United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** October 23, 2024

Report Number: TW2024-0043

Report Name: Dairy and Products Annual

Country: Taiwan

Post: Taipei

Report Category: Dairy and Products

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Report Highlights:

Starting in 2025, Taiwan will eliminate tariffs on liquid milk imports from New Zealand. Taiwan dairy farmers are worried about the future, as the primary dairy product in Taiwan is fresh milk, with only a small portion used for other dairy beverages or products. In the long term, due to a growing awareness on healthy eating, there is strong and increasing demand for dairy products among the Taiwanese population. In 2023, imports of dairy products totaled $654 million, with the main suppliers being New Zealand, the United States, and France. Post estimates that Taiwan imports will remain stable in 2025 with 66,000 MT of liquid milk, 24,000 MT of butter, 25,000 MT of skim milk powder (SMP) and 34,000 MT of whole milk powder (WMP).

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Executive Summary

Taiwan signed the ANZTEC (Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation) with New Zealand in 2012, allowing most New Zealand agricultural products to enter Taiwan with zero tariffs. This year's tariff quota for liquid milk is set at 10,000 MT, and from 2025, it will be fully zero tariff. Taiwan's dairy industry primarily produces liquid milk, with minimal production of other products, so the local industry needs to enhance its resilience in response to the impact of imported milk. In recent years, as demand for imported liquid milk has increased and public acceptance has grown, the local dairy industry has started to feel threatened. Therefore, since 2022, various meetings and petitions have been held to seek market differentiation between local fresh milk and imported extended shelf life (ESL) milk.

Commodities: Dairy, Fluid milk

Production

Post estimates Taiwan's liquid milk production in 2024 will remain same level as in 2023, when raw milk production reached a historic high of 470,000 MT. Meanwhile, goat milk production will continue to decline slowly, with 2023 production at 10,597 MT.

Taiwan classifies milk quality into four grades (A to D). According to the National Animal Industry Foundation (NAIF), in 2023, 98.5 percent of raw milk was Grade A, with an average somatic cell count of 196,000/mL and an average bacterial count of 13,000/mL. Over 80 percent of domestically produced raw milk is used for fresh milk purposes, while the remaining portion is mainly used for flavored milk or other dairy beverages, with very little allocated for other processing. The Taiwan dairy industry continues to improve milk quality. The purchase price for raw milk in Taiwan has been rising, with one major dairy company (Guang Chuan) announcing an average procurement price of NT$36 per kilogram (US$1.15/kg) for the entire year of 2023 (see Figure 1).

The dairy industry, including dairy farms and processing plants, is uncertain about the implications of New Zealand's full zero-tariff policy on dairy products set to take effect in 2025. Since dairy is a high-investment industry, the overall trend is becoming conservative. Although there will be an oversupply of raw milk in the winter, it is insufficient to maintain stable production of milk powder, butter, and other dairy products. Additionally, the production cost of raw milk in Taiwan remains high. In the past, some companies attempted to develop milk powder but incurred losses due to high costs. The major local dairy processor often has confectionery production lines, making it more flexible to utilize surplus milk for other product lines rather than developing new dairy products.

The official number of dairy cows has slightly decreased compared to the previous year, but industry estimates suggest that the actual number is still higher. The total number of dairy cows is 120,706 including 61,447 milking cows (2024Q2 [1]). Due to the overall uncertainty in the industry, dairy processors are gradually reducing contracts with dairy farmers and the volume of contracted milk to mitigate excess milk during winter. A few farms may also choose to leave dairy industry. Compared to the previous year, the number of farms decreased by two percent, with 544 dairy farms reported in the second quarter of 2024. The insufficient summer milk supply will be supplemented by imported milk.

Although feed prices in Taiwan have slightly decreased compared to the previous years, they remain relatively high (see Figure 2). About half of the forage supply in Taiwan is domestic. Imported feed depends on shipping schedules, making feed stability a concern for dairy farmers. Domestic feed supply is seasonal, as Taiwan's rainy climate is not conducive to hay production. Additionally, there is a lack of large-scale storage facilities in Taiwan, which makes the production and transport of silage relatively difficult. The main forage production areas are limited to the vicinity of the farms, and due to lower subsidies for forage corn compared to feed corn, farmers have a low willingness to produce silage.

