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Required Report - public distribution

Date: 4/8/2016

GAIN Report Number: TW16004

Taiwan

Grain and Feed Annual

Wheat, Corn and Milled Rice Situation and Outlook

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Report Highlights:

Taiwan is essentially completely reliant on wheat and corn imports, whereas domestic production accounting for approximately 90% of the total staple rice consumed. Wheat import demand for MY2016/16 and MY2016/17 will remain high with just a small increase of 0.4% to 1,360 TMT. The U.S. wheat share is anticipated to increase to 73.5%, at one million metric tons. Corn import estimates for MY2015/16 and MY2016/17 both are 4.1 MMT in line with an anticipated 2% recovery from animal disease outbreaks. The domestic rice production target remains at 1,144 TMT from 260 THA of land. The rice import forecast is constant at 126 TMT of which 56 TMT is U.S.-origin, as outlined in the WTO TRQ.

Commodities:

Wheat

Wheat – Production, Supply, Demand

Wheat Market Begin Year	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		Jul 2016	
Taiwan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2	3	3	2	0	2
Beginning Stocks	437	437	609	428	0	418
Production	5	7	7	5	0	5
MY Imports	1405	1355	1350	1360	0	1360
TY Imports	1405	1355	1350	1360	0	1360
TY Imp. from U.S.	1047	976	0	1000	0	1000
Total Supply	1847	1799	1966	1793	0	1783
MY Exports	63	63	60	65	0	65
TY Exports	63	63	60	65	0	65
Feed and Residual	0	0	0	0	0	0
FSI Consumption	1175	1308	1260	1310	0	1310
Total Consumption	1175	1308	1260	1310	0	1310
Ending Stocks	609	428	646	418	0	408
Total Distribution	1847	1799	1966	1793	0	1783

(1000 HA) ,(1000 MT)

Wheat Situation and Outlook

OVERVIEW

Taiwan is essentially completely reliant on wheat imports with the United States maintaining a significant market majority of 72% in MY2014/15. Popular bakeries will continue to feed demand. Overall wheat import demand for the current and forecast year will remain high with a small increase of 0.4% to 1,360 TMT. The U.S. wheat share is anticipated to increase to 73.5%, at one million metric tons, due to decreases in Australian and Canadian imports in the first half of MY2015/16.

PRODUCTION

Taiwan only grows a small amount of winter wheat with planting in November and harvest in March. Total wheat output forecast for MY2015/16 is 5 TMT from just 2,000 acres.

In response to the 2007/08 world price spike, a group of Taiwan farmers devoted itself to producing wheat locally and reducing Taiwan's import dependence. In 2012, 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 initially in 2013 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 (less than US\$1,500) per hectare fallow land subsidy.

Stocks

According to local 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 are stable, but slightly lower than a last year due less volatility in world wheat prices.

CONSUMPTION

Taiwan's wheat consumption for the current and forecast year is anticipated to remain high at 1,310 TMT.

Taiwan's wheat-based food market is dynamic with shifting applications/uses that help maintain the already high import demand for wheat. European style breads and bakeries are very popular; increasingly sought after are those products made of whole wheat flour and olive oil. Gift packages that include flour-based food items such as pineapple cakes are still hot items to Taiwan's booming tourists, particularly mainland Chinese travelers. Playing to a population increasingly aware of environmental issues, a local group has successfully promoted local food items, including wheat products, marketing a reduced carbon footprint – though local production will never be significant. Home baking has become trendy after a series of food safety scandals. Taiwan millers are promoting smaller, one-kilogram packs of flour, targeted for individual consumers and at-home use.

TRADE

Taiwan is completely dependent upon imports for their wheat demands.

Imports

In MY 2014/15, Taiwan imported 1.355 MMT of wheat, of which 55 TMT was wheat-equivalent flour. The United States held a 72% share, followed by Australia 18%, Canada 3% and other trading partners a combined 7%. No feed wheat was imported. Taiwan imposes a 6.5% tariff on milling wheat and feed wheat; compared to zero tariff for feed corn, soybeans, and other feed ingredients. This tends to discourage feed wheat imports except when high corn prices make feed wheat competitive.

