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Taiwan Grain and Feed Annual 2007

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Report Highlights:

Corn imports are forecast to fall 2 to 3 percent to 4.85 million metric tons in 2006/07 due to reduced hog production. The Taiwan hog sector is facing market pressure from high corn prices and low local hog prices. Taiwan's wheat and rice imports are stable and are forecast to remain at 1.05 million metric tons and 144,720 tons on a brown basis, respectively, during the forecast period. The United States is expected to remain the dominant supplier of Taiwan's wheat, rice and corn imports.

Current exchange rate is \$1 to NT\$33.2 to NT\$33.3.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Table of Contents

Section I. Summary	4
Section II. Wheat Situation & Outlook	4
Table 1. Wheat Production, Supply and Demand, 1,000 MT	4
Production	5
Consumption	5
Trade	5
Wheat	5
Feed Wheat	6
Flour	6
Stocks	6
Policy	6
Cross-Straits Trade	6
Taiwan Buying Practices and Investment Plans	6
Section III. Corn Situation & Outlook	7
Table 2. Corn Production, Supply and Demand, 1,000 MT	7
Corn Production	7
Consumption	7
Distillers dried grain (DDGS)	8
Corn Substitutes	8
Development of Industrial Uses for Corn	8
Stocks	8
Trade	9
Policy	10
Cross-Straits Trade	10
Livestock Initiatives	10
Biotechnology Update	11
U.S. – Taiwan Goodwill Missions	12
Section IV. Rice Situation & Outlook	13
Table 3. Rice Production, Supply and Demand, 1,000 MT	13
Rice Production	13
Consumption	13
Stocks	14
Trade	14
Import Regime	14
Public Sector Imports	14
Private Sector Imports	15
Import Supply of Glutinous Rice Continues	15
Exports	15
Marketing	16
Policy	16
Stringent Import Inspection	16
Three Rice Purchase Programs	16
Rice Reform Plan	17
Section V. Statistical Tables	18
Table 4. Corn Domestic Wholesale Prices, 2006-07	18
Table 5. Pork Imports vs Domestic Production and Wholesale Market	18
Table 6. Total Poultry Meat Imports vs Domestic Production	19
Table 7. Feed Production for 2004-2007 in 1,000 mt	19
Table 8. Milled Rice Prices 2006-07	20
Table 9. Rice Imports for 2006 in Metric Tons by HS code (Taiwan Customs Arrival Data)	20
Table 10. Food Aid Statistics Table for 2006 (on a milled basis)	21
Table 11. Taiwan's Rice Purchase Programs	21
Table 12. Tariff Rates for Grains	22

Table 13. Non-Grain & Feed Reports Bibliography 22

Section I. Summary

Reduced hog production, driven by high corn prices and lower domestic hog prices, are estimated to reduce 2006/2007 Taiwan corn imports by 90,000 Metric tons from 2005/06 levels. Wheat and corn imports in 2006/07 are forecast at 1.05 and 4.85 million metric tons, respectively. Taiwan has been an important and stable market for U.S. wheat and corn. Taiwan is the 8th largest market for U.S. wheat exports and the 3rd largest market for U.S. corn exports. In 2005/06 the US supplied 83 percent of wheat imports and 99 percent of corn imports. Since the January 2002 entry of Chinese Taipei to the World Trade Organization, Taiwan has allowed the import of 144,720 tons of rice on a brown basis – currently via a TRQ. U.S. rice has been a leading supplier of Taiwan rice imports. Over the four-year period from 2002 to 2005, the United States supplied 59 percent of Taiwan rice imports. However, Taiwan delayed its rice tender for the 2006 public sector import quota because offered bid prices exceeded the ceiling price. U.S. rice exports to Taiwan are forecast to remain at or over 82,000 tons per year based on the current market access regime. Rice market access is not expected to improve without an international agreement.

Section II. Wheat Situation & Outlook

Table 1. Wheat Production, Supply and Demand, 1,000 MT

	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	0	0	0	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	289	361	289	310	321	289	240	231	289	(1000 MT)
Production	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imports	1197	1100	1050	1100	1050	1050	0	0	1050	(1000 MT)
TY Imports	1197	1100	1050	1100	1050	1050	0	0	1050	(1000 MT)
TY Imp. from U.S.	986	935	869	0	900	900	0	0	900	(1000 MT)
Total Supply	1486	1461	1339	1410	1371	1339	240	231	1339	(1000 MT)
MY Exports	26	0	0	20	0	0	0	0	0	(1000 MT)
TY Exports	26	0	0	20	0	0	0	0	0	(1000 MT)
Feed Consumption	100	100	10	100	100	10	0	0	10	(1000 MT)
FSI Consumption	1050	1040	1040	1050	1040	1040	0	0	1040	(1000 MT)
Total Consumption	1150	1140	1050	1150	1140	1050	0	0	1050	(1000 MT)
Ending Stocks	310	321	289	240	231	289	0	0	289	(1000 MT)
Total Distribution	1486	1461	1339	1410	1371	1339	0	0	1339	(1000 MT)
Yield	0	0	0	0	0	0	0	0	0	(MT/HA)

Production

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

Consumption

In CY 2006, Taiwan's wheat demand is estimated at 1.05 million metric tons, of which 1.02 million metric tons is for flour milling, 20 thousand metric tons is for fermentation or brewing, and about 10 thousand metric tons is for feed use. Taiwan's overall wheat consumption for flour milling is basically stable, whereas wheat for feed use varies each year. Consumption of wheat food products is increasing slowly, despite already high per-capita levels. Supporting this increase is high noodle consumption and a dynamic wheat-based food market driven by Taiwan's 6,000 bakeries, convenience stores, and supermarkets. Intense competition between food manufacturers and strong public interest in new food items encourages a high number of product introductions. This boosts demand for wheat-based food products, which is supported by production of specialty flour. There are more than 30 different types of specialty flour on the Taiwan market. Whole-wheat flour consumption is anticipated to grow due to increased health consciousness in the current market and an increase in food safety scandal cases. Whole wheat milled flours are supplied by imports, whereas locally supplied whole wheat flour is actually flour with the wheat bran added back in.

