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## Taiwan

### Grain and Feed Annual

### Wheat, Corn and Milled Rice Situation and Outlook

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**Report Highlights:**

Taiwan's demand for wheat and corn is almost wholly met by imports. The wheat import forecast for MY 2010/11 is 1.15 million metric tons, with the U.S. market share anticipated at 75 percent. The corn import forecast for MY 2010/11 is 4.6 million metric tons, with the U.S. market share expected to decline to 65% as Taiwan continues to diversify supply sources in response to high U.S. corn prices. Taiwan imports 126,000 metric tons of rice annually under a WTO Country Specific Quota (CSQ); the U.S. allocation is 61,000 metric tons.

## **Executive Summary:**

### **Wheat**

Since Taiwan does not produce wheat, all demand is met by imports. Taiwan's wheat imports are forecast at 1.15 million metric tons, with U.S. wheat expected to capture 75% of the market.

Taiwan's baking industry has become increasingly innovative and more nimble as it tries to overcome high input costs to remain profitable. Taiwan authorities have responded to calls from consumers and industry for relief from rising prices by reducing the tariffs on wheat and flour by 50%.

### **Corn**

Nearly all demand for feed corn is met by imports. Taiwan is expected to import 4.6 million metric tons during the forecast year, with 3 million metric tons expected to come from U.S. suppliers. The 65% estimated market share is below historical market share levels, reflecting growing interest in sourcing cheaper supplies, particularly from Brazil. However, Taiwan importers continue to display a preference for U.S. corn and appreciate the quality and reliable delivery.

To cope with high feed costs, Taiwan has, for short periods of time, allowed feed corn imports from China. However, since 2002, when these market openings first began, Taiwan has imported a total of only 305,000 metric tons.

### **Rice**

Taiwan is over 90% self-sufficient in rice production with a rather stable domestic rice market. Taiwan's rice production target for 2011 is 1.096 million metric tons from 268,000 hectares based on normal yields. In an effort to stabilize rice stocks, Taiwan announced on April 29, 2011 that it would increase its domestic rice purchasing price by NT\$3/kg under various government sponsored rice purchase programs.

Taiwan imports rice under a WTO country specific quota (CSQ) regime that has been in place since 2007. Taiwan's total WTO import commitment is 126,000 metric tons, but Taiwan has had varying degree of success in meeting its WTO import obligations.

## **Commodities:**

## Wheat

Wheat Taiwan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	366	366	433	385		393
Production	0	0	0	0		0
MY Imports	1,209	1,165	1,300	1,150		1,150
TY Imports	1,209	1,165	1,300	1,150		1,150
TY Imp. from U.S.	829	814	0	860		860
Total Supply	1,575	1,531	1,733	1,535		1,543
MY Exports	32	0	25	0		0
TY Exports	32	0	25	0		0
Feed and Residual	10	36	10	32		32
FSI Consumption	1,100	1,110	1,100	1,110		1,110
Total Consumption	1,110	1,146	1,110	1,142		1,142
Ending Stocks	433	385	598	393		401
Total Distribution	1,575	1,531	1,733	1,535		1,543
Yield	0.	0.	0.	0.		0.
TS=TD		0		0		0

## Wheat Situation and Outlook

### Production:

Taiwan's wheat production is negligible. All domestic demand is met by imports.

Taiwan has a growing concern about its declining food self-sufficiency after experiencing two world wheat price spikes in three years, the most recent one in early 2011 and the previous one in mid-2008. Taiwan's food self-sufficiency rate was 32.0% in 2009, a 3.9 percent decrease from the 1999 level. As a result, Taiwan is trying to promote rice consumption as a substitute for imported wheat.

### Consumption:

Taiwan's overall wheat demand is stable, with per capita consumption of 35.9 kg. Taiwan's forecast wheat demand for MY 10/11 and MY11/12 remain at the current level of about 1.1 million metric tons. With the exception of around 20,000 metric tons for fermentation or brewing use and 35,000 metric tons for feed use, wheat imports are used for flour milling.

Taiwan is a dynamic market for wheat-based food products. There are many promotional events and activities featuring wheat-based food products throughout the year, such as "Best Beef Noodle Contest" and the annual "International Bakery Show", which is held in March each year to showcase trendy new bakery products that use wheat as a core ingredient. The U.S. Wheat Associates (USW) Taipei office frequently conducts milling programs to improve Taiwan's wheat milling and flour blending technologies to meet new flour demand. USW-Taipei is currently working with local mills to make U.S. standard whole wheat flour products to meet the increasing demands from increasingly health conscious consumers. Taiwan currently is considering a proposal to define whole wheat products as products made with 51% or more whole wheat flour of its total flour content. Whole wheat flour is defined as flour milled from whole grain kernels or traditional flour to which is added nutrients that were removed during milling, mainly bran.

The Taiwan bakery sector has grown more adept at managing its business during periods of high world wheat prices as opposed to previous situation when wheat price spikes caused many local bakeries to close. One adaptation is to shrink the size of popular bakery item but maintain the same price, especially of those baking items associated with major local holidays. In an effort to maintain consumer favor, bakeries have also advertised these smaller bakery items as being healthier with fewer calories.

