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Taiwan

Grain and Feed Annual

Wheat, Corn and Rice - Production, Supply & Demand

Approved By:

Emily Scott, Deputy Chief

Prepared By:

Chiou Mey Perng, Agricultural Specialist
Agricultural Section, American Institute in Taiwan

Report Highlights:

Taiwan's feed demand is revised lower for 2013/14 as outbreaks of Porcine Epidemic Diarrhea virus (PEDv) constrain swine production on the island. Taiwan's wheat imports are estimated at 1.12 million metric tons (MMT) in MY2013/14 and 1.20 MMT in MY2014/15. The United States is expected to retain its market dominance of 80% of total milling wheat imports.

Overview:

Taiwan's feed demand is revised lower for 2013/14 as outbreaks of Porcine Epidemic Diarrhea virus (PEDv) constrain swine production on the island.

Taiwan's wheat imports are estimated at 1.12 million metric tons (MMT) in MY2013/14 and 1.20 MMT in MY2014/15. Lower import forecasts are due, in part, to fewer feed wheat imports and a slowing bakery sector. The United States is expected to retain its market dominance of 80% of total milling wheat imports in the forecast years, equivalent to 850 thousand metric tons (TMT) and 912 TMT.

Corn imports are estimated at 4.12 MMT in MY2013/14 and slightly strengthening to 4.22 MMT in MY2014/15. U.S. corn share is anticipated to recover to 22% from a record low of 12% in a year earlier. Brazil maintains its position as the leading supplier of corn to Taiwan – a situation likely to unchanged in the foreseeable future.

Total rice imports for forecast years are expected to remain at the World Trade Organization (WTO) Tariff Rate Quota (TRQ) level of 126 TMT (milled basis), of which 56 TMT will come from the United States under a country specific quota (CSQ).

Commodities:

Wheat

Wheat – Production, Supply, Demand

Wheat Taiwan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: May 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	2	0	3		3
Beginning Stocks	475	475	499	515		482
Production	0	7	0	7		7
MY Imports	1,403	1,348	1,350	1,120		1,200
TY Imports	1,403	1,348	1,350	1,120		1,200
TY Imp. from U.S.	1,052	1,038	0	850		912
Total Supply	1,878	1,830	1,849	1,642		1,689
MY Exports	49	0	50	0		0
TY Exports	49	0	50	0		0
Feed and Residual	100	85	100	60		60
FSI Consumption	1,230	1,230	1,270	1,100		1,150
Total Consumption	1,330	1,315	1,370	1,160		1,210
Ending Stocks	499	515	429	482		479
Total Distribution	1,878	1,830	1,849	1,642		1,689
Yield	0.	3.5	0.	2.3333		2.3333
TS=TD		0		0		0

Wheat Situation and Outlook

Overview

Taiwan's local flour market is dynamic with shifting applications/uses that help maintain the import demand for wheat. However, Taiwan's wheat import for MY2013/14 and MY2014/15 are projected to lower levels from record imports of 1.348 MMT in MY2012/13 to 1.120 MMT and 1.200 MMT, respectively. Lower import forecasts are due in part to less feed wheat imports and a slower pace in the bakery sector. Due to Taiwan's demand for high quality flour and superior milling wheat varieties, the United States will retain its market dominance and enjoy a conservative 80% share of total imports of milling wheat, equivalent to approximate 850 TMT in MY2013/14 and 912 TMT in MY2014/15.

Production

Total wheat output forecast for MY2013/14 is less than 7 TMT from just three thousand hectares (THA), or approximately 7,400 acres.

In response to the 2007 world price spike, a group of Taiwan farmers devoted itself to producing wheat locally and reducing Taiwan's import dependence. In 2012, Taiwan's Council of Agriculture (COA) initiated a wheat breeding program. Reportedly, COA's Agricultural Research and Extension Station imported some 700 varieties of wheat seeds from the International Maize and Wheat Improvement Center in Mexico with the goal of breeding wheat varieties that can adapt to Taiwan's climate and soil. Wheat was also included in COA's list of recommended rice rotation crops. As a rice rotational crop, farmers can grow wheat on fallow rice paddy fields and still remain eligible to receive NT\$45,000 (US\$1,500) per hectare fallow land subsidy.

Consumption

Taiwan has a very competitive domestic market for wheat-based food products. There are many promotional events and activities featuring wheat-based food products, such as the "Taipei Best Beef Noodle Contest" held during the winter, the "International Taipei Bakery Show" in the spring, "Pineapple Cake Contest" in the summer, and the "Traditional Moon Cake Contest" in the fall. The local flour market is dynamic with shifting applications/uses that help maintain the already high import demand for wheat. European style breads are very popular, especially those made of whole wheat flour and olive oil instead of shortening. Gift packages that include flour-based food items are more and more popular in Taiwan's booming tourism sector, particularly with the recent influx of mainland Chinese travelers.

Taiwan's overall wheat consumption is relatively stable with steady growth. However, this upward trend was interrupted in late 2013 when a well-known bakery chain store, Parn-Dar-Ren's, was found to be mislabeling products. Parn-Dar-Ren promoted itself as an upper-end bakery, using exclusively all-natural ingredients. Despite the comparatively higher costs, the bakery chain was successful and had expanded to six retail outlets, located in high-end department stores around Taipei. In August 2013, it was discovered that the bakery used artificial flavoring agents – not all-natural ingredients as promoted. Dramatic media reports fostered a distrust of upper-end bakeries. As a result, many in the local bakery sector adjusted product lines to facilitate more "price friendly" goods. This follows a trend of fewer promotional events.