Trade

Wheat

Since Taiwan does not produce wheat, all demand is met by imports. Importers sometimes experiment with small imports of feed wheat to offset high corn prices. The United States is expected to keep an 85+ percent share of the overall wheat market during the forecast period. However, in 2005/06, the U.S. had an 83 percent share (dropped by 3 percent from a year earlier), while Australia supplied 16 percent (up by 7 percent); and others combined 1 percent. Australian wheat imports to Taiwan have increased in the recent years. The increase is largely attributed to the Australia Wheat Board (AWB) Limited's frequent visits and offers of hospitality to Taiwan wheat importers and users.

As for milling wheat, Taiwan imports mostly U.S. #1 wheat. According to the Taiwan Flour Millers' Association (TFMA), in CY2006 approximately 58 percent of U.S. imports were HRS or DNS (up by 5 percent from CY2005), while 29 percent was HRW (up by 3 percent), 12 percent Soft or Western White Wheat, and one percent hard white. The Australia imports were Australian prime hard (73 percent) and Australian Hard (27 percent). This mix varies each year mostly depending on crop quality and price levels for the different classes of wheat and because of the wheat-food consumption pattern here.

Despite a 3 percent share decrease in 2005/06 imports, the U.S. market share has potential to further increase over time if the United States has supply of U.S. Hard White Wheat. The superior milling characteristics and price competitiveness of Hard White Wheat are expected to cut Taiwan imports of Australian hard wheat. Although a supply constraint has limited Taiwan imports of U.S. Hard White to only 5,000 tons in 2005 and 10,000 tons in 2006 so far, the upward trend for Hard White is expected to continue. 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

Feed wheat imports are expected to remain small or nil in the upcoming marketing year, with the forecast at around 10 thousand metric tons, sourced primarily from India and some from Ukraine, Russia and United States. Taiwan imposes the same tariffs on milling wheat and feed wheat, which discourages feed wheat imports. The Taiwan feed millers imported feed wheat for the first time in 2000 and continued importing in the following years. However, there was an estimated 8 thousand metric tons feed wheat imports from Ukraine and Russia in 2005/06. Some feed wheat arrives in shipments of less than a container, suggesting that it may be finding use as bird feed.

Flour

Flour imports will likely remain very low. In general, Taiwan imports a very small amount of wheat flour that only accounts for about 2 percent of the total supply. Flour imports in 2005/06 were 24 thousand metric tons, an increase of one thousand metric tons from a year earlier. Japan supplied 12 thousand metric tons, Australia and Vietnam supplied 6 and 5 thousand metric tons respectively. Flour exports in 2005/06 were 6 thousand metric tons, primarily to Hong Kong.

Stocks

Taiwan ending stocks for 2006/07 is expected remained stable along with stable imports and consumption. Stocks are anticipated to fluctuate some times along with volatile world wheat prices. Taiwan usually steps up purchases in response to increasing prices and postpones them when world grain prices fall; however, with group purchase practice, Taiwan imports wheat often on a regular schedule to reduce cost on stocks.

Policy

Cross-Straits Trade

The most serious potential threat to U.S. wheat exports is an opening to PRC flour, wheat or processed products. Although liberalization continues to be delayed by cross-straits relations, local industry sources expect Taiwan to eventually lift import bans on PRC products. However, the ruling party's pro-Independence stance and resistance to integration with the Mainland makes it unlikely that Taiwan will reward China with wheat or wheat product market liberalization any time soon. However, opposition party visits to PRC indicate a thaw in cross-straits relations is possible. In addition, the PRC has shown an increased willingness to resolve bilateral phytosanitary issues and to provide MFN for Taiwan's fruit exports. The relative competitive position of the sector compared with Mainland China may also influence any opening of the Taiwan flour and instant noodle market.

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. To increase Taiwan's milling competitiveness, the industry has planned to build a NT\$1.5 billion (\$45 million) flour mill with an annual capacity of 600,000 tons of wheat at Taichung harbor in central Taiwan.