Furthermore, to mitigate cost increases of other baking ingredients, such as tree nuts or canned fruits, Taiwan bakers are looking for ways to incorporate more local ingredients in their baking recipes. USW Taipei also cooperates with the American Soybean Association-International Marketing (ASA-IM) Taipei office to work with the local bakery industry to develop recipes using soy flour or protein as egg and dairy substitutes, and cooperates with the U.S. Grains Council (USGC) in using beta-gluten barley flour in baking or pastry products. These promotional activities help keep Taiwan's bakery industry profitable despite the increasing cost of inputs.

## **Trade:**

### **Wheat Imports – Stable**

Since Taiwan does not produce wheat, all demand is met by imports. Taiwan's imports are forecast to remain level at 1.150 million metric tons. The United States is expected to capture 75% of the overall wheat market during the forecast period. In MY2009/10, the United States had a 70% market share, while Australia supplied 24% of market demand followed by Canada at 4%, and Ukraine and others for a combined 3%. Australian wheat has been recognized by Taiwan millers and noodle manufacturers for its quality and is competitive with U.S. hard white wheat. Australian wheat exports to Taiwan have the potential to increase if Australia has sufficient supplies. Imports from Australia have been either Australian Prime Hard or Australian Hard. This mix varies each year depending for the most part on crop quality and price levels for the different classes of wheat, as well as changes in wheat-food consumption patterns in Taiwan. Imports of Canadian wheat have consisted of Canadian Western Red Spring (CWRS).

In CY 2010, according to the Taiwan Flour Millers' Association (TFMA), 53% of Taiwan's total wheat imports from the United States consisted of Hard Red Spring (HRS) with 14% protein, Northern Spring (NS) with 14% protein or Dark Northern Spring (DNS), while 32% of wheat imports were NS 13 or Hard Red Winter (HRW) with 12.5% and 13% protein. Soft White made up the remaining 15% total imports from the United States. This was the first time Taiwan imported NS 14 and NS 13. Taiwan did not import any Western White and Hard White Wheat during in MY2009/10.

Taiwan wheat importers have mentioned that a stable wheat supply with reliable gluten quality is critical for maintaining quality control of flour milling and Chinese noodle making.

### **Feed Wheat Imports – Insignificant**

Taiwan imposes the same tariff of 6.5% on milling wheat and feed wheat, compared to zero tariffs for feed corn, soybeans and other feed ingredients, which discourages feed wheat imports. Importers sometimes experiment with small imports of feed wheat to offset high corn prices, but this practice is not common in Taiwan.

### **Imports/Exports of Flour**

Flour imports remain low. In MY2009/10, Taiwan imported 20,000 metric tons from Japan, Vietnam, and Australia. Taiwan exported 8,000 metric tons of flour, mainly to Hong Kong.

Nearly all wheat flour demand is met by local milling. Taiwan imposes a 17.5% tariff rate on flour under HS1101-0010, a 20% tariff rate for flour under HS1103-1100, and a 6.5% tariff for flour under HS1001. Taiwan implemented a 50% tariff cut on wheat and wheat flour under the above mentioned HS codes from February 10 through August 9, 2011 in an attempt to mitigate food price inflation. During this time period, imports of milk powder under HS0402-1000 and HS0402-2100 will also receive a 2.5% tariff cut to 7.5% to help the Taiwan bakery and food industries combat the high price of ingredients.

### **Stocks:**

Taiwan ending stocks usually remain stable in line with stable imports and consumption. In general, physical stocks remain at about two months of consumption or four months if contracted wheat is included. This stable stocks level is attributable to group purchasing of wheat to help reduce costs and risk.

### Policy Developments:

Taiwan reported no Malathion MRL non-compliant wheat import shipments since Taiwan established a MRL of 1.5 ppm for wheat in December 2008. Taiwan set a new *Ochratoxin A* MRL of 5 ppb for wheat in December 2009. Taiwan importers have worked cooperatively with foreign suppliers to make sure that all wheat shipments meet Taiwan's import requirements.

### Cross-Straits Trade

On June 29, 2010, Taiwan and mainland China signed an Economic Cooperation and Framework Agreement (ECFA). The ECFA went into effect on September 12, 2010. Taiwan authorities have repeatedly stated that Taiwan will not liberalize trade of 830 agricultural products currently denied entry from China.

According to Taiwan wheat millers, a potential threat to the Taiwan milling industry would include any market opening for processed wheat-based products from China.

### Taiwan Buying Practices and Investment Plans

The Taiwan flour milling industry continues to import through its long-standing collective group purchasing system, under which companies pool their funds and jointly bring in large grain shipments to cut costs. During periods of high ocean freight prices and ready availability of empty backhaul containers, some mills seek opportunities to import wheat individually through containerized shipments.

At present, Taiwan has 26 milling operations with an annual milling capacity of 2 million metric tons based on 24-hour and 25-working-day a month operations. The largest and also the newest flour mill began operation in October 2007 with daily milling capacity of 1,000 metric tons, while the second largest mill has daily capacity of 720 tons.