Taiwan's wheat import forecast for the current and out year remains high with a small increase of 0.4% to 1,360 TMT. The U.S. wheat share is anticipated to increase to 75%, at one million metric ton due to decreases in Australian and Canadian wheat imports in the first half of MY2015/16. Taiwan Customs data relays that total wheat imports of the first half of MY2015/16 amounted to 660 TMT. Compared to same time period last year, this is a 30 TMT increase and a 4% increase in U.S. share. According to Taiwan Flour Millers' Association (TFMA), the pace and varieties of U.S. wheat imports will be the same as last year.

Taiwan Wheat Millers

At present, Taiwan has 21 mills operating, with one or two mills idle. The largest (and newest) flour mill began operation in October 2007, with a daily milling capacity of 1,000 MT. As baking at home becomes increasingly popular, local millers are branching into the retail sector, marketing one-kilogram sized bags of flour to individual consumers. Five large wheat millers participated in the 2016 Taipei International Bakery Show to promote commercial and consumer bags of flour.

The Taiwan flour milling industry continues to import through its long-standing collective group purchasing system, under which companies pool their resources to jointly bring in large grain shipments and cut costs. According to TFMA, almost all U.S. wheat is imported through this collective group purchasing. Only during periods of high ocean freight costs and readily available (empty) backhaul containers, do some mills import U.S. wheat individually, rather than through group purchases, through containerized shipments. Australian and Canadian wheat imports are all shipped via containerized shipments.

Demand for U.S. Wheat Varieties and U.S. Market Dominance

According to TFMA, approximately 56% of 2015 U.S. wheat imports under the TFMA's collective group purchases were comprised of 14% and 14.5% protein Dark Northern Spring (DNS) and Northern Spring (NS). About 32% of imports consisted of 13% or 12.5% protein Hard Red Winter and NS. Low protein wheat, Soft White Wheat made up the remaining 12% of wheat imports from the United States.

Compared to the previous year, high and medium protein U.S. wheat import shares increased one percent and two percent, respectively. Low protein U.S. wheat imports decreased by three percent. Australian Prime Hard and Hard as well as Canadian Western Red Spring exports supplanted the U.S. DNS market share.

Based on Taiwan's demand for high quality flour and superior milling wheat varieties, the United States will retain its market dominance.

Flour Trade: An 8 TMT Wheat Equivalent Net Exports in MY2014/15

In MY2014/15, wheat flour imports accounted for 4% of the total wheat demand, on a 1.368 flour to wheat conversion. This presented a one percentage point increase from the prior year. Wheat flour exports also increased at the same pace with flour imports. Imports were mostly sourced from Japan, and exports were designated to Hong Kong.

Taiwan imposes a 17.5% tariff rate on flour under HS 1101 and a 20% - 22% tariff on wheat-based products under HS 1902 while the tariff on wheat is 6.5%. The tariff structure discourages flour importation to substitute for wheat for local milling. Taiwan's wheat flour trade remains small but continues growing in both trade directions, with 8 TMT net exports in a row of the second year in MY2014/15.

HS code	MY2014/15 Imports, TMT	MY2014/15 Exports, TMT
1101	18.6	21.4
1902-19	9.9	4.6 (2.3 to the U.S.)
1902-30	11.0	19.8 (3.7 to the U.S.)
1902-40	0	0
Total	39.5 (55TMT wheat equivalent)	45.8 (63 TMT wheat equivalent)
Source: Taiwan Customs Data		

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GE Concerns and Shipping Documents

Genetically engineered (GE) products are increasingly scrutinized by critical consumer groups, politicians, and media. The May 2013, the USDA announcement that a small number of volunteer wheat plants in an Oregon field had tested positive for glyphosate resistant wheat 71800 thankfully drew little media attention. Taiwan authorities implemented testing requirements on all U.S. wheat exports though that policy has since been lifted. Currently, each U.S. wheat shipment is also accompanied by test reports or safety statements regarding maximum residue limits (MRLs), heavy metals, Ochratoxin A and α -toxin.