Section III. Corn Situation & Outlook

Table 2. Corn Production, Supply and Demand, 1,000 MT

	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate e	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	9	9	7	9	9	7	0	0	7	(1000 HA)
Beginning Stocks	893	762	893	730	682	738	653	632	745	(1000 MT)
Production	48	48	37	48	48	37	0	0	37	(1000 MT)
MY Imports	4464	4900	4960	4500	4850	4850	0	0	4800	(1000 MT)
TY Imports	4464	4900	4960	4500	4850	4850	0	0	4800	(1000 MT)
TY Imp. from U.S.	4456	4655	4950	0	4655	4800	0	0	4750	(1000 MT)
Total Supply	5405	5710	5890	5278	5580	5625	653	632	5582	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	4450	4818	4927	4400	4738	4655	0	0	4655	(1000 MT)
FSI Consumption	225	210	225	225	210	225	0	0	225	(1000 MT)
Total Consumption	4675	5028	5152	4625	4948	4880	0	0	4880	(1000 MT)
Ending Stocks	730	682	738	653	632	745	0	0	702	(1000 MT)
Total Distribution	5405	5710	5890	5278	5580	5625	0	0	5582	(1000 MT)
Yield	5.333333	5.333333	5.285714	5.333333	5.333333	5.285714	0	0	5.285714	(MT/HA)

Corn Production

Nearly all demand for feed grain is met by imports. Taiwan is not expected to increase corn production for feed use in any significant quantities. Without a significant production subsidy, domestically produced corn is not competitive with imported products. Though domestic imported feed corn wholesale prices surged over NT\$8.30/kg some point of time in early 2007, compared to previous level between NT\$5 to NT\$6/kg, imported corn still competitive with domestically produced feed corn which is priced at a fixed guaranteed price at NT\$15/kg. In other words, domestic corn production may increase if world corn prices rise above c.i.f. \$450/mt.

Consumption

Except 225,000 tons of corn that is wet milled to produce corn syrup, corn consumption is for feed use.

Taiwan's demand for feed corn is forecast to shrink two to three percent from 2005/06 in line with an expected reduction in hog production caused by increasing world corn prices and low hog prices. In March 2007, Taiwan agricultural authorities tried to boost hog prices by encouraging farmers to cull 50,000 head of piglets and 20,000 head of sows to reduce supply. The hog culling projects were implemented in early April. Total feed demand for 2006/07 and 2007/08 is adjusted accordingly to 7.4 million metric tons (See Table 4-7). Removal of poultry TRQs in 2005 sharply increased imports of poultry meat in CY2005 and CY2006. Industry sources expect local chicken production to remain at the same level in CY2006 due partially to higher U.S. chicken meat prices than domestically produced.

Approximately 45 percent of Taiwan's feed production goes to the poultry sector, with most of the rest going to swine production.

Distillers dried grain (DDGS)

Distillers dried grain (DDGS) imports continue to increase, and substitute for soybean meal. In 2005/06 total DDGS imports are estimated at 100 thousand metric tons, of which only 17 thousand metric tons were imported under HS2303.30 on 3 percent tariff rate and the other 83 thousand metric tons were imported under HS2306.70 and HS2302.10 at a zero percent tariff rate. Taiwan Feed Industry Association has petitioned Taiwan authorities for zero tariffs on DDGS under HS2303.30, and it is expected that Taiwan authorities will grant zero tariff rate on DDGS imports soon to benefit local livestock sectors by increasing their competitiveness with pork and poultry meat imports.

Corn Substitutes

Although high corn prices may encourage some small imports of other feed grains such as feed wheat or barley, it is unlikely that these products will see large gains in market share. The feed inclusion rate of other feed grains combined has been 3 to 4 percent in recent years. In 2006 Taiwan imported 124,000 tons of barley (140,000 tons in 2005), 57,000 tons of sorghum (75,000 tons in 2005), and zero tons of Indian wheat (16,000 tons in 2005). Taiwan also had 130,000 tons of old rice available for feed use in 2006 and 60,000 tons annually in future years. In 2006, the feed inclusion rate for other grains combined fell below 3 percent, 2.6 percent, in recent years. However, cassava imports or inclusion rate had gone up to almost one percent to 4.8 percent from a year earlier. Estimated feed inclusion rate for corn for 2006 remained at approximately 65, based on corn supply and feed production estimates.

Development of Industrial Uses for Corn

The U.S. Grains Council (USGC) office in Taiwan has been developing the Taiwan bioplastics market, which could eventually become a significant outlet for U.S. corn. USGC is also exploring ways to increase the use of biodegradable plastics to meet demand created by growing environmental restrictions on the use of conventional petroleum products. Problems with the functionality of the bio-plastic in some applications have led to limited substitution for the use of conventional plastic for some types of food packaging. In addition, there is no composting system established for bioplastic wastes, which go to incinerators unlike petroleum plastics wastes are recycling. This has weakened market interest in expansion of bioplastic consumption. In 2006, total PLA exports to Taiwan were 4,800 tons. Though Taiwan cut the tariff on PLA chips to zero percent in mid 2006, Taiwan's demand for PLA would very much depend on if there is environmental friendly waste treatment system in place for biodegradable plastics, which would then endorsed PLA promotions. Reportedly, there were debates in the Taiwan EPA on the comparative benefits of burning bioplastics versus recycling petroleum plastics.

Stocks

Taiwan is a stable net corn import market, and in general, its stock levels remain around two and a half months of consumption, including landed stocks and stocks still on the water, to secure supplies and reduce costs.

With increasing containerized corn shipments to Taiwan, in September 2006, corn containers arrived at Taiwan ports without photo certificates and correct shipping documents, which

delayed customs clearance. 2005/06 ending stocks were lower due to containers stuck at ports for customs clearance.

2006/07 ending stocks are anticipated to be lower, too. This is because Taiwan livestock sector is currently facing double prices pressure from high world corn prices and lower domestic hog prices (refer to the table below). This has contributed to hesitation among importers.