Figure 1. Annual Average Raw Milk Purchase Price[2] (Source: 光泉廠農通訊 (123))

[1] Q2-April to June

[2] In this report, 1 USD=31.5 NTD

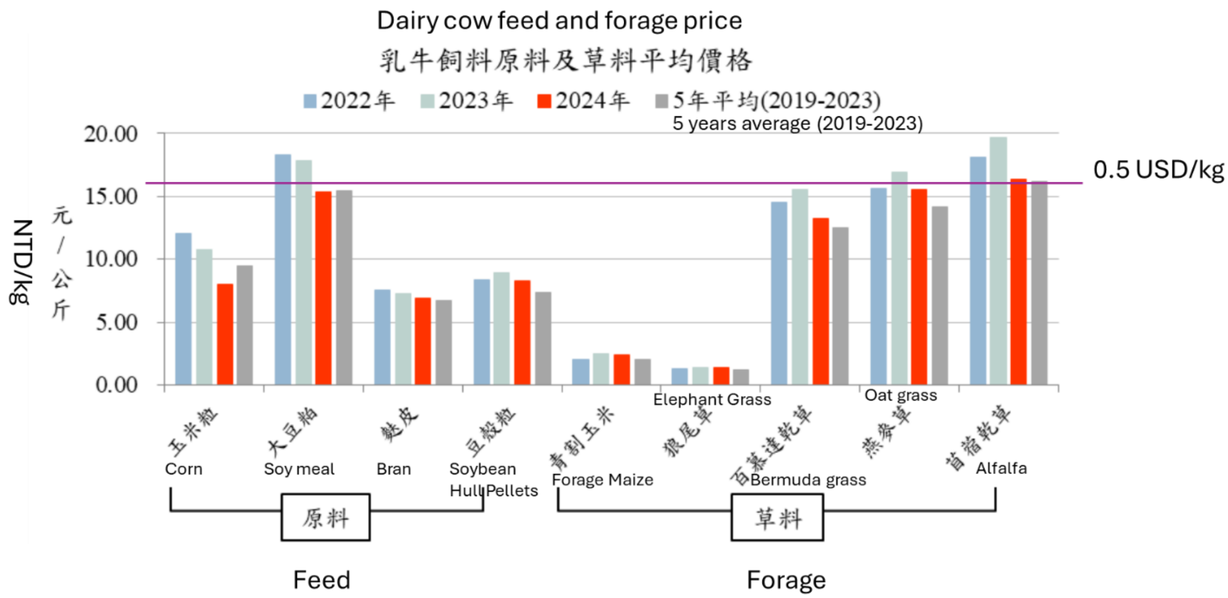

Figure 2. Dairy cow feed and forage price (Source: NAIF)

Consumption

According to statistics from the dairy industry, the use of raw milk in Taiwan is mainly concentrated in fresh milk and dairy beverages, with over 80 percent of raw milk still sold in the form of fresh milk. Milk beverages are gradually replacing the market for yogurt drinks. Due to the Westernization of diets and the popularization of healthy eating concepts, the overall dairy market continues to expand. The quantity of imported liquid milk is still growing, reaching 64,366 metric tons in 2023, and it is expected to continue increasing in 2024, reaching 66,000 MT.

In recent years, the popularity of drinks like lattes and milk teas has led to an increase in the demand for liquid milk, with many convenience stores and beverage shops on the streets. However, according to a survey by the Consumers' Foundation (in Chinese), the milk used in such beverages is mainly processed business-use milk rather than fresh milk.

In addition to domestically produced milk and imported liquid milk, the use of reconstituted milk from frozen blocks has been underestimated in the past. The largest market for reconstituted milk is business-use milk. Since the Taiwanese government announced a list of new code for frozen block milk this year, imports have already exceeded 16,000 MT from January to August 2024. Scholars estimate that, based on a fourfold reconstitution ratio, this is equivalent to 60,000 MT of liquid milk. It is expected that the total annual import of frozen block milk could approach 20,000 MT, corresponding to about 80,000 MT of liquid milk usage. The actual demand for liquid milk in Taiwan could be as high as 600,000 metric tons, with local supply accounting for about 80 percent.

