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Taiwan

Dairy Livestock and Poultry

Pork, Pig Update

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Report Highlights: Since the beginning of 1999 several sporadic and isolated Foot-and-Mouth Disease (FMD) cases have been reported in various parts of Taiwan, mostly involving pigs at auction. Taiwan authorities will begin to penalize farmers who do not provide early FMD reports. Meanwhile, due to attractive pig prices, 1999 Taiwan pig production will exceed the official target of 8.5 million head and likely reach 9.8 million. Imports of US pork offal, bellies, and other previously banned items, have been entering Taiwan under quota since August 1998. After Taiwan enters the WTO, these quotas will be expanded and multilateralized as tariff rate quotas (TRQs). After a two year hiatus, the Taiwan pig industry is once again importing breeding stock, providing renewed opportunities for US exporters.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
TW

Taiwan
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Executive Summary

Since the beginning of 1999, several sporadic and isolated Foot-and-Mouth Disease (FMD) cases have been reported in various parts of Taiwan, mostly involving pigs at auction. In response, Taiwan authorities announced that they will begin to penalize farmers who do not expeditiously report FMD problems. They may also begin requiring farmers who fatten pigs for more than six months to vaccinate for FMD three, rather than the currently required, two times. Total fattened pig production in 1999 is forecast at 9.8 million head, far exceeding the agricultural authorities' production target of 8.5 million. Production will exceed earlier projections because high pig prices have resulted in increased interest in raising pigs. Attractive prices have also dampened interest in a pig farm buy-out program that was designed to give smaller farmers a chance to get out of the sector before Taiwan enters the WTO and competition with foreign pork imports forces them out. Imports of US pork offal, bellies and other previously banned items, as agreed to in the US-Taiwan bilateral WTO accession agreement, have been entering Taiwan under quota since August 1998. These quotas will be expanded, multilateralized and turned into tariff rate quotas (TRQs) when Taiwan enters the WTO. After the 1997 FMD outbreak, imports of breeding pigs came to a virtual standstill because central authorities would not allow pigs vaccinated for FMD to be imported. In March 1999, that prohibition was removed. Therefore, after a two year hiatus, the Taiwan pig industry is eager to bring in new breeding stock. Before FMD, Taiwan imported between 3,000 and 4,000 breeding stock pigs each year, with the US providing most of them.

Swine, Pork Production, Supply and Distribution Tables.

Table 1. Swine PSD.

| | | | | | | |
|-----------------------------|-------|-------|-------|-------|-----|-------|
| PSD Table | | | | | | |
| Country: Taiwan | | | | | | |
| Commodity: Swine | | | | | | |
| | | 1997 | | 1998 | | 1999 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | | | | | |
| TOTAL Beginning Stocks | 10698 | 10698 | 7967 | 7967 | 0 | 6539 |
| Sow Beginning Stocks | 1449 | 1449 | 998 | 998 | 0 | 799 |
| Production (Pig Crop) | 14400 | 12919 | 12500 | 11500 | 0 | 11000 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 3 | 2 | 0 | 0 | 0 | 3 |
| TOTAL Imports | 3 | 2 | 0 | 0 | 0 | 3 |
| TOTAL SUPPLY | 25101 | 23619 | 20467 | 19467 | 0 | 17542 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 1 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 0 | 1 | 0 | 0 | 0 | 0 |
| Sow Slaughter | 1 | 0 | 0 | 0 | 0 | 0 |
| OTHER SLAUGHTER | 11700 | 11400 | 10500 | 9900 | 0 | 9800 |
| Total Slaughter | 11701 | 11400 | 10500 | 9900 | 0 | 9800 |
| Loss | 5433 | 4251 | 2467 | 3028 | 0 | 1242 |
| Ending Inventories | 7967 | 7967 | 7500 | 6539 | 0 | 6500 |
| TOTAL DISTRIBUTION | 25101 | 23619 | 20467 | 19467 | 0 | 17542 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 2 |
| Calendar Yr. Exp. to U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

Table 2. Pork PSD.