Year	c.i.f. U.S. corn price	Domestic wholesale corn price	Commercial Hog feed price for finisher	Hog Auction Price in 100-kg-head
2005 Average	\$144/mt	NT\$6.16/kg	NT\$10.24/kg	NT\$5,364
2006 Average	\$149/mt	NT\$6.44/kg	NT\$10.39/kg	NT\$4,955
February 2007	\$205/mt	NT\$8.26/kg	NT\$11.32/kg	NT\$4,795
Source: Council of Agriculture & Taiwan Customs (Exchange rate: \$1 = NT\$33)				

Trade

Taiwan corn imports for 2006/07 and 2007/08 are forecast at 4.85 and 4.80 million metric tons, which is 2 to 3 percent decrease from the level of 2005/06 in line with decreases in domestic hog production.

The United States has enjoyed at least a 95 percent share of total imports for number of years and is expected to remain the principle corn supplier, although high prices may slightly erode market share by encouraging experimentation with feed wheat or corn from new origins. High corn prices usually spur small-volume corn imports from non-U.S. sources, with Argentina being the largest competitor. PRC and Thai corn are also expected to enter Taiwan in small amounts along with minor shipments from Southeast Asia.

During the forecast period, the largest potential threats to the U.S. corn market in Taiwan are increasingly competitive South American corn exports to Taiwan and a steeper than expected decline in the Taiwan hog sector. Geographical proximity, the availability of smaller shipments and improvement in the cross-strait relationship could create opportunities for PRC corn in the future. However, increasing container shipments of U.S. corn is likely able to compete with PRC corn in small shipments. According to local industry, approximately 810,000 MT, accounting for 16 percent of U.S. corn shipments, were shipped to Taiwan in containers in CY 2006. This is a 6 percent increase from a year earlier. In first three months of 2007, approximately 30 to 40 percent of corn was shipped to Taiwan via containers according to the Taiwan trade. Containerized shipments provide Taiwan importers and U.S. exporters market opportunities along with problems in logistics and document delays. In September 2006, many corn containerized shipments were stuck at the ports of entry due delays of phyto certificates and incorrect shipping documents associated with wrong container numbers or incorrect serial numbers that resulted from logistics problems. This drove up domestic corn prices and the swine industry petitioned Taiwan authority for lifting import bans on PRC corn for the period of November 20 to February 28, 2007.

In the short-term, tightening PRC corn supplies and growing domestic demand have reduced the immediate threat of large-scale corn exports to Taiwan.

Policy

Cross-Straits Trade

In October 2002, Taiwan allowed the entry of PRC corn, giving China its first opportunity to enter the Taiwan market. So far, Taiwan has authorized limited imports of many Chinese food products to make up for local shortages, although there is a trend to liberalize imports from China. PRC corn has only been allowed entry during four periods:

- October - December 2002, with imports of 71,000 tons
- November 2003 - January 2004, with imports of 67,502 tons.
- March - May 2004, with imports of 22,946 tons.
- November 20, 2006 – February 2007, with zero imports

Since February 28 2007, the market has been closed. Taiwan authorities review imports restrictions of PRC goods every six months. Taiwan also reviews petitions submitted by industry groups. The story of PRC corn has been that Taiwan feed millers with investments in China link up with Taiwan swine producers and petition Taiwan authorities to permanently end the import ban whenever world corn prices rise.

Although periodic market openings to PRC corn may continue, allowing its entry permanently is a major step that would only likely occur after lengthy deliberations. There are several reasons for this caution: One, Taiwan commercial feed millers/corn importers have resisted the introduction of PRC corn because it will undermine their long-standing group buying arrangements that have allowed companies to import large cargoes on favorable terms. Two, the PRC has not proven to be a reliable supplier to other markets because it has cancelled shipments with little advance notice. Three, PRC corn is of uncertain quality, which could complicate attempts to calculate feed rations. Four, China appears to be subsidizing corn exports, which is contrary to its WTO Accession Agreement commitments. The export subsidy was the major reason why PRC corn was competitive in Taiwan in 2002-2004; however it didn't apply to the last case. From November 20, 2006 to February 2007, the Taiwan Feed Industry Association (TFIA) on behalf of Taiwan feed millers and hog farmers expressed to COFCO its intend of purchasing 500,000 tons of PRC corn, and COFCO offered its quotations a couple times; however, resulted in no deals due partially to its uncompetitive prices to U.S. corn and tedious price and tonnage negotiation process between COFCO and TFIA.

If the ban were lifted, the geographic proximity of Northeast China to Taiwan could allow smaller shipments, faster delivery and lower carrying costs for Taiwan importers relative to U.S. corn. PRC shipments could also make it possible for small firms to import corn independently of the traditional major buying groups. On the other hand, China's advantage in making small shipments may be offset by U.S. feed grain supplier's ability to use containerized shipments to supply Taiwan. Very low container backhaul rates to Taiwan from the U.S. could make this an attractive prospect for U.S. grain exporters.

Livestock Initiatives

To adjust to post-WTO trade conditions and 2005 import liberalization, Taiwan livestock and feed industries are working to improve the competitiveness of Taiwan poultry and swine production. The National Animal Industry Foundation (NAIF) was formed in January 2000 to support the differentiation between locally produced chicken and pork products from imported products by establishing logos related to freshness and taste. The Taiwan Council of Agriculture (COA) is also attempting to improve the quality of domestically produced meat

and poultry products in order to compete more effectively with imported products. COA has also worked to reestablish Food and Mouth Disease (FMD) free status in order to resume pork exports to Japan. FMD free status without vaccination is scheduled for April 1, 2007 in trial areas. In addition, COA is promoting a traceability system to differentiate locally produced meats from imported products, and to market local products on the basis of freshness, safety and quality.