Although per capita dairy consumption in Taiwan still lags far behind that of Europe and the United States, according to statistics from the Ministry of Agriculture, the liquid milk consumption in 2023 was 22.47 kg per person. Nevertheless, the overall trend shows that total dairy consumption is rising year by year, indicating a growing market (see Table 1).

Table 1. Taiwan Dairy Product Annual Per Capita Consumption

kg/person Year	2011	2017	2018	2019	2020	2021	2022	2023
Fresh Milk	16.61	18.74	20.37	21.17	21.67	21.69	22.21	22.47
Milk Powder	3.21	3.12	3	2.89	2.99	2.87	2.74	2.72
Other dairy product	1.69	3.89	3.76	4.1	4.38	4.78	4.87	4.9

Data Source: MOA

Trade

Most farms in Taiwan are contracted with five major dairy processors and serve as satellite farms, with about 10 percent of farms belonging to smaller brands or private brands. In recent years, some products have begun to label single milk sources, ingredients no adjustment, animal welfare certifications, and other certifications to create market segmentation. At the same time, imported liquid milk from the United States, New Zealand, and Australia can also be found on supermarket shelves. This year, Taiwan's dairy companies (I-Mei) have also launched their first ESL fresh milk (See Figure 3). In 2023, the United States supplied 34,118 MT of liquid milk with a 53 percent market share, while New Zealand provided 16,689 MT with a 26 percent market share. The value of total liquid milk imports in 2023 reached $43 million.

Figure 3. Local ESL milk (Lactose free)

According to statistics from the Ministry of Economic Affairs, the annual output value of Taiwan's dairy manufacturing industry surpassed 40.9 billion NTD (1.3 billion USD) in 2023, with the fresh milk market valued at over 23.5 billion NTD. The dairy industry continues to grow with the fastest-growing product being ice cream, which holds over eight percent market share.

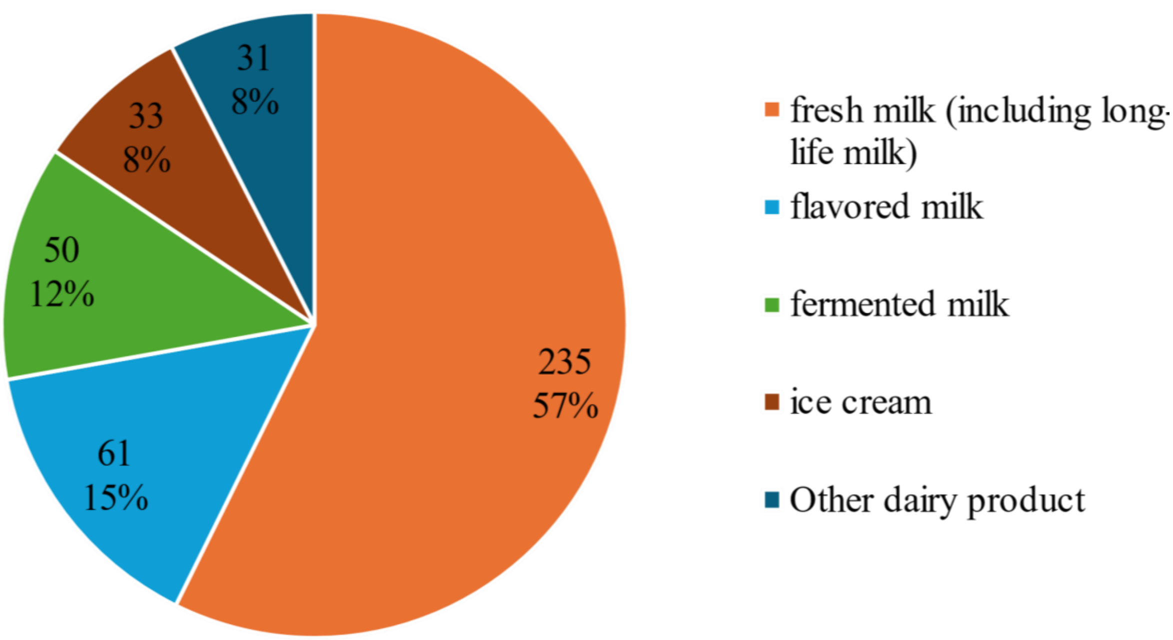

Figure 4. Taiwan Dairy Processing Industry Market Value (Unit: 100 million NTD)