### Commodities:

Corn

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Corn	2009/2010	2010/2011	2011/2012
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Taiwan	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5	5	10	7		9
Beginning Stocks	650	650	548	451		469
Production	27	27	53	38		47
MY Imports	4,521	4,314	4,700	4,600		4,550
TY Imports	4,521	4,314	4,700	4,600		4,550
TY Imp. from U.S.	3,011	3,138	0	3,000		3,000
Total Supply	5,198	4,991	5,301	5,089		5,066
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	4,500	4,340	4,600	4,400		4,400
FSI Consumption	150	200	150	220		200
Total Consumption	4,650	4,540	4,750	4,620		4,600
Ending Stocks	548	451	551	469		466
Total Distribution	5,198	4,991	5,301	5,089		5,066
Yield	5.	5.4	5.	5.4286		5.2222
TS=TD		0		0		0

## Corn Situation and Outlook

### Production:

Nearly all demand for feed corn is met by imports. Domestically produced corn is not competitive without a significant production subsidy or guaranteed purchase program. Taiwan, with its high input costs, is not a cost-efficient producer of most bulk commodities.

Beginning in 2008, under pressure from high world corn prices, Taiwan's Council of Agriculture (COA) started an initiative to revive farm land under the rice diversion program to improve Taiwan's food security and self-sufficiency by encouraging farmers to plant feed corn on portions of 220,000 hectares of set-aside rice paddy fields. Under the 2008 initiative, rice farmers are allowed to grow feed corn on set aside paddy rice fields and remain eligible to receive a direct payment of NT\$45,000/HA for fallow land. Farmers produce corn under contract at a price of NT\$8/kg, but will receive an additional payment of 90% of price difference between the domestic market price for corn and the contracted price of NT\$8/kg if domestic market prices reach higher than NT\$8/kg. Total feed corn output in 2010 was still negligible at 27,000 metric tons. COA's 2011 feed corn production target is 38,000 metric tons from 7,000 hectares of land.

Despite this planned increase, local feed corn production is anticipated to remain insignificant due to unfavorable climate conditions for corn crops and other factors, such as the lack of suitable corn seed and drying and storage facilities.

### Consumption:

According to industry sources, corn demand from wet milling for corn syrup production has increased significantly since January 2010 because cassava starch prices are relatively higher than corn prices. As a result, corn used for wet milling has steadily risen from 200,000 metric tons in MY2009/10 to 220,000 metric tons in MY2010/11. Taiwan's demand for cassava starch, which serves as a substitute for corn in wet milling, varies from year-to-year. Additionally, because of high world sugar cane prices over the past several years, one Taiwan wet milling facility has increased its wet milling capacity by 15%

since January 2011. The remaining corn imports are made by the feed manufacturing industry.

The local swine and poultry sectors have demonstrated that they can compete with imported pork and poultry products since Taiwan liberalized its meat and poultry import market in 2005 as part of its WTO accession. On the marketing side, in addition to promoting the freshness of locally produced poultry and pork products, the local poultry and swine sectors are trying to increase their competitiveness with imported meat and poultry products by introducing a traceability system. Consumers can use an identification code to trace production information about the packaged products to find out the producer's name, where the animal was raised and processed, the date of processing, the sanitary quality of the product, and what kind of feed was used. However, Taiwan does have sporadic Food and Mouth Disease (FMD) outbreaks, with four cases reported in 2010 and two cases reported in March 2011. Low Pathogen Avian Influenza (LPAI), commonly known as H5N2, has also been reported in 2010, and one case of H7N3 was detected on a duck farm in April 2011. Despite these setbacks, Taiwan remains committed to the resumption of processed pork and poultry product exports to other markets in the region.

Taiwan's Council of Agriculture (COA) conducts a hog census twice a year to monitor the domestic pork market situation. According to the COA's November 2010 census, the standing hog population was 6.21 million head, up by 0.96 percent year-on-year and up by 1.3 percent from the May 2010 survey. The hog herd is gradually recovering from the August 2009 Typhoon Morakot that caused major disruption and losses in the local hog sector. The Taiwan hog sector also continues to improve its competitiveness as small-scale and uncompetitive farms go out of business. Based on the COA's preliminary statistics, the number of hogs available for marketing is estimated at 4.27 million head for the first half of 2011. As a result, COA has set its hog production target for 2011 at 8.6 million head, a 1.5 percent increase from the previous year's 8.47 million head. Hog feed demand is, therefore, forecast slightly higher at 3.125 million metric tons.

In the poultry sector, the COA is aiming to push domestic broiler prices higher and has set broiler production targets for the 2011 at 190 million birds, a four percent reduction from the previous year. Production targets for native birds (tugi) remain unchanged at 120 million birds. The domestic tugi consumption trend is predicted to move downward because of local life style changes and a more western diet, along with requirements for slaughtering at registered slaughter sites. Taiwan's periodic LPAI findings have also resulted in fewer duck exports. As a result, the 2011 duck production target will be reduced by 3.3 percent to 29 million birds. The 2011 chicken egg production target will be reduced by 3.79 percent to 6.35 billion eggs in response to the previous year's oversupply situation. The duck egg production target is set at 480 million eggs in 2011, a 2.13 percent increase from the previous year. The total poultry production target for 2011 is 363 million birds, a 2.7 percent reduction from the preliminary production target of 373 million birds. On this basis, poultry feed demand is forecast at 3.190 million metric tons.

With additional feed demand from the dairy and fishery sectors, Taiwan's total feed demand is 7.10 million metric tons for MY2010/11, down by 1.3 percent from the 2010 feed output estimate. About 89% of Taiwan's feed production is used for swine and poultry production, while the remaining feed production is used mainly in cattle and fishery production.