In 2006, to ease consumer's fears of local supplied pork adulterated by diseased pigs, Taiwan agricultural authorities took the initiative to establish a livestock insurance program. Approximately two thirds of the hog population has joined the newly initiated livestock insurance program, which compensates farmers for disposal of diseased pigs in an effort to prevent illegal pork from dead pigs entering the food supply.

In early 2007, Taiwan agricultural authorities set up a compensation program for depopulated hogs when the market signals an over supply. Farmers are required to register the size of their herds in order to participate in the program. Broilers, hens for egg production and other crops are also included in this balance supply-and-demand compensation program. It is anticipated that the Taiwan livestock and poultry sectors will "stabilize" in 2007.

Biotechnology Update

The proposed Biotech Basic Law is no longer being considered and Taiwan is moving toward a U.S. style interagency approach. The new draft biotech evaluation guidelines will be announced by mid-year, and the guidelines on stacked traits will be announced during the second half of the year. Early reports are that the guidelines are similar to codex and if there is no interaction between stacked events and the events have already been approved additional reviews will not be required. By the end of 2008 DOH expects to extend its regulatory regime to biotech crops other than corn and soybeans. DOH has also funded a Consultative Center for local crop developers to go to for help in going through the food safety regulatory process.

The current Taiwan agricultural biotechnology regulations are only applied to soybeans, corn and products. No bioengineered soybeans or corn may be produced, processed, prepared, packed, and imported or exported unless they are registered. All bioengineered varieties of soybeans and corn must be registered and approved by DOH Food Safety Bureau (FSB). Taiwan has approved 14 of the most widely commercialized bioengineered corn and soybean events. A list of these 14 biotech varieties can be found at:
<http://food.doh.gov.tw/chinese/info/gmo5.htm>

Taiwan implemented regulations for LMOs under the terms of its recently amended Plant Variety and Plant Seed Act, which went into effect June 9, 2005. Its related regulations and rulings can be found at:

<http://law.moj.gov.tw/eng/fnews/Fnmore.asp?lawType=c>.

The "Rules for Approving Import/Export Transgenic Plants" were announced on July 7, 2005. Commodities for food, feed and processing use have been excluded from the ruling and are not required to apply for additional approval registration to the Taiwan authority at the Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ).

U.S. – Taiwan Goodwill Missions

Taiwan is preparing to send another “Goodwill Delegation” in June 2007.

In September 2005, Taiwan bulk commodity importers signed non-binding Letters of Intent to import a total of at least 1.7 million metric tons of wheat, 7.5 to 10 million tons of corn and 2.6 to 2.8 million tons of soybeans in 2006 and 2007.

Section IV. Rice Situation & Outlook

Table 3. Rice Production, Supply and Demand, 1,000 MT

	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Area Harvested	269	269	269	258	258	263	0	0	258	(1000 HA)
Beginning Stocks	249	437	437	182	382	336	151	390	284	(1000 MT)
Milled Production	1033	1033	1033	1044	1044	1110	0	0	1044	(1000 MT)
Rough Production	1465	1467	1467	1481	1481	1595	0	0	1500	(1000 MT)
Milling Rate (.9999)	7049	7041	7041	7049	7049	6960	0	0	6960	(1000 MT)
MY Imports	125	63	65	125	189	101	0	0	166	(1000 MT)
TY Imports	125	63	65	125	189	101	0	0	166	(1000 MT)
TY Imp. from U.S.	0	21	21	0	127	51	0	0	90	(1000 MT)
Total Supply	1407	1533	1535	1351	1615	1547	151	390	1494	(1000 MT)
MY Exports	100	26	26	100	100	20	0	0	20	(1000 MT)
TY Exports	100	26	26	100	100	20	0	0	20	(1000 MT)
Total Consumption	1125	1125	1173	1100	1125	1243	0	0	1173	(1000 MT)
Ending Stocks	182	382	336	151	390	284	0	0	301	(1000 MT)
Total Distribution	1407	1533	1535	1351	1615	1547	0	0	1494	(1000 MT)
Yield (Rough)	5.446097	5.453532	5.453532	5.74031	5.74031	6.064639	0	0	5.813953	(MT/HA)
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Rice Production

Under the current WTO agreement, the rice TRQ quota amount is 144,720 tons on a brown rice basis (126,000 tons on a milled basis). Taiwan has set its targeted rice production remains slightly above 1 million tons on a targeted production area of 258,000 hectares to accommodate its rice TRQ imports. There are no out-of-quota imports recorded because of the very high out-quota-tariff rate of NT\$45/kg. Under the TRQ, imported rice prices are about half of locally produced rice. In 2006, domestically grown rice in the wholesale market was priced on average NT\$25.74/kg, compared to c.i.f. price at NT\$15.40/kg for U.S. rice and NT\$11.32/kg for Thai rice on a brown basis.

In each year, there only are minor variations in production areas and yields.

Consumption

Per capita milled rice consumption in 2005 is 48.60 kilograms, about the same as previous year, according to Taiwan's Council of Agriculture (COA). Estimated per capita consumption for 2006 and 2007 remains at this level.