Policy

After Taiwan's WTO accession in January 2002, fluid milk imports are subject to Tariff Rate Quota (TRQ) and Special Safeguard (SSG) controls. Sheep and goat milk are not included in the TRQ and SSG controls.

Tariff Rate Quota (TRQ): The annual TRQ volume for fluid milk is 21,298 MT with 15 percent in-quota tariff, while the out-of-quota tariff is NT$15.6/kg (USD $0.49/kg). Import quota rights are auctioned once a year. All importers registered with Taiwan's Board of Foreign Trade are eligible to bid on quota rights. The Bank of Taiwan administers the TRQ allocations through a competitive process.

In 2024, as specified under ANZTEC, 10,000 MT of fluid milk from New Zealand is eligible to enter Taiwan duty-free. All tariff restrictions for New Zealand dairy products will end by 2025.

Special Safeguard (SSG): Taiwan also adopted an SSG to control the volume and price of fluid milk. The SSG volume/price will be announced at the beginning of each year and the volume is measured by the 3-year average consumption change and import volume. The 2024 SSG volume for fluid milk is 48,372.6 MT for fresh milk and 20,552.6 MT for other fluid milk with a total of 68,925.5 MT. If fluid milk imports exceed the notified SSG volume, an additional 33.3 percent tariff rate is imposed. The SSG price trigger for fluid milk is NTD 17 CIF/liter.

<u>Fresh Milk</u>: 04011010, 04012010, 04014010, 04015010, 04029910

<u>Other Fluid Milk</u>: 04011020, 04012020, 04014020, 04015020, 04029920, 04029992, 04039029, 04039040, 04039059, 04039090, 18069053, 18068055, 19019025, 19019027

<u>ANZTEC TRQ</u>: 04011010, 04011020, 04012010, 04012020, 04014010, 04014020, 04015010, 04015020

To facilitate the regulation and tracking of frozen milk, Taiwan published several new HS codes for frozen milk as Table 5. The implementation date was January 1, 2024 (see Table 2).

Table 2 New Frozen Milk HS code summary (Implementation date:2024.01.01)

HS code	Product Name	Status
0402.91.90.00-5	Other milk and cream, not containing added sugar or other sweetening matter	Deleted
0402.91.90.10-3	Evaporated milk (concentrated milk), not containing added sugar or other sweetening matter, of a fat content, by weight, not exceeding 1%, frozen	New
0402.91.90.20-1	Evaporated milk, (concentrated milk), not containing added sugar or other sweetening matter, of a fat content, by weight, exceeding 1% but not exceeding 7.5%, frozen	New
0402.91.90.30-9	Evaporated milk (concentrated milk), not containing added sugar or other sweetening matter, of a fat content, by weight, exceeding 7.5% but not exceeding 15%, frozen	New

	Major frozen milk import	
0402.91.90.40-7	Evaporated milk (concentrated milk), not containing added sugar or other sweetening matter, of a fat content, by weight, exceeding 15%, frozen	New
0402.91.90.90-6	Other milk and cream, not containing added sugar or other sweetening matter	New

To promote the health of schoolchildren and respond to the full opening of New Zealand's dairy market, the Taiwanese government has proposed a school milk supply policy, expecting to provide milk twice a week. However, as supporting measures are not yet fully in place, the implementation has not started as of the time of this report. The suppliers will primarily be major dairy companies, and it remains uncertain whether they will be able to assist smaller farms during this transition period.