## Trade:

The import forecasts for corn for MY2010/11 and MY2011/12 are 4.60 and 4.55 million metric tons with the U.S. market share forecast at 65%.

### U.S. Share of the Total Taiwan Corn imports from MY2006/07

Marketing Year	MY2006/07	MY2007/08	MY2008/09	MY2009/10	Oct 2010/Mar 2011
The United States	98%	83%	81%	73%	57%

Argentina	1%	--	--	11%	0.6%
Brazil	--	--	10%	15%	38%
India	--	15%	6%	0.5%	1.4%
China	--	1%	2%	--	--
Total (in 1,000 mt)	4,849	4,431	4,598	4,314	2,319
Ave. C&F Corn Price	(\$201/mt)	(\$288/mt)	(\$219/mt)	(\$228/mt)	(\$291/mt)

*Source:* Taiwan's Council of Agriculture (COA)

Continued diversification of supply sources has reduced the near monopoly position of U.S. corn in the Taiwan market during recent years. The market share for U.S. corn has progressively declined from a 98% market share in MY2006/07. During the first six months of the MY2010/11, Taiwan imported 2.32 million metric tons of corn according to COA statistics based on arrival shipments. The United States accounted for only 57% of these shipments, followed by Brazil with 38% and the remaining share spread among several other countries. Despite the recent market share decline, Taiwan importers still generally prefer U.S. corn because of its consistent quality and reliable delivery. In spite of these positive attributes, high world corn prices have encouraged Taiwan importers to seek cheaper alternative supplies.

Corn imports from South Asia are anticipated to remain insignificant. However, Asian suppliers are offering smaller cargoes that can be shipped by containers if requested. This can provide Taiwan importers with a flexible importation schedule and provides another option if high ocean freight rates return. As long as there is ample availability of shipping containers, shipments of U.S. corn can compete with Asian and South American corn, which are usually supplied in small bulk shipments. According to local industry, approximately 23% of corn was shipped to Taiwan in containers in CY2010, a 12% decrease from 2009. However, corn containerized shipments during first quarter of CY2011 accounted for 32% of shipments.

### **Stocks:**

Taiwan is a stable corn import market with stock levels around two and a half months of consumption, including landed stocks and stocks still on the water.

With diversified import sources from the region, and availability of containerized shipments, Taiwan is able to keep its stocks at a relatively low level.

### **Cross the Taiwan Strait Developments - Taiwan Temporarily Permits PRC Corn Imports from April 18 to June 30, 2011:**

On April 18, 2011, Taiwan opened its market to feed corn imports from China until June 30, 2011. The move towards relaxation of restrictions on feed corn imports from China may be attributed in part to improved cross-strait relations. On June 29, 2010, Taiwan and China signed the Cross-Straits Economic Cooperative Framework Agreement (ECFA), which was implemented on September 12, 2010. According to trade sources, commodities like feed corn, which is not considered to be a sensitive agricultural product, will likely be on the agenda at the Cross-Straits Trade of Goods Agreement talks that are scheduled for 2011.

The current and previous openings to feed corn imports from China have been for short duration. Consequently, feed corn imports from China have been generally modest during each market opening period. In fact, since the first feed corn imports were allowed from China in 2002, a total of only 305,000 metric tons of feed corn have been imported.

Below is a list of the time periods and volumes when corn from China has been permitted entry:

- October - December 2002: 71,000 metric tons



- November 2003 - January 2004: 67,502 metric tons
- March - May 2004: 22,946 metric tons
- November 20, 2006 – February 2007: no recorded imports
- October 1, 2007 – March 31, 2008: 8,010 metric tons
- April 1 – December 31, 2008: 129,810 metric tons
- January 1 – December 31, 2009: 6,285 metric tons
- January 1 – December 31, 2010: no recorded imports
- April 18-June 30, 2011: (current opening done in part to mitigate rising meat prices)

### **Biotechnology and Labeling:**

Taiwan's current agricultural biotechnology regulations apply only to soybeans, corn and their products. No bioengineered soybeans or corn may be produced, processed, prepared, packed, imported or exported unless registered. All bioengineered varieties of soybeans and corn must be registered and approved by the Department of Health's Food and Drug Administration (DOH/FDA). Taiwan has granted registration approvals for 15 corn biotech events. The registrations are valid for five years for food, feed, and processing (FFP) use, but not for environmental release or planting. As of the date of this report, Taiwan has granted registration approvals for a total of 21 single biotech events, including the aforementioned 15 corn events and 6 soybean events. For those discontinued commercialized biotech events, Taiwan no longer requires re-registration after the expiration of their previously granted approval. Taiwan implemented a new approval system for stacked events starting in May 2008. As of the date of this report, there are 17 stacked corn events registered and approved, of which twelve are 2-way, three are 3-way, and two are 4-way events.

Food derived from biotech corn, such as corn flour or grit must be labeled as containing GMO. The Taiwan Food and Drug Administration conducts periodic market surveillance to enforce labeling requirements.