Market promotions are unlikely to increase total demand, but could shift rice significantly between varieties and origins. In addition to human consumption, there are about 11,000 tons for seeding and 60,000 tons in 2005, 130,000 tons in 2006 and estimated 60,000 tons

for feed use. Taiwan feed industry strongly petitioned to Taiwan agricultural authority for releasing old rice for feed use when the world corn price surged in 2006.

Stocks

Estimated Taiwan ending rice stocks are fell in 2005 and 2006 because of a delay in public rice imports. However, stocks in 2007 are expected to increase due to 2006 public import shifted to 2007.

Trade

Import Regime

In 2003, Taiwan switched its import regime to a Tariff Rate Quota (TRQ) system from the Minimum Market Access (MMA) system used in 2002, its first year in the WTO. The total quota amount remains at 144,720 mt on a brown rice basis (equivalent to 126,000 tons on a milled rice basis). Of this total, 65 percent is reserved for government purchases and 35 percent for the private trade. All grain dealers who have registered with COA and have a grain dealer license may bid for rice import quotas. The out-of-quota tariff rate is NT\$45/kg for rice and NT\$49/kg for processed rice products, with conversion factor of 1.15 to convert from milled or processed products to brown rice.

Taiwan's change to a TRQ system was submitted to the WTO in October 2002. In December 2002, it passed enabling legislation without prior consultation with WTO members, triggering a formal objection from the U.S., Australia, and Thailand in Geneva. The objections were based on Taiwan's lack of consultation, the removal of previous negotiated WTO head note language and associated concessions, and the extremely high out of quota duty. Taiwan and its trading partners continue to make progress in resolving the issue.

Although Taiwan has switched to a TRQ regime, it has fulfilled its obligation to import the full quota amount of rice; with virtually 100 percent fill rates for quotas both in public and private trade. It, however, has been unable to fill its public sector quota by the end of the calendar year in 2005 and 2006 due to legislated ceiling price requirements. See Table 6 below for quota fill data.

Public Sector Imports

In October 2006, Taiwan announced its first Simultaneous-Buy-Sell (SBS) rice tender for ten thousand tons under the 2006 public sector quota. The process is designed for multiple winners and contracts are awarded to bidders who offer the highest mark-ups in terms of the difference between import and market price. The SBS tender is not associated with a grain specification so that it is tendered for all types and forms of rice. In 2006, only 1,480 tons out of target 10,000 tons was successfully tendered to three importers since SBS was first time introduced to the rice trade industry. The rest target SBS quota has been translated into normal tenders. Twenty thousand metric tons of rice under the 2007 public sector quota will be tendered under (SBS) system. As of reporting day, Taiwan has contracted 1,500 tons of its 2007 SBS tender for delivery by December 31, 2007. The tender schedule for the remaining 74,068 tons under the 2007 public sector quota will be announced shortly.

About the 2006 public sector quota tender schedule, as of reporting day, Taiwan has successfully tendered and contracted 78,248 tons or 83 percent of its 2006 public sector rice quota. The remaining 13 percent of the 2006 public sector quota is divided into two biddings, one for 14,000 tons of medium grain and the other 1,820 tons for short or medium brown. These two bids failed a couple times due to offered bid prices exceeded ceiling

prices. Taiwan is bound by government purchase regulations and will continue the tender process until these two tenders succeed. At this point, the United States has a 75 percent share of the public sector quota. The United States continues to dominate the public rice trade, with a 75, 75, 83 and 80 percent shares in 2002-2005 public imports, respectively.

It is anticipated that the remaining 2006 public sector quota rice of 94,068 tons on a brown basis will enter Taiwan during 2007. In 2006, Taiwan delayed its completion of public rice tenders because offered bidding price exceeded the set ceiling price. Approximately 65,000 tons on a brown basis of the 2005 public sector quota rice entered into 2006 imports based on Taiwan Customs data.

Private Sector Imports

Under the TRQ, importers bid for quota rights that are sold to the highest bidder. Using the so-called "System Three" quota bidding system, Taiwan has successfully allocated all 50,652 mt (brown basis) of its annual private sector import quota rights to local importers since Taiwan's entry to the WTO in 2002. Taiwan has allocated two-third of its 2007 quota rights to 72 importers with the bid prices ranging from NT\$7.603/kg to NT\$14.500/kg (brown basis). The remaining one-third of the 2007 private sector import quota will be allocated on April 30 thru competitive bidding. The specific quota allocation results for the private trade were reported in GAIN TW7012. Prices in 2007 were significantly lower than the level of 2006 due to higher domestic supply. The cost for quota rights reflects conditions in the local and international rice markets – higher local relative prices make import rights more valuable and vice versa.

The private quota has been 100 percent filled. Taiwan did not even have to use its quota reallocation mechanism in last two years, which redistributes unused import rights. Only a few quota holders, who failed to import rice before September 15, had to request extension of their quota rights to the end of year.

Import Supply of Glutinous Rice Continues

Taiwan consumed approximately 85,000 tons (milled basis) of glutinous rice a year in 2005 and 2006, with a respective 29 percent and 16 percent of import supply. Taiwan imported 24,000 tons of glutinous rice in 2005 and 14,000 tons in 2006, and its domestic production was 60,000 tons (milled basis) in 2005 and 73,000 tons in 2006. With efficient supply, glutinous rice market has quiet and prices lowered from approximately NT\$44/kg to NT\$40/kg for both short grain and long grain milled glutinous, as of reporting day.