Good Hygiene Practice Inspections and Traceability

To implement traceability on wheat and flour, Taiwan's Food and Drug Administration (TFDA) visited wheat milling factories and had completed good hygiene practice (GHP) inspections on sites. All operating wheat mills are GHP certified. It is common that Taiwan mills meet the ISO 22000 international standard specified requirements for food safety management system. In addition to identification of suppliers and customers, effective July 31, 2015, wheat millers are required to test Ochratoxin A and MRLs in wheat and Ochratoxin A in flour quarterly and to submit the sanitary record to Taiwan FDA traceability system for five years' record.

Cross-Strait Trade Policy

As an important staple food item, wheat is considered a sensitive product by both sides of Taiwan Straits. The Cross Strait Trade Goods Agreement talks are yet to be complete. Cross straits trade dialogues are currently pending for inauguration of elected-Tsai administration on May 20. Taiwan authorities have stated that Taiwan will not liberalize imports of 830 agricultural products currently denied entry from China, including wheat products. Taiwan wheat millers, on the other hand, may look for opportunities to export specialty flour to mainland China which imposes high out-of-quota rate import duties.

Commodities:

Corn

Corn – Production, Supply and Demand

Corn Market Begin Year	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
Taiwan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	16	11	20	12	0	13
Beginning Stocks	379	379	255	328	0	325
Production	80	66	100	72	0	78
MY Imports	3821	3908	4100	4100	0	4100
TY Imports	3821	3908	4100	4100	0	4100
TY Imp. from U.S.	1842	1816	0	1640	0	1640
Total Supply	4280	4353	4455	4500	0	4503
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	3800	3800	4000	3950	0	3950
FSI Consumption	225	225	225	225	0	225
Total Consumption	4025	4025	4225	4175	0	4175
Ending Stocks	255	328	230	325	0	328
Total Distribution	4280	4353	4455	4500	0	4503

(1000 HA) ,(1000 MT)

Corn - Situation and Outlook

OVERVIEW

In MY2014/15, local animal disease outbreaks contributed to a 6.7% reduction - to 3.9 MMT - in Taiwan corn imports. Import estimates for both the current and forecast year are 4.1 MMT in line with an anticipated 2% recovery from animal disease epidemics. The PEDv outbreaks reduced local hog production in 2014 by 7.5%. HPAI outbreaks decreased poultry production by 8% in 2015. With a slow recovery rate, 2%, in hog and poultry production from pre-epidemic status, total feed output estimates for 2016 and 2017 are around 6.50 MMT, below 7.0 MMT for the first time.

The market share for U.S. corn in MY2014/15 recovered to 46% from the previous year's 42% and the record low of 12% two years ago. However, with a strong U.S. dollar and two harvests of Brazilian corn, the U.S. corn is anticipated to capture about 40% of Taiwan's total imports for the current and forecast year.

The Feed Control Act amendment mandates that all for-feed-use GE events register with Taiwan's Council of Agriculture (COA) by February, 2017. Genetically engineered product developers shall register with both COA and Taiwan Food and Drug Administration (TFDA) if the product is for both food and feed use. However, GE products previously registered with TFDA will be exempted from the duplicate COA review.

PRODUCTION

Nearly all of Taiwan's demand for feed corn is met by imports, approximately 98%. However, there is increasing attention on Taiwan's overall food self-sufficiency rate, 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 authorities revised domestic production policy to encourage growing import-substitute crops, such as commodity corn, wheat, and non-GE soybeans. Still, domestic production of these import-substitute crops is in very small volumes. Taiwan's COA increased corn target production for 2015 to 108 TMT from 16 thousand hectare (THA) of land. However, actual output was 66 TMT from 11 THA. Target production for 2016 is revised down to 72 TMT from 12 THA.