### **Corn Other Feed Grains for Corn Substitutes:**

The feed inclusion rate for corn was estimated at 60% for MY2009/10 and 62% for MY2010/11, based on estimated annual feed production of 7.23 and 7.10 million metric tons, respectively. The increase in corn inclusion is based on comparative higher hog feed share versus poultry feed. The feed inclusion rate for other grains combined was estimated at 3.0%, which fell at the low end of the normal range of 3% to 4% in recent years. This was a 1.2% decrease from last year, due to decreases in barley and feed wheat inclusion.

Other Feed Grains Substitute for Corn in thousand metric tons (tmt), U.S. imports in the parenthesis

Marketing Year	MY2006/07	MY2007/08	MY2008/09	MY2009/10	MY201/11
Barley	76 (38)	70 (28)	127 (6)	71 (2)	50 (10)
Sorghum	64 (<1)	82 (0)	72 (<1)	70 (<1)	80 (5)
Feed Wheat	16 (15)	19 (16)	13 (5)	40 (1)	15 (5)

Feed Rice (in Calendar Year)	183	78	54	Zero	65
Total feed output (in Calendar Year)	7,484	7,159	7,139	7,232 (prelim.)	7,102 (est.)
Estimated inclusion rate, combined	4.5%	5.6%	3.7%	4.2%	3.0%

Source: Taiwan's Council of Agriculture (COA)

### Distillers Dried Grain (DDGS) and Corn Co-Products for Feed Use:

The Taiwan Feed Industry Association (TFIA) petitioned for and received a permanent zero tariff for DDGS under HS2303.30. The zero tariff has been in place since June 16, 2010 in an effort to assist the Taiwan livestock and poultry farmers to reduce input costs. Taiwan imports of DDGS continue grow sharply as illustrated by the following table:

Imports of DDGS and Corn Co-products for feed use in tmt, U.S. imports in the parenthesis

Marketing Year\ Corn Co-products	MY2007/08	MY2008/09	MY2009/10	MY2010/11 (estimate)
Brewing or distilling dregs & waste (HS2303-30 -- 0% tariff since 6/17/2010)	53 (46)	82 (64)	139 (129)	204 (186)
Maize germ oil residue (HS2306-9090-10 -- before 7/1/08,after HS2306-70 -- 0% tariff)	65 (65)	132 (132)	152 (152)	8 (8)
Bran, sharps & residues of maize (corn gluten feed) (HS2302-10 -- 0% tariff)	75 (58)	50 (40)	36 (29)	16 (16)
Residues of starch manufacture and similar residues (corn gluten meal) (HS2303-10 -- 2% tariff)	13(0)	4 (2)	6 (0)	22 (20)
Total feed output (Calendar Year)	7,159	7,139	7,232	7,102
Estimated inclusion rate, combined	2.8%	3.7%	4.6%	3.5%

Source: Taiwan's Council of Agriculture (COA)

### Commodities:

#### Rice, Milled

Rice, Milled Taiwan	2009/2010	2010/2011	2011/2012
	Market Year Begin: Jan 2009	Market Year Begin: Jan 2010	Market Year Begin: Jan 2011
	USDA New Post	USDA New Post	USDA New Post

	Official		Official		Official	
Area Harvested	255	255	248	244		268
Beginning Stocks	222	222	335	290		348
Milled Production	1,111	1,111	1,018	1,016		1,096
Rough Production	1,578	1,578	1,454	1,451		1,566
Milling Rate (.9999)	7,040	7,040	7,000	7,000		7,000
MY Imports	86	85	146	145		126
TY Imports	146	145	130	126		126
TY Imp. from U.S.	83	90	0	61		61
Total Supply	1,419	1,418	1,499	1,451		1,570
MY Exports	1	1	1	2		2
TY Exports	1	2	5	2		2
Consumption and Residual	1,083	1,127	1,155	1,101		1,220
Ending Stocks	335	290	343	348		348
Total Distribution	1,419	1,418	1,499	1,451		1,570
Yield (Rough)	6.	6.1882	6.	5.9467		5.8433
TS=TD		0		0		0

## Production:

Taiwan produces two rice crops per year. In each year, there are only minor variations in production areas and yields. The primary variable is weather, because typhoons are likely to damage the second crop each year. Rice output in 2010 was 1.016 million metric tons from 244,000 hectares. The rice production target for 2011 is 1.096 million metric tons from 268,000 hectares based on normal yields.

Under the current WTO agreement, Taiwan's rice tariff rate quota (TRQ) amount is 144,720 tons on brown basis (126,000 tons milled equivalent). Out-of-quota imports do not occur due to the very high out-quota-tariff rates of NT\$45/kg for rice grain and NT\$49/kg for rice processed products. Therefore, the Taiwan rice production target aims only to balance domestic rice supply and demand, while following the policy of maintaining reserve rice stocks equal to three percent above expected demand.

The increased production target follows a policy of upward adjustment of Taiwan's rice security stocks level to 350,000 metric tons (400,000 metric tons brown basis) from the previous target stock level of 260,000 metric tons (300,000 metric tons on a brown basis), which was the result of high world grains prices in 2008 and the current upward pressure on grain prices. As a major grain importer, Taiwan's concerns about food security increased after suffering disruptive food price inflation, which was caused by high world grain prices and grain export bans imposed by a few key exporting countries.