Taiwan's milling wheat demand for MY2013/14 is projected lower, 1.10 MMT, but with a conservative recovery forecast for MY2014/15 to 1.15 MMT.

Imports

In MY 2012/13, Taiwan imported 1.348 MMT of wheat, record high levels. According to Taiwan Customs, total wheat imports of the first seven months of MY2013/14 amounted to 750 TMT. Compared to same time period last year, imports have slowed 11%. Slower imports and a high carry-over stock from the previous year's record imports result in total wheat imports for MY2013/14 reduced

to an estimated 1.12 MMT. A slight recovery is predicted for MY2014/15 as imports will resume to 1.20 MMT. Both estimates include 60 TMT of feed wheat imports.

Excluding 85 TMT of feed wheat imports, the United States held an 82% share of total imports of milling wheat in MY2012/13, Australia supplied 17%, and other trading partners a combined 1%. Australia supplied only 6 TMT of feed wheat and India supplied the remaining 79 TMT.

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. This tends to discourage feed wheat imports except when high corn prices make feed wheat more competitive. High corn prices and lower quality wheat crops in exporting nations (i.e. Australia) drove up the use of wheat as feed in previous years. Forecast feed wheat imports for MY2013/14 and MY2014/15 are estimated to return to normal levels, both lowered to 60 TMT.

Based on Taiwan's demand for high quality flour and superior milling wheat varieties, the United States will retain its market dominance and enjoy a conservative 80% share of total imports of milling wheat, equivalent to approximately 850 TMT in MY2013/14 and 912 TMT in MY2014/15.

U.S. Wheat Varieties

According to the Taiwan Flour Millers' Association (TFMA), in CY 2013 approximately 62% of U.S. wheat imports under the TFMA's collective group purchases were comprised of 14.5% protein Dark Northern Spring (DNS). About 26% of imports consisted of 13% or 12.5% protein Hard Red Winter (HRW). Low protein wheat, including Western White (WW) and Soft White SW), made up the remaining 12% of milling wheat imports from the United States. Compared to the previous year, DNS import share increased 7%, while HRW dropped 6%, and WW was down one percent. This indicates that Taiwan millers are flexible in their purchases, responding to U.S. markets and substituting different wheat varieties.

Taiwan wheat importers have indicated that a stable wheat supply with reliable gluten quality is critical for maintaining quality control for flour milling and Chinese noodle making. Taiwan's wheat flour market is sophisticated and only certain classes of wheat meet domestic milling requirements. The United States is expected to retain its market dominance on the Taiwan market. However, Australian wheat is recognized by Taiwan millers and noodle manufacturers for its quality that is competitive with U.S. hard white wheat. As a result, Australian wheat exports to Taiwan have the potential to increase if there are sufficient supplies of Australian Prime Hard or Australian Hard. When available and competitively priced, Taiwan occasionally imports Canadian Western Red Spring wheat.

May 2013 Wheat 71800 Incidence

On May, 2013, the U.S. Department of Agriculture (USDA) announced that a small number of volunteer wheat plants in an Oregon field had tested positive for GE glyphosate resistant wheat. In response, Taiwan's Food and Drug Administration (TFDA) announced on June 4, 2013, that wheat imports would be subject to GE screening at the border.

When a shipment of U.S. wheat (DNS, HRW, and WW) arrived on June 11, 2013, TFDA screened the U.S. WW for GE traits using both a TFDA-established and Monsanto provided method. All shipments tested negative and were cleared and released on June 19, 2013. TFDA screened to more shipments of U.S. wheat before returning to a normal inspection frequency of 2-5%. There have been no additional issues or questions/concerns from the Taiwan authorities nor has Post received reports of delayed shipments.

Flour Trade – 6 TMT Net Imports in MY2012/13

Taiwan's wheat flour imports remain low, accounting for just 2% of the total flour consumption on a 73.5% flour extraction rate. In MY 2012/13, Taiwan imported a total of 20 TMT of wheat flour (down 4 TMT compared to a year earlier), of which 9 TMT was from Japan, 5 TMT from Australia, 3 TMT from Thailand, and 1 TMT from India. Taiwan exported 14 TMT (up 3 TMT) of flour, mainly to Hong Kong. Taiwan imposes a 17.5% tariff rate on flour under HS 1101 and a 20% tariff on flour under HS 1103 while the tariff on wheat is 6.5%.

Stocks:

According to local milling industry sources, millers usually hold reasonable stocks onsite to avoid disruptions in operation because of shipping delays. Actual stocks are adjusted according to world wheat price trends. Ending stocks in MY 2012/13 were higher than usual level because a record high imports.

Policy Developments

To combat food price inflation, Taiwan occasionally implements a 50% tariff reduction on wheat and flour imports during periods of high world wheat prices. The most recent tariff reduction period was February 10, 2011 through February 9, 2012.

Cross-Strait 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 imports of 830 agricultural products currently denied entry from China, including wheat products. According to Taiwan wheat millers, any market opening for processed wheat-based products from China would be a potential threat to the Taiwan milling industry. By contrast, Taiwan millers are considering shipping specialty flour products or processed wheat-food products to mainland China. However, China currently imposes high out of quota rate import duties and taxes, which prevents Taiwan millers' from moving forward with such export endeavors. Wheat, as an important staple food item, is considered a sensitive product by both Taiwan and China.