| | | | | | | |
|-----------------------------|--------|---------|-------|---------|--------------------------------|---------|
| PSD Table | | | | | | |
| Country: | Taiwan | | | 1.43 | <-Conversion factor for CWE | |
| Commodity: | Swine | | | | | |
| | | 1997 | | 1998 | | 1999 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/1997 | | 01/1998 | | 01/1999 |
| Slaughter (Reference) | 11701 | 11400 | 10500 | 9900 | 0 | 9800 |
| Beginning Stocks | 0 | 0 | 100 | 100 | 0 | 40 |
| Production | 1012 | 1030 | 930 | 890 | 0 | 885 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 5 | 22 | 0 | 25 |
| TOTAL Imports | 0 | 0 | 5 | 22 | 0 | 25 |
| TOTAL SUPPLY | 1012 | 1030 | 1035 | 1012 | 0 | 950 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 69 | 70 | 50 | 3 | 0 | 5 |
| TOTAL Exports | 69 | 70 | 50 | 3 | 0 | 5 |
| Human Dom. Consumption | 843 | 860 | 915 | 969 | 0 | 945 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumption | 843 | 860 | 915 | 969 | 0 | 945 |
| Ending Stocks | 100 | 100 | 70 | 40 | 0 | 0 |
| TOTAL DISTRIBUTION | 1012 | 1030 | 1035 | 1012 | 0 | 950 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 18 | 0 | 20 |
| Calendar Yr. Exp. to U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

Production

Since the beginning of the year several Foot-and-Mouth Disease (FMD) cases have been detected. In March, FMD was reported in Penghu County, a small island belonging to Taiwan in the Taiwan Straits. In April, FMD was found in Pingtung, Kaohsiung, Tainan, and Hsinchu Counties in southern and northern Taiwan. An additional, as yet unconfirmed, case was also reported in Yunlin County in central Taiwan. The recent FMD cases were all diagnosed as O-type virus. These sporadic and isolated cases have mostly involved pigs at auction. This indicates that some farmers are not taking FMD control seriously and are trying to unload sick pigs at market to avoid losses. As a result, the Taiwan authorities amended FMD surveillance regulations. Now farmers will be compensated for FMD losses only if sick pigs are reported early, and they will be penalized for late reports.

Currently, it is compulsory for pigs to be vaccinated twice for FMD. Pigs without FMD eartags cannot be sold

at auction. Reportedly, Taiwan's island-wide pig FMD vaccination rate is between 70 and 80 percent. On Taiwan, farmers tend to fatten pigs for longer than the six months that are normal in the US. Pigs that are fattened for more than 6 months may lose immunity against FMD if they are only vaccinated twice. It is harder to enforce vaccination requirements in the case of the many small-scale farms that do not sell pigs at auction.

The preliminary 1998 official total fattened pig production figure is 9.9 million head. Pig auction prices in 1999, averaging NTD 6,000 (\$185) per 100 kg, indicate that demand for pigs this year has been very strong. In October 1998, Taiwan announced a post-FMD farm buyout program to help farmers cope with the loss of the Japanese market and with competition from meat imports after WTO accession. The closing date of the buyout program had to be extended from January 31, 1999 to June 30, 1999 because farmers are currently reluctant to be bought out given the brisk demand and high prices for pigs.

Before the FMD outbreak in March 1997, about 30 percent of the pigs on Taiwan were raised for the Japanese market. Pig prices dropped dramatically after the FMD outbreak, partly due to consumers' fear of the disease and partly due to the loss of the Japanese market. However, recent FMD cases have not had a significant impact on pig prices, probably because Taiwan's pig production is now for local consumption only. Pig prices are expected to remain strong during the second quarter of 1999. They will likely begin to fall in the latter half of 1999 when the large number of pigs that farmers started raising in late 1998, in response to high prices, are ready for auction. Total fattened pig production in 1999 is forecast at 9.8 million head, far exceeding the agricultural authorities' production target of 8.5 million head.

Trade

Imports of US pork offal, bellies and other previously banned items, as agreed to in the US-Taiwan bilateral WTO accession agreement, have been entering Taiwan under quota since August 1998. Total 1998 imports of these previously banned products are as follows:

| 1998 Down Payment* Items | Quota (mt) | Actual Imports (mt) | Unfilled Quota (mt) | Quota Filled (%) |
|---------------------------------------|------------|---------------------|---------------------|------------------|
| Pork Belly A (for traders) | 2,500 | 2,104 | 396 | 84.2 |
| Pork Belly B (for farmers & butchers) | 2,500 | 2,040 | 460 | 81.6 |
| Pork Offal A (for traders) | 3,750 | 3,539 | 211 | 94.4 |
| Pork Offal B (for farmers & butchers) | 3,750 | 3,399 | 351 | 90.6 |

Source: Board of Foreign Trade

* These quotas are referred to as *down payment* quotas because they are part of a package of concessions provided for in the US-Taiwan WTO pre-accession agreement.