Stocks

Highly reliant on imports, Taiwan is a mature corn market with stocks maintained at levels equal to one-two months' consumption. With diverse import sources and the (previous) availability of containerized shipments, Taiwan usually keeps its corn stocks at reasonable levels to reduce capital investment. However, in 2015, less than 3% of total Taiwan corn imports were shipped via containers, reflecting a double-digit decrease in trade (in both directions). Limited empty backhaul containers are available for exporting grains to the region. MY2015/16 ending stocks are anticipated to remain low because of animal disease outbreaks and lower world corn prices producing slimmer margins for Taiwan importers.

CONSUMPTION

With the exception of approximate 225 TMT of corn for wet milling, the bulk of Taiwan's consumption is for livestock feed use. Corn consumption estimates for feed use are 3.95 MMT for current and forecast year. Swine and poultry are Taiwan's most important livestock sectors combining to account for 88% of Taiwan's total feed output in 2014. Total feed output estimates for 2016 and 2017 are around 6.50 MMT; below 7.0 MMT for the first time due to slow recoveries in both hog and poultry sectors. PEDv outbreaks reduced of 2014 hog production by 7.5% and HPAI outbreaks reduced poultry slaughter numbers by 8% in 2015.

Domestic Livestock and Poultry Production

In 2014, pork (HS code 0203) imports increased 60, by volume, from pre-PEDv level and imports in 2015 were almost doubled from 2014. Imports of poultry meat and products under HS0207 increased 27%, by volume, from pre-HPAI status. There are no significant poultry or pork exports.

Hog Sector

The PEDv epidemic in Taiwan forced the culling of hundreds of thousands of piglets in spring 2014 and lowered 2014's overall slaughter numbers to 8.067 million head, representing a 7.5% decrease from pre-PEDv status, 2013. Despite disease setbacks, the Taiwan hog sector is very lucrative, with the supply chain highly controlled by (reportedly colluding) producers, processors, and wholesalers. Taiwan 2014 pork prices were near-record high with COA forced to monitor live auctions, audit inventories, and increase imports. In response, 2014 pork meat (non-offal) imports (by volume) under HS 0203 doubled from pre-PEDv status (2012) with supplemental imports sourced primarily from Canada and Denmark.

(Significant imports of U.S. pork are limited due to beta-agonist restrictions.) Still, local Taiwan live hog prices are nearly double what is paid in the United States, with Taiwan consumers certainly bearing the burden.

Hog feed demand for the current and forecast year are estimated at around 2.70 MMT, accordingly.

Pork Imports, Domestic Production, and Wholesale Market Auction Prices (CY)

Year	Pork Imports, 1,000 metric tons (TMT)		Domestic pork production, per 1,000 head slaughtered	Auction Price, NT\$/kg
	Meat [HS0203]	Offal [HS0206]		
2010	44	29	8,575	\$69.36
2011	44	27	8,786	\$71.99
2012	24	29	8,965	\$63.35
2013	30	27	8,720	\$64.50
2014	48	33	8,067	\$78.09
2015 revised	82	34	8,200	\$71.44
2016 (estimate)	82	34	8,140	NA

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

Poultry Sector, HPAI Outbreaks

The HPAI outbreaks in 2015 resulted in an 8% decrease in total poultry production from pre-HPAI status, slaughtered, based on COA preliminary data. Total Taiwan 2014 poultry production was 370 million birds, slaughtered, of which broilers accounted for 198 million; native or Tugi birds, 109 million; ducks, 37 million; geese, 5 million; and 21 million made by other birds.

There continues to be sporadic cases of HPAI in commercial poultry farms on the island. As of March 14, 2016, COA's Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) confirmed 21 poultry farms (currently) infected. Subtypes of HPAI H5N2, H5N3 and H5N8 strains were all detected. Waterfowl, goose, and duck farms are the most impacted. According to BAPHIQ, approximately all Taiwan goose farms and goose breeder operations were infected. COA 2016 target production is 347 billion birds, slaughtered, with only a 2% increase from the HPAI epidemic expected.