Taiwan Buying Practices

At present, Taiwan has 21 mills operating, with one or two mills idling. The largest (and newest) flour mill began operation in October 2007 and has a daily milling capacity of 1,000 MT. Another mill recently expanded its daily milling capacity to 850 MT, superseded what was the second largest mill with a daily milling capacity 720 MT.

The Taiwan flour milling industry continues to import through its long-standing collective group purchasing system, under which companies pool their import volumes and jointly bring in large grain shipments to cut costs. During periods of high ocean freight costs and given the ready availability of empty backhaul containers, some mills seek opportunities to import wheat individually through containerized shipments, whereas Australian wheat imports are now all shipped via containerized shipments.

Commodities:

Corn

Corn – Production, Supply, Demand

Corn Taiwan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2012		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10	9	10	15		20
Beginning Stocks	377	377	402	337		342
Production	50	62	50	100		140
MY Imports	4,300	4,123	4,300	4,120		4,220
TY Imports	4,300	4,123	4,300	4,120		4,220
TY Imp. from U.S.	512	486	0	906		928
Total Supply	4,727	4,562	4,752	4,557		4,702
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	4,100	4,000	4,100	3,990		4,120
FSI Consumption	225	225	225	225		225
Total Consumption	4,325	4,225	4,325	4,215		4,345
Ending Stocks	402	337	427	342		357
Total Distribution	4,727	4,562	4,752	4,557		4,702
Yield	5.	6.8889	5.	6.6667		7.
TS=TD		0		0		0

Corn - Situation and Outlook

Overview

Despite PEDv outbreaks resulting in lower feed demand, Taiwan's total corn imports for MY2013/14 is estimated at 4.12 MMT (million metric tons), on par with last year, due to lower carryover stocks. A small increase in domestic feed corn production and modest growth in the use of substitute feed ingredients also contributed to Taiwan's lessened demand for corn imports. Total corn imports for MY2014/15 are forecast to 4.22 MMT in line with recovery of the local hog sector.

The market share for U.S. corn for forecast years are projected at 22% based on the first seven months of MY2013/14 imports, a recovery from the previous 12% as industry is optimistic that U.S. corn will be competitive. Brazil is projected to retain dominant supplier with about the remaining 70% share with Argentina imports dropping significantly. Taiwan importers' preference for U.S. corn is based primarily on consistent quality and reliable delivery; however, high world corn prices factor heavily into Taiwan's import decisions.

Production

Nearly all of Taiwan's demand for feed corn is met by imports. However, there is increasing attention on Taiwan's overall food self-sufficiency, which is currently amongst the lowest levels in Asia at just 33%. In line with Taiwan's farm land utilization policies and food security concerns, Taiwan has revised domestic production policy to encourage growing import-substitute crops, such as commodity corn and soybeans. Taiwan's COA increased corn target production for 2013 to 60 TMT from nine THA and for 2014, 100 TMT from 15 THA.

Consumption (refer to Table 1 - 3)

With the exception of approximate 225 TMT of corn for wet milling, the bulk of consumption is for livestock feed use. Swine and poultry are weighed the two most important livestock sectors to Taiwan agriculture. Swine and poultry feed combined accounted for 89% of Taiwan's total feed output, according to COA Agricultural Yearbook 2012. Total feed production estimate for MY2013/14 is expected to be lower at 7.00 MMT due to PEDv outbreaks; however, MY2014/15 forecast is expected to bounce back to 7.23 MMT. Equivalent corn demand for feed use is 3.99 MMT and 4.12 MMT, in MY2013/14 and MY2014/15, respectively. Domestic corn is estimated to account for 2% to 3%. Given approximately 8% (5% other grains and 3% distilled dried grain (DDG)) corn substitution, feed inclusion rate for corn is estimated at 57%.

Domestic Livestock Productions

According to COA, livestock production is valued at NT\$148 billion (about US\$4.9 billion) and accounts for 31% of Taiwan's total agricultural output. Swine and poultry production accounts for 45% and 31%, respectively, of Taiwan's total livestock output. Swine and poultry feed combined accounted for 89% of the 2012 total feed output. The local swine and poultry sectors have managed to be generally competitive with imported pork and poultry meat since Taiwan liberalized its market as part of its 2002 WTO accession. Worth noting, SPS barriers (the lack of an established maximum residue limit for ractopamine in hogs) prevent significant U.S. exports of U.S. pork to the island.

Hog Sector

According to Taiwan's semi-annual hog census, the island's standing hog population continues its slow decline. In November 2013, Taiwan's reported hog population was 5.8 million head, down 3% year-over-year. Due to PEDv outbreaks, the domestic hog production estimate for 2014 is lowered to 8.2 million head, slaughtered, from COA previously set target of 8.5 million head. The total number of affected piglets by PEDv is not transparent, with a modest estimate of 300,000 piglets lost so far, equivalent to 15 TMT of pork. Incidents of PEDv appeared to accelerate in February, 2014. As a result, local live hog auction market prices in March reached over NT\$85.00/kilo (US\$27.8).