## Consumption:

According to the Taiwan Council of Agriculture's (COA) "Food Balance Sheet", per capita rice consumption was 48 kg in 2009. Taiwan authorities are promoting rice consumption and hope that per capita consumption will increase to 51 kg by the end of year 2014, thus increasing the energy-weighted food self-sufficiency rate to 32.72% from 32% in 2009. Taiwan authorities want to reverse declining per capita rice consumption as a way to reduce wheat imports.

Taiwan is over 90% self-sufficient in rice production, with a rather stable domestic rice market. As noted, Taiwan has made efforts to promote increased rice consumption as a substitute for wheat imports, especially during periods of high world wheat prices. One such effort involves the China Grain Product Research and Development Institute (CGPRDI). CGPRDI has been commissioned by COA to develop formulas for bakery products and noodles using rice flour to substitute for part of the wheat flour.

Traditionally, when Taiwan has promoted domestically grown agricultural products, rice has been one of the most important items. Market promotions are likely to increase total demand for rice, particularly when there are high wheat prices. In general, local consumers recognize significant differences between varieties, origins and crop years. Occasionally some old rice is used for feed, with 65,000 metric tons of rice forecasted for feed use in 2011. The Taiwan livestock and feed industry encourages Taiwan agricultural authorities to release older rice stocks for feed use whenever corn prices surge.

## Trade:

### Import Regime: TRQ Implementation

Taiwan implementing a country specific quota (CSQ) regime for the public sector rice imports in June 2007.

Taiwan's rice Tariff Rate Quota (TRQ) of 144,720 tons (on a brown basis) is divided into two portions, 35% or 50,652 metric tons (44,067 metric tons milled equivalent) for private sector imports and 65% or 94,068 metric tons (81,839 metric tons milled equivalent) for public sector imports.

### Private Sector Imports:

The quota for private sector imports is divided into three auctions. Bidding for the 2011 quota is scheduled for November 2010, February 2011, and April 2011, respectively (see following table.)

Table: 2011 Private Rice Quota Allocation Schedule & Results

Product Name	Quota Amount	Quota Validity Duration	Date	Weighted-average Bid Price	Max. Bid Price	Min. Bid Price	# of Allocations
Rice	15,000 mt	Jan. 1/ Sept. 15	Nov. 26	NT\$7.308/kg	NT\$9.700/kg	NT\$7.109/kg	26
	20,652 mt	March 1/ Sept. 15	Feb. 24	NT\$7.266/kg	NT\$9.000/kg	NT\$6.908/kg	38
	15,000 mt	May 1/ Sept. 15	Apr. 28	NT\$8.827/kg	NT\$9.2900/kg	NT\$8.599/kg	17
Total	50,652 mt ( 44,067 mt milled equivalent)						

Under the TRQ system, importers bid for quota rights that are sold to the bidder(s) with highest offered bid price. Using the so-called "System Three" quota bidding system, Taiwan has successfully allocated all 50,652 tons (brown basis) of its annual private sector import quota rights to local importers each year since Taiwan's entry to the WTO in 2002.

According to Taiwan import records, the implementation rate for the 2010 rice TRQ for private sector imports was calculated at 98.1%. U.S. rice exports to Taiwan under the TRQ for private sector imports totaled 547 tons on milled basis.

### Public Sector Imports under Country Specific Quota (CSQ):

As for the 65% quota for public sector imports, it is divided by both country of origin and tender type: Simultaneous-Buy-Sell (SBS) and normal tender. SBS tendering is subject to a markup price (a floor price). Normal tendering is subject to a

pre-set ceiling price calculated on the basis of DDP (delivery, duty paid) terms, and rice is delivered to designated COA warehouses in accordance with contract term. In recent years, COA has built air-conditioned warehouses in the northern, central and southern regions, respectively. The newly built air-conditioned warehouses can accommodate 34,000 tons of public imported rice or a little more than a half of total imports under CSQ normal tendering. COA plans to build more air-conditioned warehouses to store imported rice to maintain the rice quality.

**Allotments of Taiwan's 2010 Country-Specific Quota (CSQ) for Public Sector Imports (in MT on a brown basis)**

Country	SBS Tender	Traditional Tender	Total 2010 Rice CSQ
Egypt	2,500	0	2,500
Thailand	6,000	2,300	8,300
Australia	12,500 <i>(only secured 260 tons; the rest - 12, 240 tons - was globalized)</i>	6,134 <i>(6,134 tons were globalized and re-captured; also received globalized 7,634 tons of U.S. CSQ)</i>	18,634
USA	9,200	55,434 <i>(7,634 tons were globalized)</i>	64,634
2010 Total	30,200	63,868	94,068

According to COA records, a total of 29,062 tons out of 30,200 tons rice under the 2010 SBS tender system was imported by April 30, 2011, with a quota implementation rate of 96%. SBS completion rates for individual countries were 100% for Thailand and Australia, 96.5% for the United States, and 71% for Egypt.

**Total Import Volume in 2010:**

According to Taiwan Customs arrival data, Taiwan imported 145,032 tons of rice on a milled basis in 2010. Of total imports, private and public sector combined, the United States had a 63% share, Thailand had 17%, Vietnam 16%, Egypt 1.8%, and Myanmar 1.6% market share.

Import forecasts are set at 126,000 metric tons each year (brown rice basis) based on Taiwan's WTO commitment for rice CSQ imports. This includes private sector, SBS tenders, and traditional tenders under Taiwan's WTO CSQ.

