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Taiwan

Dairy and Products Annual

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Report Highlights:

Taiwan milk consumption continues to grow due to strong liquid milk demand. U.S. fresh milk exports to Taiwan during the first eight months of 2018 reached 25,205 tons, up 33 percent from the same period last year. The United States continues to be the largest exporter of milk to Taiwan, followed by New Zealand. New Zealand milk products are gaining a strong competitive advantage as all tariffs and quotas for phase out toward zero by 2025 when their Free Trade Agreement (FTA) with Taiwan will be in full force.

Executive Summary:

Milk consumption in Taiwan is forecast to expand to 462,000 tons in 2019, supported by new health recommendations and expanded supply due to the New Zealand – Taiwan Free Trade Agreement (FTA). Forecast domestic production is raised to 400,000 tons for 2018 and 2019 based on Council of Agriculture (COA) statistics.

Total fluid milk imports are forecast to increase 2,000 tons in 2019, to 62,000 tons, due to the expanding quota access due to the New Zealand FTA. By 2025, all quota and tariff restrictions for New Zealand dairy will end. Total fluid milk imports for the first eight months of 2018 reached 43,753 tons, up 23 percent from the same period last year. U.S. fresh milk exports to Taiwan during the first eight months of 2018 reached 25,205 tons, up 33 percent from the same period last year. The United States continues to be the largest exporter of milk to Taiwan, followed by New Zealand.

Commodities:

Dairy, Milk, Fluid

Production:

Domestic milk production is forecast to stay stable in 2019 at 400,000 tons. Forecasted 2018 milk production is raised 10,000 tons to 400,000 tons based on an increase in milking cows. According to COA statistics, Taiwan had 61,253 milking cows in the second quarter of 2018, up three percent from the year before. Heavy rains and flooding in southern Taiwan damaged some animal operations, but most dairy farms escaped relatively unharmed. Producers have also done well in managing bovine ephemeral fever and other diseases in recent years.

Dairy cattle account for 96 percent of domestic milk production in Taiwan, with the remaining four percent supplied by goats. Domestic producers have been working to increase their competitiveness, with an eye on the New Zealand –Taiwan FTA. Under this FTA, both domestic producers and other importers will face very strong competition when New Zealand dairy products are able to enter Taiwan without tariff or quota restrictions in 2025.

Consumption:

Milk consumption is forecast to increase slightly to 462,000 tons in 2019 due to growing demand and increased supply. [On March 13, 2018, the Health Promotion Administration \(HPA\) of the Ministry of Health and Welfare \(MOHW\) revised its dietary guidance to recommend two cups of milk a day in order to increase calcium intake.](#)

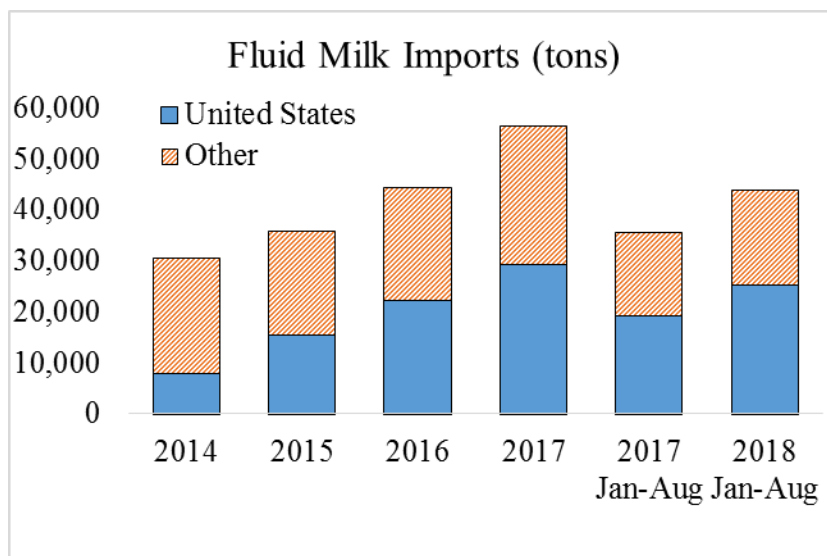
Forecasted 2018 milk consumption is raised 10,000 tons to 460,000 tons. Sales of fresh milk during the first half of 2018 reached 185,552 tons according to Ministry of Economic Affairs (MOEA) statistics, 11 percent higher than during the same period of last year. Per capita consumption of fluid milk was 17.27 kilograms per person in 2017, up two percent from the year before.