By comparison, oversupply in 2012 caused farm gate auction prices to decline to NT\$63.55/kilo (US\$21.2) from NT\$71.99 (US\$24) in 2011. Estimated 2013 prices of \$64.51/kilo were also lower than the reported production costs of NT\$66.5 (US\$22). Local farmers have long complained about low production margins.

Recent retail pork price spikes have generated media reports and consumer frustrations. There are rumors of collusion between the domestic swine producers, processors, and wholesalers. COA has

undertaken multiple interventions, trying to stabilize prices. For instance, COA is monitoring the auctions, encouraging processing plants to limit inventories, and increasing hog supplies from state-run companies. However, local hog auction market price continues to be high, above NT\$80/kilo whereas COA estimates that prices should not exceed NT\$75/kilo based on current supplies. On March 19, 2014, COA announced that if local hog prices do not fall to a reasonable price range (~NT\$75/kilo), all hogs over 130 kg will be excluded from the pig farmers' insurance program. As of March 26, hog prices were close to NT\$82/kilo, thus heavy hogs are excluded from the insurance policy. Also, COA said that the government supported non-profit organization, National Animal Industry Foundation (NAIF), will import 3,000 MT of pork, of which 2,000 MT will be imported by the end of April, 2014. (NAIF collects and publishes animal industry information, providing technical assistance to farmers and processors, serves as a HACCP certifier, and helps with slaughterhouse inspection.) Finally, COA has threatened to reduce the import tariff on pork products, though Post feels this will be a measure of last resort. Local hog producers have verbally protested these COA interventions and instead called for authorities to reduce the tax on imported feed products.

Taiwan has no significant pork exports since FMD outbreaks in 1997 closed the Japan market.

Table 1 - Pork Imports, Domestic Production, and Wholesale Market Auction Prices (calendar year basis)

Year	Pork Imports, 1,000 metric tons (TMT)		Domestic pork production, per 1,000 head slaughtered	Auction Price, NT\$/kg
	Meat [HS0203]	Offal [HS0206]		
2009	54	28	8,745	\$63.72
2010	44	29	8,575	\$69.36
2011	44	27	8,786	\$71.99
2012	24	29	8,965	\$63.35
2013 (estimate)	30	27	8,646	\$64.51
2014 (forecast)	45	30	8,200	\$75.00
2015 (forecast)	25	27	8,500	\$70.00

Source: Council of Agriculture (COA) and Taiwan Customs Statistics

Poultry Sector (refer to Statistical Table 2)

Total poultry production in 2013 was estimated at 326 million birds (slaughtered), a 9% drop from 2012 due to avian flu concerns and new restrictions on fresh-killed birds at traditional wet markets. Taiwan's COA target poultry production for 2014 and forecast for 2015 is 359 million birds, a recovery to 2012 levels. According to the 2012 COA Agricultural Yearbook, broiler production accounts for approximately 52% of total poultry product, native tugi birds 33%, and duck, geese, turkey, and layer production accounting for the remainder.

Starting May 17, 2013, Taiwan banned the slaughter of birds at the local traditional wet markets due to H7N9 concerns (see GAIN report TW13014). Most impacted by this ban is the native tugi bird, historically processed at the traditional, wet markets.

On March 1, 2014, COA implemented another regulation stating that thawed (previously frozen) poultry meat products cannot be labeled as chilled or fresh. As the majority of frozen poultry is imported, this new labeling requirement on poultry products is kind of marketing tool to differentiate imported and locally produced chicken meat products.

- **Broiler** - Deep-fried chicken fillets have remained popular since 2011 when a movie featuring a vendor at a local night market selling deep-fried chicken fillets debuted. These night markets and the chicken fillet vendors remain a popular draw for tourists and local youth. Popular lunch boxes often include chicken legs or leg quarters. Local production is competitive with imports and accounts for 85% of domestic consumption. COA broiler target production for 2014 is 193 million birds, with nearly a 3% increase from the previous year.
- **Tugi (native bird)** - The local tugi sector was negatively impacted by Taiwan's first HPAI detection in March 2012. Also, the ban on fresh-killed birds at the tradition wet markets negatively impacted tugi production. As a result, 2013 tugi output remained low, similar to 2012 levels. COA tugi target production for 2014 is 110 million birds, with a less than 1% increase from the previous year. However, there is concern of declining demand for tugi in the long-run as the popularity of eating outside the home continues to increase, and the younger generation is typically less fond of tugi cuisine.
- **Other Poultry Sectors** - Annual mule duck production expects to see small gains; from 27 million in 2012, to 29 million in 2013 and 30 million forecast in 2014. Other poultry sectors combined account for 7% of the total poultry production. 2014 COA targets for chicken egg and duck egg production are 6.45 billion and 480 million eggs, respectively.

Table 2 - Poultry Meat Imports, Domestic Production and Farm Prices

Year	Imports of poultry meat and products, 1,000 metric tons (TMT) [HS0207]	Domestic poultry production, million birds slaughtered	Farm Price, NT\$/kg (Broiler)
2009	83	363	\$42.28
2010	115	370	\$41.85

2011	113	386	\$44.04
2012	130	359	\$42.99
2013 (estimate)	115	326	\$44.70
2014 (forecast)	115	359	\$45.00
2015 (forecast)	115	359	\$45.00

Source: Council of Agriculture (COA) and Taiwan Customs Statistics

Total Feed Demand Estimates and Corn for Feed Consumption

Feed demand for 2014 and 2015 is forecasted at 7.0 MMT and 7.2 MMT, respectively. The equivalent corn consumption is estimated at 3.99 MMT (MY2013/14) and 4.12 MMT (MY2014/15) based on a 57% corn inclusion rate. According to COA, “other” livestock sectors account for 11% of the total feed consumed, due in part to a growing dairy industry.