**Rice Exports**

Rice exports in 2010 amounted to 2,552 tons, of which 1,300 tons were dedicated to food aid. The remaining 1,252 tons was sold on a commercial basis (see Statistical Table 7 for details). The average FOB export sale price was \$1,462/metric tons.

**Export Policy:**

In a move to increase food security, Taiwan set a minimum export price (MEP) on rice grain under HS1006 at \$1,200/mt FOB from May 2008-December 2009 and at \$1,100/mt FOB from January-July 2010. Taiwan further imposed rice export volume controls set at 10,000 tons during the August-December 2010 time period but relaxed controls to 30,000 tons from November 2010-June 30, 2011. Taiwan rice export control measures are adjusted in accordance with any fluctuations in domestic rice prices or public rice reserves, as well as any unfavorable factors, such as drought, flooding, typhoon damage, or world food price fluctuations.

All export shipments require an export permit issued by the Council of Agriculture's Agriculture and Food Agency (COA/AFA). The permit is valid for two months from the second day of the issuance. The exporter is subject to a one-year export suspension if the rice is not exported by the end of the two-month period and the exporter did not notify COA/AFA of the its intent to cancel the permit.

**Rice Purchase Programs: Taiwan Increases Its Domestic Paddy Rice Purchase Prices by NT\$3/Kg, Announced April 29, 2011**

Taiwan, in an effort to maintain its security rice stocks, established a voluntary purchase program for domestically-produced rice in 1974. Paddy sales to the government under these programs amounted to 191,000 metric tons in 2010.

On April 29, 2011, Taiwan announced that it would increase its domestic rice purchasing price by NT\$3/kg for the three government rice purchasing programs. The government rice purchasing programs affected by the rice purchasing price increase are the Guaranteed Purchase Program (est. 1974), the Guidance Purchase Program (est. 1978) and the Surplus Purchase Program (est. 2003). Domestic rice prices have responded to this announcement with daily average wholesale prices of milled Japonica rice increasing to NT\$33.76/kg from the previous price of NT\$33.09/kg and retail prices increasing to NT\$38.34/kg from NT\$33.75/kg.

Sales under these programs are limited to certain quantities per hectare. If farmers were to sell the maximum per-hectare quantity allowed under the Guaranteed Purchase Program and Guidance Purchase Program, sales would equal almost half of production. The eligible amount for purchase under the Surplus Purchase Program is set at 3,000 kg/ha for the spring crop and 2,316 kg/ha for the fall crop. These purchase amounts were calculated based on the five-year (1998-2002) average production level minus the sales to the Guaranteed Purchase Program and the Guidance Purchase Program. The surplus purchases were triggered by declining paddy rice prices that slipped below the five-year average price level of NT\$15.6/kg.

Two new adjustments were announced on April 29, 2011. One adjustment is the eligible sale quantity for the guaranteed purchase program has been rounded up to 2,000 kilograms per hectare from the previous limit of 1,920 kilograms. Pending COA announcement, it is anticipated that the eligible sale quantities for fall crops will also be increased. Additionally, COA has indicated that it wants to stabilize the glutinous rice market and has added glutinous rice to be eligible for sales to the government under the Guaranteed Purchase Program and Guidance Purchase Program. Domestic glutinous rice prices often fluctuate during local festivity holidays.

**Taiwan's Rice Purchase Programs, revised on April 29, 2011 for 2011 spring crop**

	<b>Guaranteed Purchase (paddy basis)</b>	<b>Guidance Purchase (paddy basis)</b>	<b>Surplus Purchase (paddy basis)</b>
Variety	Price NT\$/kg	Price NT\$/kg	Price NT\$/kg
Japonica rice & glutinous** rice	26 (23)	23 (20)	21.6 (18.6)
Indica rice & glutinous** rice	25 (22)	22(19)	20.6 (17.6)
	Quantity kg/ha	Quantity kg/ha	Quantity kg/ha
Spring Crop	2,000* (1,920)	1,200	3,000
Fall Crop	(1,440)	(800)	( 2,360)

Source: Taiwan's Council of Agriculture (COA) April 29, 2011 Announcement

(Notes: 1. Numbers in parenthesis effective from 2008-2010, the actual revisions for the fall crop will be announced later in

the year. 2. Taiwan also includes glutinous rice under the guaranteed purchase program and guidance purchase program, starting from the 2011 crop.)

### **Rice Reform Plan:**

COA is revising its production policy to adapt to high world food prices. The direction of this policy is to increase rice production and security food reserves. Utilization of some 220,000 hectares set aside paddy fields to grow feed crops is also under consideration.

### **Marketing:**

To be competitive with imported rice, the Agriculture and Food Agency (AFA) under the Council of Agriculture (COA), has been working with local rice millers/farmers under a voluntary Taiwan Good Rice Program to improve quality in terms of specialty rice varieties tied to specific geographic areas. Market diversity is indicated by retail price differences between high and low end branded rice packages.

All domestic rice data is sourced from AFA and it is available online at the COA website at [http:// www.coa.gov.tw](http://www.coa.gov.tw).