Trade:

Total fluid milk imports are forecast to increase 2,000 tons in 2019 to 62,000 tons due to the expanding quota for New Zealand dairy under its FTA with Taiwan. Total 2018 imports are forecast at 60,000 tons. Imports for the first eight months of 2018 reached 43,753 tons, up 23 percent from the same period last year. Strong demand at high domestic prices caused the milk quota to fill quickly after the first announcement each year. Wholesales chains have also promoted imported milk as a low-cost product that has a long shelf life.

The United States is the largest exporter of milk to Taiwan. U.S. fresh milk exports to Taiwan during the first eight months of 2018 reached 25,205 tons, up 33 percent from the same period last year. New Zealand remain the second largest exporter. France surpassed Australia to become the third largest exporter of fluid milk to Taiwan.

Under the New Zealand – Taiwan FTA, 7,000 tons of milk is eligible to enter Taiwan duty free in 2018. This will increase to 8,500 tons and 10,000 tons in 2019 and 2022 respectively. All quota and tariff restrictions for New Zealand dairy will end in 2025. The tariff for in-quota milk for other countries, including the United States, is 15 percent. New Zealand, faced with lower tariffs, is well positioned to increase its market share in the coming years.



Source: Customs Statistics (Global Trade Atlas)

Policy:

Taiwan replaced its ban on fluid milk imports with a Tariff Rate Quota (TRQ) and a Special Safeguard (SSG) mechanism following its accession to the World Trade Organization (WTO) in 2002. The tariff for in-quota imports is 15 percent, while the out-of-quota rate is NT\$15.6 per kg (roughly 50 percent of the average import value). For imports above the SSG's quantity trigger, an additional 33.3 percent surcharge is applied. Imports of goat and sheep milk are subject to a tariff of 20 percent but are not subject to TRQ or SSG limits.

Some milk is imported every year at the out-of-quota rate each year due to limited domestic production and high domestic prices. However, little milk is imported after the SSG comes into effect as the

combination of the out-of-quota tariff and SSG can exceed 80 percent of the import value. The SSG for fresh milk often triggers during the summer season when demand is high.

Tariff Rate Quota

Import quota rights are auctioned once a year. All importers registered with Taiwan's Board of Foreign Trade (BOFT) are eligible to bid on quota rights. Quota allocation certificates serve as automatic import licenses for fluid milk imports. The minimum quantity for bidding is 250 tons. The annual TRQ volume for fluid milk is 21,298 tons. In the last two years, the TRQ for fluid milk was fully allocated in the first round, reflecting increasing demand for imported milk.

The Ministry of Finance (MOF), which is responsible for TRQ allocations, has entrusted the Bank of Taiwan (BOT) to implement the TRQ application and allocation process. All relevant TRQ information can be retrieved from the [BOT website](#). The 2019 TRQ for fluid milk will be auctioned in November 2018 and March 2019.

Special Safeguards

Taiwan has adopted an SSG to control the volume of imported fluid milk. The Department of Treasury determines a quantity trigger and a unit price trigger for fluid milk. If imports of fluid milk exceed the SSG quantity trigger, or fall below the SSG unit price trigger, they are subject to the out-of-quota rate plus an additional 33.3 percent surcharge. The 2018 SSG quantity trigger for Fresh Milk is 24,909 tons, while the SSG trigger for Other Fluid Milk is 11,605 tons, which increase 37 and 13 percent from 2017. The SSG price trigger for fluid milk is NTD\$17 (US\$0.53) CIF per liter. The HS codes covered under "fluid milk" by the SSG are: 04011010, 04011020, 04012010, 04012020, 04014010, 04014020, 04015010, 04015020, 04029910, 04029920, 04029992, 04039029, 04039040, 04039059, 04039090, 18069053, 18069055, 19019025, and 19019027.