Table 3 - Taiwan Feed Production for CY2010-2014 in TMT

	2010	2011	2012 (revised)	2013 (Estimate)	2014 (Forecast)	2015 (Forecast)
Total Feed	7,182	7,340	7,309	7,100	7,000	7,230
Hog Feed	3,160	3,213	3,300	3,185	3,020	3,160
Poultry Feed	3,313	3,375	3,184	3,060	3,110	3,184
Others	708	752	825	855	870	886

Source: Council of Agriculture (COA) and Taiwan Customs Statistics

Other Feed Grains – Corn Substitutes

The feed inclusion rates for all other imported grains are calculated at 5-6% as reflected below in the table. Consumption of other feed grains is estimated based on imports plus domestic stocks of old rice. In addition to imported grains, some of the domestically produced sweet potato will be diverted to feed use in an effort to increase the self-sufficiency rate.

Imports of Other Grains in TMT

MY (Oct/Sept)	MY2010/11	MY2011/12	MY2012/13
Barley	45 (9)	51 (4)	58 (9)
Sorghum	97 (6)	84 (0)	116 (0)
Feed Wheat	92 (6)	207 (2)	85 (0)
Feed Rice (CY)	183	82	120

Total feed output (CY)	7,340	7,309	7,100
Est. combined inclusion rate	5.7%	5.9%	5.3%
<i>Source: Taiwan's Customs and Council of Agriculture (COA)</i>			
*Imports from the United States are included in (parentheses).			

Distillers Dried Grain (DDGS)

The Taiwan Feed Industry Association (TFIA) received a permanent zero tariff on DDGS under HS 2303.30 beginning in June 2010 in a bid to assist Taiwan livestock and poultry farmers reduce input costs. Taiwan customs data indicates steady demands for DDGS, with about 3% of feed inclusion rate. Based on a U.S. Grains Council recommended feed formulation with a 10% DDGS inclusion rate, 100 MT of DDGS could replace 89 MT of corn. DDGS imports are estimated at 220 TMT for MY2012/13 and for forecast year, based on a 3% of feed inclusion rate.

Product	MY2010/11	MY2011/12	MY2012/13
Brewing or distilling dregs & waste (HS 2303.30)	225 (214)	243 (238)	216 (212)
Maize (corn) germ oil residue (HS 2306.9090.10)	8 (0)	2 (0)	5
Bran, sharps & residues of maize (corn gluten feed) (HS 2302.10)	13 (0)	13 (0)	14
Residues of starch manufacture and similar residues (corn gluten meal) (HS 2303.10 – 2% tariff)	25 (21)	39 (24)	36 (24)

Stocks

Highly reliant on imports, Taiwan is a stable corn market with stock levels maintained at levels equal to one-two month of consumption, including landed stocks and stocks still on the water.

With diversified import sources and the availability of containerized shipments, Taiwan is able to keep its corn stocks at reasonable levels. In MY2012/13 Taiwan's corn imports amounted to 4.123 MMT, 6% lower than the previous year, while corn demands for feed use in MY2011/12 and MY2012/13 were approximately the same. As a result, MY2012/13 ending stocks are lower than usual level.

Based on local trade industry, in CY2013, about 20% of total corn imports were shipped via containers.

Trade: Corn Import Demand and U.S. Share

With only 2-3% of corn demand produced locally, Taiwan is heavily reliant on imports. Taiwan authorities often take steps to create a friendly import environment to help local livestock farmers to cope with high world feed corn price situation. As an example, Taiwan Customs waived the 5% of value added tax for corn importers/feed millers during April 2012 and April 2013.

Including 225 TMT for wet mining, Taiwan's total corn imports for MY2013/14 and MY2014/15 are estimated at 4.12 MMT and 4.22 MMT, respectively. This estimate takes into account the domestic livestock sectors' production situations, a small increase in domestic feed corn production, and an estimated 5% use of other feed grains including a stable inclusion of 3% DDGS.

The market share for U.S. corn in MY2012/13 fell to a record low of 12% as competitor corn was cheaper on the global market. During this time, Brazil solidified its position as Taiwan's largest corn supplier with 54% share, Argentina the second largest supplier at 20%, and India – following the United States - at 8%. Taiwan importers' preference for U.S. corn is based primarily on consistent quality and reliable delivery. However, high world corn prices heavily factor into Taiwan's purchasing decisions.

According to Taiwan Customs, during the first seven months of MY2013/14, Taiwan imported 1.714 MMT of corn, of which the United States supplied 22%. The U.S. share is expected to sustain at around 22% if U.S. corn prices remain competitive. Compared to the same time period in MY2011/12, import pace showed a 2% increase due in part to low ending stocks in the previous year.