With a desire to stabilize prices, Taiwan has continued to tender for glutinous rice in recent years. (See Table 7 for Taiwan Customs statistics on HS codes)

Exports

Taiwan stopped selling surplus rice onto the world market at discounted prices after WTO entry.

In 2006, commercial exports amounted to 400 mt (milled basis), of which 271 mt or 68 percent was destined for Japan. Taiwan's rice industry was very proud of entering the Japan market since its exports meet Japan's sanitary standards, one of the most stringent in the world. Taiwan authorities and growers have used this Japan trade to promote domestically grown rice to local consumers.

Taiwan also sent 19,500 tons of rice (milled basis) as food aid to needy countries in 2006 to control stocks. (See Table 8 for details.)

Marketing

Since Taiwan's rice production cost is much higher than imported rice, Taiwan agricultural authorities have been working with local rice millers/farmers to improve quality under a voluntary Taiwan Good Rice Program. In September 2004, Taiwan agricultural authority launched its first rice contest to highlight Taiwan's best rice in terms of specialty varieties and freshness. The rice contest is held twice a year designating two harvests, one begins in May and the other in September. In 2006, Taiwan took another initiative to establish a market platform for trading domestically grown specialty good quality rice to end users to ensure profits of rice farmers who devoted to grow quality rice.

Taiwan rice producers have also attempted to gain from other changes in consumption. With the rise of fusion food, Taiwan rice producers have aimed to compete with imported rice from various suppliers through exotic menu promotions.

As imported rice is cheaper than domestically grown rice and local consumers are used to local rice taste, many Taiwan millers prefer marketing a 20/80 of imported/Taiwan rice mix to increase profits. In March 2006, a congressman criticized Taiwan authorities for allowing mixed origin rice packs to be promoted as domestic rice with county geographical indication, which has misled consumers. As a consequence, Council of Agriculture (COA) announced in April, all mixed origin rice pack should have mix ratio and origins on the front of the package, effective July 1, 2006.

These marketing endeavors of locally produced rice are becoming market challenges to the U.S. Rice Export Federation's menu promotions.

Policy

Stringent Import Inspection

Imported rice continues to be inspected on a lot-by-lot basis for pesticide residues, heavy metal and aflatoxin by the Bureau of Standards, Metrology and Inspection (BSMI).

Taiwan has recently notified the WTO of changes to its food import inspection regulations and is expected to make its decision on the new regulations in June, and implement the new regulations in June or July. The proposed new import inspection regulation is on a risk-based inspection philosophy. U.S. rice shipments to the Taiwan market have been one hundred percent compliant with Taiwan's import standards for rice.

Three Rice Purchase Programs

Two voluntary programs existed under which farmers can sell rice to Taiwan central authorities for pre-established prices: the guaranteed purchase program since 1974 and guidance purchase program since 1978. Sales under these programs are limited to certain quantities per hectare. If a farmer were to sell the maximum per-hectare quantities allowable under these two programs, program sales would roughly equal half of production. The actual purchases combined was 23 percent of the total production in 2005, compared to average wholesale price at NT\$19.49/kg for Japonica paddy rice and NT\$18.04/kg for Indica paddy rice.

In October 2003, Council of Agriculture (COA) allocated a NT\$2 billion (approximately \$600 million) from the Import Relief Measure funds to purchase additional paddy rice to stabilize the local rice market. This newly added program is "surplus purchase". The eligible amount of surplus purchase is set at 3,000 kg/ha for the spring crop and 2,360 kg/ha for the second crop. These were calculated on the five-year, 1998-2002, average production level minus the existing two basic purchases. The surplus purchases were triggered by declining paddy rice prices that slipped below the five-year average level of NT\$15.6/kg. The surplus purchases have pushed up the paddy rice price to NT\$16.2/kg on December 12, 2003, and keep above ever since. The average paddy price in March 2007 was NT\$17.89/kg and NT\$18.01/kg for Japonica and Indica rice, respectively.

Rice Reform Plan

Taiwan is considering moving to a policy that directly supports farmer income and away from its current policy of protecting high domestic rice prices via a rice purchase mechanism and a prohibitive out of quota tariff.

The direct payment program in Taiwan's proposed rice policy reform plan consists of a fixed payment and an adjustable payment. The objective of the rice policy reform is to provide rice farmers with the same level of income as rice farmers under the current purchase program and to be compliant with the putative outcome of the Doha Round. The possibility of switching the current rice purchase program to a direct payment program was included in Taiwan's agricultural policy new movement, announced by the Council of Agriculture (COA) Minister Su in July 2006 (refer to TW6022). Rice policy reform has been a topic of discussion in meetings between Taiwan's agricultural officials and Taiwan rice farmers and industry representatives.

Section V. Statistical Tables

Table 4. Corn Domestic Wholesale Prices, 2006-07.

Country	Taiwan		
Commodity	Corn		
Prices in	NT Dollar	per uom	100 kg
Year	2006	2007	% Change
Jan	607	820	35%
Feb	595	826	39%
Mar	589	842	43%
Apr	593		-100%
May	600		-100%
Jun	600		-100%
Jul	603		-100%
Aug	616		-100%
Sep	641		-100%
Oct	704		-100%
Nov	762		-100%
Dec	818		-100%
Exchange Rate	33.16	Local Currency/US \$	
Date of Quote	04/19/2007	MM/DD/YYYY	

Table 5. Pork Imports vs Domestic Production and Wholesale Market.