Additionally, regarding dairy labeling, the TFDA has announced a draft amendment for liquid milk labeling this year (GAIN report TW2024-0031). Milk with a shelf life exceeding a certain period cannot be labeled as fresh milk. However, due to differing opinions, it will be expected more discussion meeting at the end of 2024, leading to a second draft announcement, with an anticipated implementation date of July 2025. The current labeling for liquid milk (fresh milk) follows national standards.

CNS (National Standards of the Republic of China)

CNS 3056 (Fresh milk): This standard applies to the milk produced with raw milk (as specified in CNS 3055) as the raw material, and it shall be fully kept in cold storage after it is pasteurized and packaged for human consumption. [Shall be fully kept in cold storage at temperature not higher than 7 °C.]

CNS 13292 (Sterilized milk): This standard applies to milk produced with raw milk (as specified in CNS 3055) or fresh milk (as specified in CNS3056) as raw material, and it could be store at room temperature after it is pasteurized and packaged for human consumption.

Dairy, Milk, Fluid	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Taiwan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	66	62	65	61	0	60
Cows Milk Production (1000 MT)	465	472	470	475	0	473
Other Milk Production (1000 MT)	12	11	12	10	0	10
Total Production (1000 MT)	477	483	482	485	0	483
Other Imports (1000 MT)	62	64	70	66	0	68
Total Imports (1000 MT)	62	64	70	66	0	68
Total Supply (1000 MT)	539	547	552	551	0	551
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Fluid Use Dom. Consum. (1000 MT)	485	495	500	500	0	500
Factory Use Consum. (1000 MT)	54	52	52	51	0	51
Feed Use Dom. Consum. (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	539	547	552	551	0	551
Total Distribution (1000 MT)	539	547	552	551	0	551
(1000 HEAD) ,(1000 MT)						
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Commodities: Dairy, Butter

Production

Taiwan has no large-scale commercial butter production. A few small local artisans use local raw milk to produce butter (local butter producer- No.19 Butter).

Consumption & Trade

My 2024 butter consumption is expected to be 23,000 MT. The post anticipates that the butter market in Taiwan will continue to show stable demand, as local production of butter is only a few tons and cannot significantly affect the overall supply market. New Zealand remains the primary supplier of butter to Taiwan exporting 15,440 tons in 2023 with a market share of 65 percent. Anchor butter continues to be the top choice for bakers. The second largest exporter is France supplying 2,779 tons, while the United States is the seventh largest butter supplier providing 592 tons with only a two percent market share (see Figure 5).