Cross Strait Developments

Corn imports from mainland China are currently banned. As a follow-up to the Cross-Strait Economic Cooperative Framework Agreement (ECFA), which was signed in September 2010, the Cross Strait Trade Goods Agreement talks are currently ongoing and are anticipated to conclude by the end of 2014. Commodities like feed corn that do not threaten Taiwan domestic agricultural production or raise food safety concerns may be on the agenda for future trade liberalization with mainland China. Taiwan livestock industry groups may, in fact, welcome the option to purchase feed corn from China, especially during periods of high global commodity prices. Taiwan has occasionally allowed feed corn from China to be imported to mitigate global price spikes.

Biotechnology and Labeling

Taiwan's current agricultural biotechnology regulations apply only to soybeans, corn and related products. All single event corn and soybean and their stacked products are required to apply to Taiwan Food and Drug Administration (TFDA) for registration approval. The registrations are valid for five years for food, feed, and processing use but are not valid for environmental release or planting. As of January 14, 2014, Taiwan has granted registration approvals for seventeen single-event and thirty four stacked-event genetically engineered (GE) corn. Of which six stacked-event products were registered after February 2013, including one six-way stacked product, the current highest way stacked corn.

Currently, food products derived from biotech corn, such as corn flour or grits, etc., with detectable content must be labeled as "genetically modified (GM)" with a 5% labeling threshold. However, corn starch, syrup, or other final products with non-detectable GE contents do not need to be labeled as GM.

New regulations under Taiwan's Food Safety and Sanitation Act (FSSA), enacted February 5, 2014, however, seek to modify GE labeling requirements. Taiwan's new requirements include the extension of pre-market registration to all GE products for food use, with a two-year grace period from the date of the official announcement. This regulation will significantly expand Taiwan's biotech regulatory scope to include all GE products, now limited to GE-corn and GE-soybeans and their derived products. Highly refined products, such as corn starch and syrup, where GE-content is not detectable is also included in the regulation.

The new regulations may also tighten traceability and labeling requirements for GE products, though to what extent is undetermined. Taiwan authorities initially sought to reduce the biotech labeling threshold for food products from the current 5% to 0.9%, mirroring the European Union labeling threshold.

However, this draft text for this regulation, as well as other implementation texts, will likely not be published until the end of 2014. The feasibility of Taiwan implementing a strict labeling threshold is also in question, considering the island's heavy reliance on imports. All details are to be determined.

The change to the FSSA regarding GE-labeling requirements was, in part, driven by a small, but growing, segment of the population seeking “natural” or organic and non-GE products. Thus, the biotech labeling requirements are a marketing tool for some producers who promote non-GM foods.

Commodities:

Rice, Milled

Rice – Production, Supply, Demand

Rice, Milled	Taiwan	2012/2013		2013/2014		2014/2015	
		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2014	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested		278	269	278	260		260
Beginning Stocks		374	374	377	309		285
Milled Production		1,160	1,116	1,160	1,131		1,131
Rough Production		1,657	1,594	1,657	1,616		1,616
Milling Rate (.9999)		7,000	7,000	7,000	7,000		7,000
MY Imports		126	110	126	136		126
TY Imports		126	110	126	136		126
TY Imp. from U.S.		0	55	0	60		56
Total Supply		1,660	1,600	1,663	1,576		1,542
MY Exports		3	11	3	11		11

TY Exports	3	11	3	11		11
Consumption and Residual	1,280	1,280	1,280	1,280		1,280
Ending Stocks	377	309	380	285		251
Total Distribution	1,660	1,600	1,663	1,576		1,542
Yield (Rough)	6.	5.9257	6.	6.2154		6.2154
TS=TD		0		0		0

Rice – Situation and Outlook

Overview

According to Taiwan's WTO accession agreement, Taiwan's TRQ for rice is 144,720 tons on a brown rice basis (126 TMT milled equivalent), which accounts for approximately 10% of domestic rice consumption. The U.S. CSQ allocation is 56 TMT. A shift to increasing CSQ purchases of U.S. rice under the Simultaneous-Buy-Sell (SBS) regime has led to more imports of small, decoratively labeled packages of U.S. rice, primarily available at high-end retail outlets. By contrast, U.S. rice imported under the normal CSQ tender regime is included in public reservoir stocks and is released to the market per COA approval and oversight.

Production

Taiwan produces two rice crops each year. Substantial government support means domestic rice is not price competitive in the global market. Therefore, domestic production is primarily for local consumption, accounting for approximately 90% of the total staple rice consumed in Taiwan, the remaining 10% is met by imported rice under the WTO TRQ.

The COA, in an effort to stabilize domestic rice market, sets a target production each year. Rice output in 2013 was 1.116 MMT, 9% lower than the target level due to unfavorable climate conditions for the second crop. As Taiwan has built an ample public reservoir stocks, COA has set domestic target production for the forecast years at 1.131 MMT from 260 THA. Actual rice output is monitored closely by COA to ensure market stability.

Consumption

In a drive for greater food self-sufficiency, COA promotes domestic rice flour as a substitute for imported wheat and wheat flour. Taiwan authorities, however, face a tough battle to reverse declining per capita annual rice consumption that once stood at 98 kg but fell to only 45kg by 2011. By comparison, over the past 30 years, per capita wheat consumption has risen from 23 kg to 36 kg.