## **Background Statistical Tables**

**Table 1- Pork Imports vs. Domestic Production and Wholesale Market (on a calendar year basis)**

Year	Pork Imports in 1,000 metric tons (tmt)		Domestic Pork Production in 1,000 head slaughtered	Auction Price in NT\$/100kg-head
	Meat (HS0203)	Offal (HS0206)		
2006	18	23	9,625	4,918
2007	13	23	9,419	5,146
2008	29	27	8,727	6,566
2009	54	28	8,745	6,343

2010	44	29	8,470 (preliminary)	6,899 (preliminary)
2011 (forecast)	44	29	8,600 (COA target)	6,500
<i>Source: Council of Agriculture (COA) and Taiwan Customs Statistics.</i> Hog production for 2010 is adjusted down from previous target of 8.6 million head due to high mortality.				

**Table 2- Total Poultry Meat Imports vs. Domestic Production**

Year	Imports of Poultry Meat & Products (1,000 mt)	Domestic Poultry Production (million birds slaughtered)	Farm Price in NT\$/kg (Broiler)
2006	105	390	33.71
2007	63	377	36.55
2008	82	353	43.52
2009	83	363	42.28



2010 (prelim.)	115	373	41.85
2011 (forecast)	115	363	43.00
<i>Source: Council of Agriculture (COA) and Taiwan Customs Statistics.</i>			

**Table 3- Feed Production for CY2008-2011 in Thousand Metric Ton**

FEED PRODUCTION	2008	2009	2010 (PRELIM.)	2011 (FORE.)
Total Feed Produced	7,158	7,139	7,232	7,102
Hog Feed	3,179	3,169	3,078	3,125
Poultry Feed	3,228	3,189	3,364	3,190
Others	751	781	781	787
<i>Source: Council of Agriculture (COA).</i>				

**Table 4- Tariff Rate Reductions Table**

Commodity/HS Code	Current Rate	Temporary 50% Reduction from 02/10/2011 thru 08/09/2011	Temporary rate from 12/01/2010 thru 05/31/2011
Dairy cream -- HS0402-1000 & HS04022-1000	10.00%	7.50%	--
Drum wheat -- HS1001-1000	6.50%	3.25%	--
Other wheat and meslin -- HS1001-9000	6.50%	3.25%	--
/1001-9000	6.50%	3.25%	--
Wheat flour -- 1101-0010	17.50%	8.75%	--
Groats of wheat -- HS1103-1100	20.00%	10.00%	--
Meal of wheat -- 1103-1100-20-7	20.00%	10.00%	--
Cassava starch -- HS1108-1400	7.00%	3.500%	--
Brewing or distilling dregs and wastes -- 2303-3000-00-4	0% since 6/17/2010	NA	--

Cane sugar -- HS1701-1100	6.25%	--	4.68%
Other refined sugar -- HS1701-9990	17.50%	--	13.12%
Corn flour -- HS1102-2000	6.00%	--	3.00%
Soybean flour -- HS1208-1000	3%	--	1.5%

**Table 5- Rice Imports in 2010 in metric tons on milled**

Origin	HS100610 paddy	HS100620 brown (milled)	HS100630 milled-total	HS100630- 0010-4 milled- glutinous	HS100640 broken-milled	Total/Share on a milled basis
U.S.A.	0	73,044 (63,548)	21,925	4,239	5,007	90,480/ <b>62.3%</b>
Australia	0	82 (71)	0	0	0	71
Cambodia	0	0	203	0	0	203
Egypt	0	0	870	0	1,756	2,626/ <b>1.8%</b>
Thailand	0	42 (37)	21,713	10,854	3,177	24,927/ <b>17.1%</b>
Japan	0	12 (10)	308	1	0	318
India	0	0	37	0	0	37
Korea	0	0	1	0	0	1
Vietnam	0	187 (163)	23,449	7,166	313	23,925/ <b>16.4%</b>
Italy	0	0	25	0	0	25
Myanmar	0	0	2,396	0	0	2,396/ <b>1.6%</b>
Pakistan	0	0	23	0	0	23
Total	0	73,367 (63,829)*	70,950	22,259	10,253	<b>145,032</b>

Source: Taiwan Customs Arrival Data

\* Import numbers in the parentheses under HS100620 are on a milled basis. Conversion factor is 0.87 to milled rice from brown based on Taiwan's official conversion factors in its WTO rice TRQ calculation.

**Table 6- Taiwan Food Aid Shipments in 2010 in metric ton**

Recipient Destination	Tonnage
Haiti, Rep. of	1,000 [800 tons donated thru the Food for Poor Organization (FFP)]
Nauru, Rep. of	200
Pakistan, Islamic Rep. of	100
Total	1,300
Source: Council of Agriculture (COA)	

**Table 7- Taiwan Commercial Export Shipments in 2010 in metric ton on milled**

Destination	Tonnage	
	HS100630	HS100620 (on milled)
Australia	269	6 (5*)
Hong Kong	228	105 (91*)
Haiti	200	0
Venezuela	189	0
S. Africa	93	2 (2*)
Others combined	273	94 (82*)
Subtotal	1,252	207 (180*)
Grant Total	1,432	
Source: Council of Agriculture (COA)		
* Import numbers in the parentheses under HS100620 are on a milled basis. Conversion factor is 0.87 to milled rice from brown based on Taiwan's official conversion factors in its WTO rice TRQ calculation.		