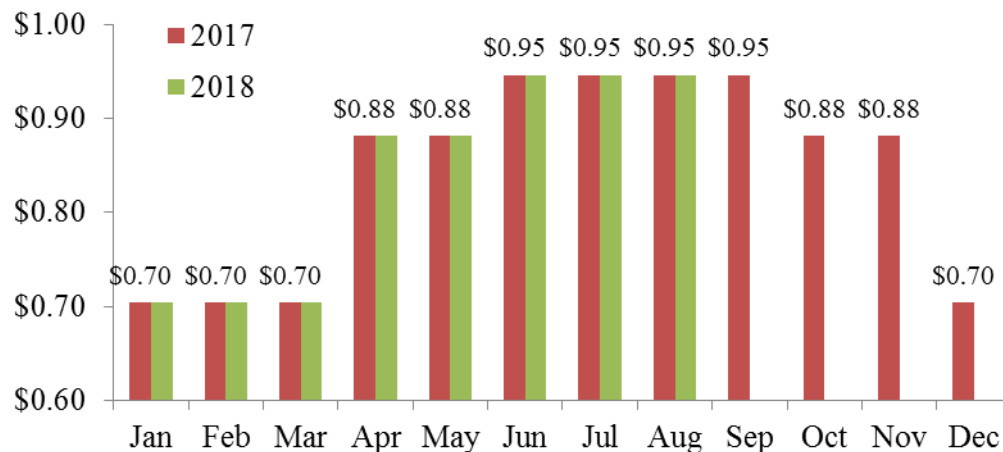
Import Regulations:

On April 26, 2018, Taiwan notified new import inspection requirements for egg and dairy products to the WTO ([WTO/SPS 458](#)). Under these proposed regulations, dairy products for food purposes classified under HS codes 0401, 0402, 0403, 0404, 0405, and 0406 must be accompanied by an official health certificate. Information on other regulatory requirements can be found in the latest FAS [Taiwan Food and Agricultural Import Regulations and Standards](#) Global Agricultural Information Network (GAIN) report.

Marketing:

COA sets reference prices for raw milk based on fat percentage, solid nonfat percentage, and somatic cell count. Some members of the National Animal Industry Foundation (NAIF) have advocated lowering the reference price in summer months due to stable milk production. However, farmers objected and COA kept the 2018 reference price unchanged from 2017. Some processors have offered farmers higher rates if they break contracts with other processors and sign with them, thereby increasing competition for limited domestic supplies.

Raw Milk Reference Prices (USD per Kilogram)



Source: National Animal Industry Foundation (NAIF)

Uni-President and Kuang Chuan are the two largest dairy producers, accounting for over 60 percent of retail sales by value. Wei Chuan has recovered in recent years, and is now the third largest producer due to third party food safety certification and internet sales.

Labeling

COA has been actively promoting its domestic fresh milk seal to consumers. As a result, many Taiwan consumers associate better quality in fresh milk with an authorized seal on the packaging. Only domestic registered processing plants under the contracted dairy producer scheme ([18 in total](#)) are eligible to apply to use the COA Fresh Milk Seal on their products. According to Taiwan's Act Governing Food Safety and Sanitation, if the milk is fortified with nutrients that are not inherent in raw milk itself, such as oligosaccharide, calcium, or Vitamin D, it cannot be labeled as "fresh" milk.

Independent dairy farms that do not send their milk to a certified processing plant are unable to obtain the COA Fresh Milk Seal. While some small dairy farms have been successful, many have struggled due to high production costs and limited consumer interest.

Commodities:

Dairy, Dry Whole Milk Powder

Dairy, Milk, Nonfat Dry

Production:

Taiwan does not produce milk powder in commercial quantities.