Taiwan authorities hope to increase per capita rice consumption to 51 kg by the end of 2014. Taiwan's goal is to reach a 40% overall food self-sufficiency rate by 2020 compared to only 33% in 2011

Taiwan looks to Japan as a model for breeding specialty high yield and high amylose rice varieties for flour milling. Currently, two rice flour mixes for bread baking are available on the market. However, such substitution efforts have had limited success in persuading consumers to choose rice flour for their

baking needs. This preference is not only due to the fact that rice flour is priced significantly higher than wheat flour, but rice flour-based bakery products also have a shorter shelf-life as rice starch ages faster than wheat at room temperature.

Taiwan's COA also promotes traditional rice noodle products made from 100% rice flour as a way to increase rice consumption. Currently, many rice noodle products are made with a large percentage of cornstarch or other lower priced starches to cut production cost. According to Taiwan's national standard, a product labeled "rice noodle" must be made of at the minimum 50% of rice flour; otherwise the product shall not be called "rice" noodles. However, according to an independent survey conducted in 2013 by a local consumer group, only six out of 52 sampled rice noodle products contained 100% pure rice, 39 products contained less than 20% rice, and the remaining seven products were between 20-50% rice.

Based on these factors and combined with a very slow population growth, total rice consumption is anticipated to remain around 1.28 MMT, including 100 TMT for feed use.

Stocks

As the result of a spike in world commodity prices during 2008, COA revised its agricultural production policies to increase food self-sufficiency by gradually adjusting upward its rice security stocks to 400 TMT (352 TMT milled equivalent) from the previous level of 300 TMT (260 TMT milled equivalent). Lower than target production in 2013, however, resulted in lower ending stocks.

Trade

Rice Imports: All rice imports are made under the WTO TRQ of 126 TMT annually with CSQ allocations. The US CSQ allocation is 56 TMT. According to Taiwan Custom's 2013 data, Taiwan imported 110 TMT of rice on a milled basis, of which the United States supplied 55 TMT accounting for 50% share, followed by Vietnam (21%), Thailand (12%), Australia (9%), and Cambodia, Egypt, and Myanmar (2% each).

Rice Imports in 2013 in MT (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	51,754 (45,026)	10,413	(2,041)	0	55,439 (50%)
Australia	0	6,272 (5,457)	4,762	0	0	10,219 (9%)
Egypt	0	0	2,174	0	0	2,174 (2%)
Thailand	0	33 (29)	13,585	(3,446)	0	13,614 (12%)
Vietnam	0	0	22,798	(11,530)	0	22,798 (21%)
Cambodia	0	0	2,213	0	0	2,213 (2%)
Japan	0	17 (15)	162	0	0	177
India	0	0	560	0	0	560
Pakistan	0	0	994	0	0	994

Italy	0	3 (3)	72	0	0	75
Myanmar	0	0	1,861	0	0	1,861(17%)
Malaysia	0	0	120	0	0	120
Indonesia	0	0	72	(72)		72
Total	0	58,079 (50,530)	59,786	(17,089)	0	110,316

Source: Taiwan Customs Arrival Data

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

Rice Exports: Taiwan's rice exports in 2013 amounted to 11 TMT, of which 8 TMT was dedicated to humanitarian food aid with the balance sold on a commercial basis. The average export freight on board sale price was \$1,978/MT (milled rice) and \$2,784/MT (brown rice). In accordance with Taiwan's food security policy, only top quality premium rice is allowed for export, generally in specialty consumer package. Exports for forecast year are expected to retain at 11 TMT, of which only 3 TMT were for commercial exports. Under the bilateral ECFA, mainland China opened its import market to Taiwan rice in May 2012 with the first shipment in June of that year. In 2013, Taiwan exported approximate 500 MT to China. Taiwan's rice exports to China are produced primarily under the COA's Certified Agricultural Standards program, which is designed to promote Taiwan's agricultural production by certifying product quality and guaranteeing traceability.

Taiwan Commercial Exports in 2013 (milled - MT)

Destination	Tonnage	
	HS100620 brown (milled)	HS100630
Australia	5 (4)	442
Hong Kong	218 (190)	711
Canada	73 (64)	16
China	35 (30)	466
Japan	0	0
Malaysia	21 (18)	4
Venezuela	0	144
S. Africa	1(1)	44
Singapore	19 (17)	257
U.S.A.	26 (23)	45
Others combined	13 (11)	178
Subtotal	411 (358)	2,307
Total	2,665	

Source: Taiwan Customs Arrival Data

Taiwan Food Aid Shipments in 2013 in MT (milled)

Recipient Destination	Tonnage
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Haiti	3,080
Lesotho	100
Swaziland	1,140
Philippines	1,780
Pakistan	400
South Africa	420
Zimbabwe	180
Indonesia	1,040
Bangladesh	220
Cambodia	100
Joardan	100
Mozambique	100
Sri Lanka	40
Total	8,700
Source: Council of Agriculture (COA)	

Trade Policy under WTO TRQ

Taiwan's rice TRQ of 144,720 tons (brown basis) is divided into two portions – 35 % or 50,652 MT (44,067 MT milled equivalent) is reserved for private sector imports and 65 % or 94,068 MT (81,839 MT milled equivalent) is set for public sector imports. Taiwan has used a CSQ regime for the public sector rice imports since June 2007.

