto the domestic market. The auction price is generally close to the world price. Purchasers must have a "staple food" business licence to buy official sorghum stocks at auction. Reportedly, some individuals have fraudulently obtained "staple food" business licences in order to participate in these auctions. The sales price for sorghum at recent auctions has been between NT\$3.6 and NT\$3.8 (US\$0.11 to US\$0.12) per kilo. The same individuals have also imported sorghum on the open market for about NT\$4.0 (US\$0.12) per kilo. These individuals have then turned around and resold this sorghum to local farmers at NT\$700 to NT\$800 (US\$21.28 To US\$24.32) per 70 kilo bag, equivalent to NT\$10.0 to NT\$11.4 (US\$0.30 To US\$0.35) per kilo. Farmers have then sold the sorghum to the Taiwan authorities under the guaranteed purchase program for NT\$14.0 (US\$0.43) per kilo, making a hefty profit. Due to unfavorable weather, the average per hectare yield for the 1998 spring sorghum crop was approximately 2 MT which is well below the guaranteed purchase program's per hectare tonnage limit of 5 MT.

### Taiwan 1998 Sorghum Imports To Date

Taiwan's sorghum imports are driven by the world market price. When the world market price for sorghum drops 10 percent below the international corn price, Taiwan tends to increase sorghum imports which substitute for more expensive corn. Sorghum imports for January-July 1998 were 67 thousand metric tons (TMT) (47 TMT came from Argentina, 9 TMT from mainland China, 8 TMT from Australia, 2 TMT from Thailand, and only 1 TMT was sourced from the United States) an 11 percent drop from the corresponding period last year. Total 1998 sorghum imports are expected to decline by 12 percent. The decrease in sorghum imports is attributable to the 1997 Foot and Mouth Disease outbreak which led to a decrease in feed demand. The corn import estimate for 1998 is 5 million metric tons, also 12 percent less than last year. (The exchange rate on 10-26-98 was US\$1=NT\$32.89)