Consumption:

Whole Milk Powder (WMP) consumption is forecast to remain flat in 2019, at 34,000 tons. According to MOEA statistics, sales of milk powder were down five percent in the first half of 2018 compared to the year before. The growing bakery sector is helping to offset downward demand pressure that has resulted from low birthrates and fewer children. 2018 forecast consumption is unchanged at 34,000 tons.

Nonfat Dry Milk (NDM) consumption is forecast to remain flat in 2019 at 22,000 tons. Estimated 2018 NDM consumption is unchanged at 22,000 tons. Local producers are developing new formulations of fermented milk beverages by combining milk powder and fresh milk for improved flavor.

Trade:

2019 WMP and NDM imports are forecast at 34,000 MT and 22,000 MT, respectively. WMP imports in the eight months of 2018 were 23,341 tons, up eight percent from the same period last year. NDM imports for this period are down ten percent. Based on import trends, 2018 WMP and NDM imports estimates are 34,000 tons and 22,000 tons, respectively.

New Zealand and Taiwan signed an FTA in 2013 that eliminated the 10 percent tariff on New Zealand WMP. New Zealand holds a 98 percent market share for WMP in Taiwan and 80 percent market share for NDM.

Commodities:

Dairy, Butter

Production:

Taiwan does not produce butter in commercial quantities.

Consumption:

Butter and anhydrous milk fat (AMF) consumption is forecast to stay stable in 2019, at 26,000 tons. Forecast 2018 consumption is raised 2,000 tons, to 26,000 tons, based on import statistics and new labeling rules. In July 2017, Taiwan implemented [new labelling regulations](#) for milk fat content on butter and cream. This has resulted in clearer labeling and definitions on the market and helped boost sales of butter over butter substitutes or blends.

Trade:

2019 butter and AMF imports are forecast at 26,000 tons to meet forecast consumption. 2018 butter and AMF imports are raised 2,000 tons to 26,000 tons. Imports for January to August 2018 totaled 15,419 tons, up five percent from the same period last year. New Zealand still dominates the AMF and butter market with over 65 percent of the market share. Fonterra's Anchor brand butter is still the leading brand in the leading in the bakery sector.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Fluid	2017	2018	2019
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Market Begin Year	Jan 2017		Jan 2018		Jan 2019	
Taiwan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	61	61	60	62	0	62
Cows Milk Production	380	380	375	385	0	385
Other Milk Production	15	15	15	15	0	15
Total Production	395	395	390	400	0	400
Other Imports	55	55	60	60	0	62
Total Imports	55	55	60	60	0	62
Total Supply	450	450	450	460	0	462
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Fluid Use Dom. Consum.	408	408	408	418	0	420
Factory Use Consum.	42	42	42	42	0	42
Feed Use Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	450	450	450	460	0	462
Total Distribution	450	450	450	460	0	462

(1000 HEAD) ,(1000 MT)

Dairy, Dry Whole Milk Powder Market Begin Year	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Taiwan						
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Other Imports	32	32	34	34	0	34
Total Imports	32	32	34	34	0	34
Total Supply	32	32	34	34	0	34
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	32	32	34	34	0	34
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	32	32	34	34	0	34

Total Use	32	32	34	34	0	34
Ending Stocks	0	0	0	0	0	0
Total Distribution	32	32	34	34	0	34

(1000 MT)

Dairy, Milk, Nonfat Dry Market Begin Year Taiwan	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Other Imports	24	24	22	22	0	22
Total Imports	24	24	22	22	0	22
Total Supply	24	24	22	22	0	22
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	24	24	22	22	0	22
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	24	24	22	22	0	22
Total Use	24	24	22	22	0	22
Ending Stocks	0	0	0	0	0	0
Total Distribution	24	24	22	22	0	22

(1000 MT)

Dairy, Butter Market Begin Year Taiwan	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Other Imports	24	0	24	26	0	26
Total Imports	24	0	24	26	0	26
Total Supply	24	0	24	26	0	26
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Domestic Consumption	24	0	24	26	0	26
Total Use	24	0	24	26	0	26

Ending Stocks	0	0	0	0	0	0
Total Distribution	24	0	24	26	0	26

(1000 MT)