Private Sector Imports: The quota for private sector imports is divided among three separate auctions. Bidding is scheduled each year during the months of November, February and April. See the table below for the bidding results for the 2014 quota allocation. Under the TRQ system, importers bid for quota rights that are sold to highest bidder(s). 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 since Taiwan's entry to the WTO in 2002. According to the COA's records, Taiwan's fill rate for the 2013 rice TRQ for private sector imports is calculated at 99.65 % or 50,473 MT, of which 4,507 MT was U.S. rice exported to Taiwan under the TRQ private sector imports.

2014 Private Rice Quota Allocation Schedule & Results (The 3rd allocation results of 2013 are included in the parentheses)

Product	Quota Amount (MT)	Quota Validity Duration	Date	Weighted Avg. Bid Price (per kg)	Max. Bid Price (per kg)	Minimum Bid Price (per kg)	# of Allocations
Rice	15,000	Jan. 1/ Sept. 15	Nov. 22	NT\$6.778	NT\$11.040	NT\$5.586	44
	20,652	Mar 1/Sept. 15	Feb. 20	NT\$7.341	NT\$9.525	NT\$6.689	39
	15,000	May 1/Sept. 15	Apr. 24 (4/25/2013)	TBD (NT\$9.018)	TBD (NT\$12.000)	TBD (NT\$8.588)	TBD (25)
Total	50,652 MT (44,067 MT milled equivalent)						

Public Sector Imports under Country Specific Quota

The 65 % quota for public sector imports is divided by both country of origin and tender type: SBS and normal tender. SBS tendering is subject to a markup price (a floor price), and normal tendering is subject to a pre-set ceiling price calculated on the basis of delivery and duty paid (DDP) terms for delivery to designated COA warehouses. In recent years, COA has built air-conditioned warehouses in the northern, central and southern regions. The newly built air-conditioned warehouses can accommodate 34,000 MT of public imported rice, slightly less than the total imports under the 2013 CSQ normal tender.

According to COA records, as of March 31, 2014, a total of 22,000 MT of the 32,034 MT of the 2013 U.S. rice CSQ under normal tender have yet to be delivered but are scheduled for May/June 2014 delivery. For the 32,600 MT of the 2013 U.S. rice CSQ under the SBS scheme, 3,087 MT of U.S. rice have yet to be delivered by the April 30, 2014 deadline. To encourage SBS quota licensees fulfill their SBS obligations, effective 2013 SBS tender performance bond was increased from a flat 10% of award price to NT\$2,000/MT (approximate \$66/MT). The 3,087 MT of the 2013 U.S. rice CSQ is anticipated to be imported by an April 30 deadline; otherwise the NT\$2,000/MT (approximate US\$66/MT) performance bond associated with the unfilled SBS quotas will be forfeited.

Note: The COA's Agriculture and Food Agency (AFA) references the domestic wholesale price as an indicator when doing price comparisons between domestic and U.S.-origin rice. All domestic rice data is sourced from AFA and it is available online from the COA website at [http:// www.coa.gov.tw](http://www.coa.gov.tw).

2014 Country-Specific Quota (CSQ) Allotments for Public Sector Imports (MT brown basis)

Country	SBS Tender	Traditional Tender	Total CSQ
Egypt	2,500	0	2,500
Thailand	8,300	0	8,300
Australia	7,500	11,134	18,634
USA	26,000	38,634	64,634
Total	4,300	49,768	94,068

Source: Council of Agriculture (COA) announcements

Domestic Rice Purchase Programs

Taiwan established voluntary purchase programs for domestic rice in 1974. In April 2011, COA announced an NT\$3/kg increase in prices for domestic paddy rice purchases. As a result, paddy sales to the government doubled from 191 TMT in 2010 to 384 TMT in 2011. In 2013, 486 TMT of paddy sold to government accounted for approximately 30% of total annual output. Domestic commercial rice price immediately responded to this announcement. Wholesale prices for rice (milled basis) averaged NT\$34.11/kg in 2012 and NT\$32.24/kg in 2011 (procurement price increase was effective April 29), and recent high at NT\$38/kg from NT\$31.26/kg in 2010.

Marketing

Domestic rice prices are higher than the world market. To compete with imported rice, COA works with local rice millers/farmers under a voluntary Taiwan Good Rice Program to increase demand for domestic rice by producing and promoting specialty rice varieties with geographical indicators. Rice gift packages for celebrating holidays, weddings, and other events are increasingly popular. Taiwan rice producers hold celebrations twice a year, celebrating the semi-annual harvest and promoting the freshness of locally-produced product.

Market diversity is indicated by retail price differences between high and low-end branded rice packages. This disparity led some companies to blend foreign rice with domestically produced product, but sell the blend at domestic prices. This wide-reaching practice brought to light in August 2013, when one company was found to have mislabeled foreign product as domestically produced. Under public criticism, COA revoked the company's rice dealer registration. As a result, this company failed to import 3,000 MT of U.S. rice under the 2013 U.S. rice CSQ normal tender and the other 2,000 MT of U.S. rice under the 2013 U.S. rice CSQ SBS scheme.

COA has drafted an amendment to the existing rice labeling regulation banning the blending foreign rice with domestic rice in branded rice packages. The draft rice labeling amendment had been submitted to the Legislative Yuan pending for reading and approval. It is not anticipated that U.S. rice will see any impact as a result of this labeling regulation.

Imported U.S. medium grain rice is similar to domestic rice in terms of its quality characteristics, such as its kernel size, shape, taste, and uses. Imported U.S. rice is commonly distributed to hotel, restaurant and institution sector in bulk bags.