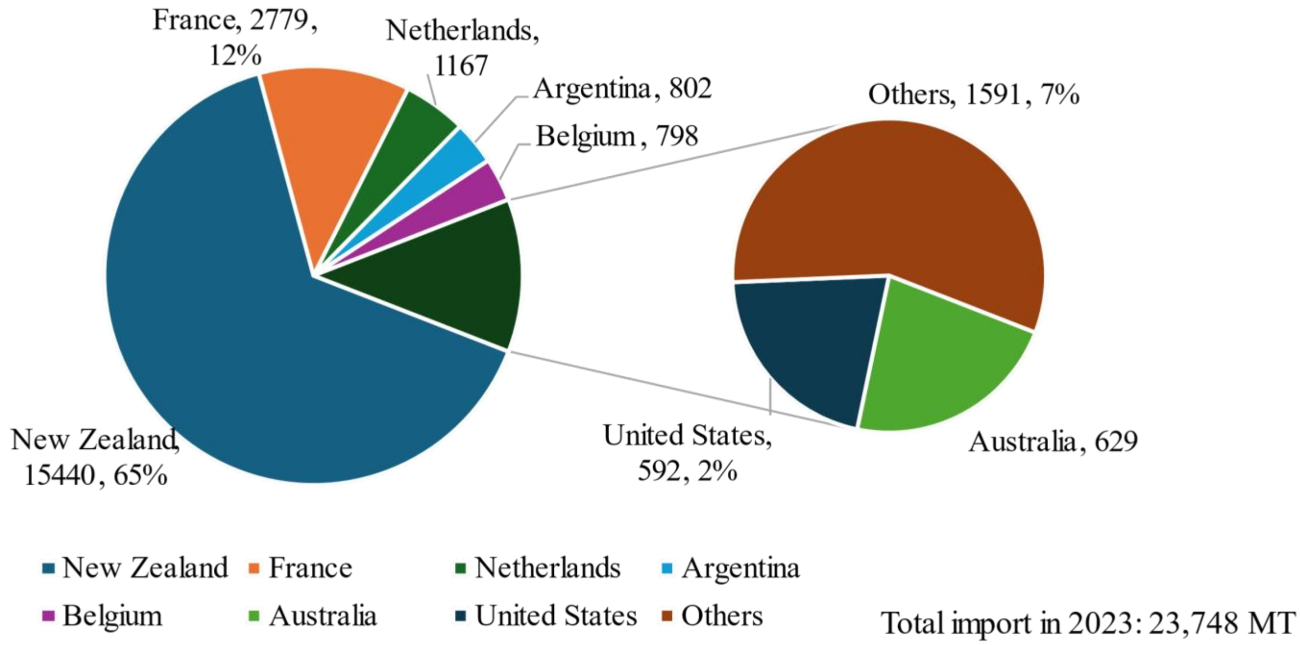

Figure 5. Taiwan Butter Import by Country in 2023 (Unit: MT) Source: TDM

Policy

To control inflation, the Taiwan government announced import tariff reductions for several bulk commodities, extension to December 31, 2024. Butter and dehydrated butter are among the included products. New Zealand, as with milk powder, is trading partner most poised to benefit but already enjoys zero tariff access under ANZTEC.

Item (HS code)	**Current Tariff**	**Temporary Tariff (~12/31/2024)**
Butter (0405.10.00)	5% (NZ 0%)	2.5% (NZ 0%)
Dehydrated Butter (0405.90.10)	8 % (NZ 0%)	4% (NZ 0%)

In 2017, Taiwan adopted labeling regulations for milk content in butter and cream. The regulation is in accordance with the Act Governing Food Safety and Sanitation.

Butter: More than 80 percent milk fat content

Cream: 10 - 80 percent milk fat content

Margarine: More than 80 percent edible oils content/ fat spread: 10-80 percent edible oil content

Dairy, Butter	**2023**		**2024**		**2025**	
Market Year Begins	**Jan 2023**		**Jan 2024**		**Jan 2025**	
Taiwan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	0	0	0	0	0	0
Other Imports (1000 MT)	25	24	25	23	0	24
Total Imports (1000 MT)	25	24	25	23	0	24
Total Supply (1000 MT)	25	24	25	23	0	24
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Domestic Consumption (1000 MT)	25	24	25	23	0	24
Total Use (1000 MT)	25	24	25	23	0	24
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	25	24	25	23	0	24
(1000 MT)						
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Commodities: Dairy, Skimmed milk powder

Production

Taiwan does not produce milk powder in commercial quantities.

Consumption

The annual consumption of skim milk powder over the past decade has been around 23,500 to 24,500 tons. Although there has been a slight increase compared to consumption levels twenty years ago, no significant changes are expected in the short term. The consumption in 2023 was 24,463 tons, and we anticipate that the consumption in 2024 will be approximately 24,000 tons.

Trade

Taiwan's milk powder imports are extremely stable; there is no significant fluctuation in milk powder demand or supply. The main source of skim milk powder for Taiwan is New Zealand, which supplied 20,120 tons in 2023, holding an 82 percent market share. The second largest supplier is Belgium, with 2,021 tons, and since 2020, Belgium's market share has been around 8-10 percent. Due to limited storage capacity in Taiwan, the monthly import volume averages between 1,500 and 2,000 tons. In 2023, milk powder prices fell, resulting in an import value of $79 million last year.

Policy

The government announced the extension of the temporary tax reduction measures implemented in response to the pandemic until the end of 2024.