Equivalent quota amounts, plus unused 1998 quota, will be available for export in 1999. With low US pork prices and high local prices, pork imports have been very profitable. In March 1999, a total of 1,930 bidders applied for part of the 2,960 mt Group B quota (2,500 mt for 1999, plus 460 mt unused from 1998) for pork

belly. The quota was allocated by lottery to 59 bidders, each receiving 50 mt. Similarly, 2,082 applicants were interested in the 4,101 mt Group B quota (3,750 mt for 1999, plus 351 mt unused from 1998) for pork offal. The quota was allocated by lottery to 82 bidders, each receiving 50 mt. The 1999 Group A quotas for pork belly and pork offal (2,500 mt and 3,750 mt respectively) were also successfully allocated in February 1999. The unused quotas, leftover from 1998, for Group A pork products (396 mt for belly and 351 mt for offal) will be allocated in the near future. It is expected that all pork down payment quota will be filled in 1999. (Group A quota is allocated to registered pork and pork product importers, and Group B quota is allocated to meat traders, butchers, members of pig farmer associations, pig farmers, and other farmer associations.)

In 1998, pork imports totaled 12,866 mt (meat basis/does not include offal), with 11,504 mt supplied by the United States; 1,336 mt by Canada; and 26 mt by Australia. Taiwan also imported 3,445 mt of frozen pork bones in 1998. Taiwan has always allowed imports of cheaper pork cuts while banning imports of belly and offal. The only imports of pork belly and offal currently allowed are those US products that come in under the down payment quotas. Before 1998 and 1999 cheaper pork cuts, although not banned, were never imported because they could not compete with Taiwan pork. Given the current high prices of pigs on Taiwan, and the low prices of pork in the US, imports of cheaper cuts are now economically attractive. Total pork imports are expected to increase in 1999, once again due to high Taiwan, and low US pork prices.

The conversion factor used to derive the carcass weight equivalent (CWE) for pork in the above PSD table is 1.43. The factor used for pork bone is 1.0. Offal imports are not included in the pork PSD table.

Stocks

Pig auction prices have been high and pork demand strong since the latter half of 1998. This situation has continued on into 1999. All pork stocks that accumulated after the FMD outbreak are thought to have been depleted by now.

Marketing

After the FMD outbreak in 1997, imports of breeding pigs came to a virtual standstill. Only 70 pigs were imported in 1998, all from the U.K. Before FMD, Taiwan imported from 3,000 to 4,000 pigs annually, with the United States being the major supplier. Reduced imports were largely attributed to the reluctance of central authorities to allow imports of pigs that had been vaccinated for FMD. However, as of March 1999, imported live pigs can be vaccinated for FMD while in quarantine in Taiwan. After a two year hiatus, the Taiwan pig industry is eager to bring in new breeding stock. This may be a good opportunity to sell US breeding pigs, which are currently very competitively priced.

Taiwan's application for membership in the WTO, which started as a bid for inclusion in the General Agreement on Tariffs and Trade (GATT) in January 1990, has now reached its final stage. Upon accession to the WTO, the pork offal down payment quota will be multilateralized, expanded, and transformed into a tariff rate quota (to include swine hocks, feet, stomach, skirt, intestines and rectum). Initially, the tariff rate quota (TRQ) will be 10,000 mt. It will grow, in even increments, until it reaches 27,500 mt in the year 2004. By January 1, 2005 the TRQ will be eliminated and imports completely liberalized. Some of the lower value offal items currently included in the down payment quota will not be included in the TRQ. Upon accession, the import ban on these and all other offal items not included under the TRQ will be lifted entirely.

Upon accession, Taiwan will lift the import ban on pork cuts except bellies (including spare ribs). The current pork belly down payment quota will also be multilateralized, expanded, and transformed into a TRQ which will be set at 6,160 mt upon accession and grow to 15,400 mt by the year 2004. The TRQ will be eliminated by January 1, 2005 at which point imports will be completely liberalized. Some of the items currently included in the down payment quota will not be included in the TRQ. Upon accession, the import ban on those items not included under the TRQ, will be lifted entirely. After the down payment quotas are multilateralized, the US, which now has the belly and offal import markets all to itself, will have to compete with all suppliers. Stiff competition is expected.