Year	Pork Imports in 1,000 mt		Domestic Pork Production in 1,000 head	Auction Price in NT\$/100kg -head
	Meat (HS0203)	Offal (HS0206)		
2002	19	10	10,060	4,336
2003	33	23	9,460	5,298
2004	40	38	9,410	5,912
2005	26	24	9,500	5,364
2006	18	23	9,650*	4,955
2007 (fore.)	20	18	9,350*	5,200
Source: Council of Agriculture (COA) and Taiwan Customs Statistics. * COA has not yet finalized its 2006 hog production number. Hog production forecast for 2007 was adjusted down by 3 percent from 2006 due to an over supply from 2006.				

Table 6. Total Poultry Meat Imports vs Domestic Production

Year	Chicken Meat Imports in 1,000 mt (HS0207)	Domestic Poultry Production in 1,000,000 birds	Farm Price in NT\$/kg
2002	31	415	34.55
2003	49	409	30.96
2004	67	417	33.70
2005	88	394	36.81
2006	105	368	33.71
2007 (fore.)	120	368	33.00
<i>Source: Council of Agriculture (COA) and Taiwan Customs Statistics.</i>			

Table 7. Feed Production for 2004-2007 in 1,000 mt

FEED PRODUCTION	2004	2005	2006 (ESTI.)	2007 (FORE.)
Total Compound Feed Produced	7,406	7,559	7,580	7,400
by commercial producers	5,004	5,099	5,120	5,000
by integrated producers	2,403	2,460	2,460	2,400
<i>Source: Council of Agriculture (COA).</i>				

Table 8. Milled Rice Prices 2006-07

Prices Table			
Country	Taiwan		
Commodity	Rice, Milled		
Prices in	NT Dollar	per uom	100 kg
Year	2006	2007	% Change
Jan	3498	3410	-3%
Feb	3503	3403	-3%
Mar	3488	3401	-2%
Apr	3437	3334	-3%
May	3394		-100%
Jun	3386		-100%
Jul	3397		-100%
Aug	3399		-100%
Sep	3420		-100%
Oct	3420		-100%
Nov	3416		-100%
Dec	3416		-100%
Exchange Rate	33.16	Local Currency/US \$	
Date of Quote	04/19/2007	MM/DD/YYYY	

Table 9. Rice Imports for 2006 in Metric Tons by HS code (Taiwan Customs Arrival Data)

Origin	HS100610 (paddy)	HS100620 (brown)	HS100630 (milled- total)	HS100630- 0010 (milled- glutinous)	HS100640 (broken- milled)	Total/Share (on a milled basis)
U.S.A.	0	56,042	2,198	1,604	0	51,515/51%
Australia	0	2,488	143	0	0	2,332/2%
Cambodian	0	0	25	25	0	25
Egypt	0	0	4,501	0	0	4,501/5%
Thailand	0	7,277	34,469	12,387	661	41,533/41%
Japan	1	24	446	5	0	468/0.5%
Indonesia	0	362	40	0	0	358/0.4%
India	0	0	29	0	0	29
Vietnam	0	0	105	105	0	105/1%
Italy	0	0	4	0	0	4
Total	1	66,193	41,960	14,126	661	100,870

Table 10. Food Aid Statistics Table for 2006 (on a milled basis)

RECIPIENT DESTINATION	TONNAGE
Cambodia	5,000
Indonesia	6,000
Lesotho	2,500
Pakistan	1,000
Swaziland	5,000
Total	19,500
Source: Council of Agriculture (COA)	

Table 11. Taiwan's Rice Purchase Programs

	Guaranteed Purchase (paddy basis)	Guidance Purchase (paddy basis)	Surplus Purchase (paddy basis)
Variety	Price NT\$/kg	Price NT\$/kg	Price NT\$/kg
Japonica rice	21	18	16.6
Indica rice	20	17	15.6
	Quantity kg/ha	Quantity kg/ha	Quantity kg/ha
Spring Crop	1,920	1,200	3,000
Fall Crop	1,440	800	2,360
Source: Taiwan Council of Agriculture			

Table 12. Tariff Rates for Grains

HS CODE	GRAINS	CURRENT TARIFF (%)
1001.10 & 1001.90	Wheat	6.5
1101.00	Wheat Flour	17.5
1005.10	Corn	0
1007.00	Sorghum	0
1003.00	Barley	0
1006	Rice	NT\$49 per kg**
Source: Taiwan Customs Tariff Schedule **Out of Quota rate for unprocessed rice. Private Sector rice imports will enter through the System 3 auction quota allocation system with a price ceiling at NT\$23.26 per kg		

Table 13. Non-Grain & Feed Reports Bibliography

Report #	Date	Title
TW6022	07/09/2006	A New Movement in Taiwan's Agricultural Policy
TW6039	10/20/2006	Announcement of 1 st SBS Rice Tender for Public Sector Imports
TW7002	01/12/2007	Public Rice Tender Update
TW7005	02/06/2007	Livestock Report
TW7012	03/23/2007	Private Rice Tender Update
TW7014	03/20/2007	Public Rice Tender Update
TW7015	03/26/2007	Hog Prices and Inventories
TW7016	03/28/2007	New Import Inspection Regulations