Item (HS code)	Current Tariff	Temporary Tariff – 12/31/2024
Whole Milk Powder (0402.21.00)	10% (NZ 0%)	5% (NZ 0%)
Skim Milk Powder (0402.10.00)	10% (NZ 0%)	5% (NZ 0%)

Dairy, Milk, Nonfat Dry	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Taiwan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	0	0	0	0	0	0
Other Imports (1000 MT)	24	24	20	24	0	25
Total Imports (1000 MT)	24	24	20	24	0	25
Total Supply (1000 MT)	24	24	20	24	0	25
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Human Dom. Consumption (1000 MT)	24	24	20	24	0	25
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	24	24	20	24	0	25
Total Use (1000 MT)	24	24	20	24	0	25
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	24	24	20	24	0	25
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Commodities: Dairy, Whole milk powder

Production

Taiwan does not produce milk powder in commercial quantities.

Consumption

In 2023, the import volume was 35,090 tons, and the import volume for 2024 is expected to be around 35,000 tons, maintaining consumption levels over the past five years. In contrast to the nearly unchanged consumption of skim milk powder, the consumption of whole milk powder has increased by about 10 percent over the past decade. The post anticipates that there will not be any significant consumption increases in the short term; however, long-term consumption is expected to rise, primarily driven by increased demand for other dairy products.

Trade

Unlike skim milk powder, nearly all the whole milk powder supply comes from New Zealand, which holds a market share of approximately 98.9 percent. The import value in 2023 was $125 million. Since New Zealand's milk powder already has zero tariffs under the ANZTEC agreement, the tax reduction measures announced by the Taiwanese government have not affected the supply of New Zealand milk powder.

Dairy, Dry Whole Milk Powder	**2023**		**2024**		**2025**	
Market Year Begins	**Jan 2023**		**Jan 2024**		**Jan 2025**	
Taiwan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	0	0	0	0	0	0
Other Imports (1000 MT)	35	35	34	35	0	34
Total Imports (1000 MT)	35	35	34	35	0	34
Total Supply (1000 MT)	35	35	34	35	0	34
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Human Dom. Consumption (1000 MT)	35	35	34	35	0	34
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	35	35	34	35	0	34
Total Use (1000 MT)	35	35	34	35	0	34
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	35	35	34	35	0	34
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Dairy, Cheese	**2023**		**2024**		**2025**	
Market Year Begins	**Jan 2023**		**Jan 2024**		**Jan 2025**	
Taiwan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	0	0	0	0	0	0
Other Imports (1000 MT)	33	33	33	34	0	34
Total Imports (1000 MT)	33	33	33	34	0	34
Total Supply (1000 MT)	33	33	33	34	0	34
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Human Dom. Consumption (1000 MT)	33	33	33	34	0	34
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	33	33	33	34	0	34
Total Use (1000 MT)	33	33	33	34	0	34
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	33	33	33	34	0	34
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Price

	FLUID MILK	BUTTER	SKIM MILK POWDER	WHOLE MILK POWDER
AVERAGE IMPORT UNIT PRICE	40.3 NTD/L	200 NTD/kg	98 NTD/kg	108 NTD/kg
RETAIL PRICE	90 NTD/L (local) 80 NTD/L (import)	500 NTD/kg	200 NTD/kg (wholesale)	300 NTD/kg

Sanitation Standard and Import Regulation

The current dairy product related regulations are in "Sanitation Standard for General Foods", "Sanitation Standard for Microorganism in Foods" and "Standards for Specification, Scope, Application and Limitation of Food additives". TFDA requires dairy products for food use under HS code 0401, 0402, 0403, 0404, 0405 and 0406 to be accompanied by official sanitary certificates. (G/SPS/N/TPKM/519). The official certificates should be issued by the competent authority of the exporting country indicating that the attested products are suitable "for human consumption", or "in compliance with relevant food safety and sanitary regulations".

Melamine and veterinary drug residues are prohibited in milk and milk products. Taiwan requires that imports of U.S.-origin fresh milk and milk products be accompanied by a Veterinary Service (VS) 16-4 export certificate for animal products.

For additional information, please see the instructions in the latest international regulations (IRegs) for animal product exports from USDA APHIS and the worksheet of dairy product sanitary certificate from USDA AMS.

Attachments:

No Attachments