Poultry feed demand for the current and forecast year are estimated at between 2.90 MMT and 3.00 MMT, accordingly.

Poultry Meat Imports, Domestic Production, and Farm Prices

Year	Imports of poultry meat and products, TMT [HS0207]	Domestic poultry production, million birds slaughtered	Farm Price, NT\$/kg (Broiler)
2010	115	370	\$41.85
2011	113	386	\$44.04
2012	130	359	\$42.99
2013	115	347	\$44.70
2014 (revised)	143	370	\$47.80
2015 (preliminary)	182	340	\$48.59
2016 (estimate)	180	347	NA

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

Total Feed Demand Estimates, Corn Inclusion Rates

In line with the domestic hog and poultry situations, total feed output in 2014 fell below 7.0 MMT (for the first time). Demand for the current and forecast year is estimated at 6.5 MMT with corn inclusion rate at 60% with limited rice availability and no anticipated feed wheat imports.

Taiwan Feed Production for CY2013-2016, TMT

	2013	2014 (revised)	2015 (estimate)	2016 (estimate)
Total Feed	7,288	6,937	6,455	6,495
Hog Feed	3,191	2,669	2,725	2,705
Poultry Feed	3,269	3,144	2,900	2,960
Others	828	819	830	830

Corn Substitutes, Other Feed Grains

Corn substitution for other grains is estimated at around 5%. 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, in particular when world corn price is high. One hundred TMT more old rice was available for feed use in 2015 due to high stock pressure, which cut corn demand for feed rations to 3.80 MMT. Going forward, however, there may be less rice for feed use due to drought and farrowed production; forecast estimates are scaled back to 100 TMT.

Imports of Other Grains, TMT

MY (Oct/Sept)	MY2012/13	MY2013/14	MY2014/15
Barley (HS 1003)	58 (9)	53 (10)	55 (12)
Sorghum (HS 1007)	116 (0)	110 (0)	70 (0)
Feed Wheat	85 (0)	39 (0)	0
Feed Rice (CY)	100	120	200
Total feed output (CY)	7,288	7,100	6,937
Est. combined inclusion rate	4.9%	5.0%	4.7%
<i>Source: Taiwan's Customs and Council of Agriculture (COA)</i>			
*Imports from the United States are included in (parentheses).			

Distillers Dried Grain (DDGS)

Taiwan customs data indicates stable demands for DDGS, with around 3% of feed inclusion rate.

Product	MY2012/13	MY2013/14	MY2014/15
Brewing or distilling dregs & waste (HS 2303.30)	216 (212)	213 (204)	184 (176)
Maize (corn) germ oil residue (HS 2306.9090.10-7)	0	0	0
Bran, sharps & residues of maize (corn gluten feed) (HS 2302.10)	10 (0)	12 (0)	14 (0)
Residues of starch manufacture and similar residues (corn gluten meal) (HS 2303.10 – 2% tariff)	36 (24)	34 (23)	37 (23)

TRADE

Taiwan is heavily reliant on imports. Domestic corn accounts for less than 2% of total corn demand. Taiwan's total corn imports for the current and forecast year are estimated at 4.10 MMT to meet domestic feed demand and approximately 225 TMT for wet milling.

The market share for U.S. corn in MY2014/15 continued recuperating to 46% from last year's 42% and the record low of 12% two years ago. Brazil dominated at 49%, South Africa 4%, and the rest of world at one percent. With a strong U.S. dollar and two harvests of Brazilian corn, the U.S. corn market share is anticipated at 40% of Taiwan's total imports for the current and forecast years. While Taiwan importers appreciate U.S. corn's consistent quality and reliable delivery, price is the always number one factor in purchase considerations.

Cross Strait Developments

Corn imports from mainland China are currently banned. As a follow-up to the Cross-Strait Economic Cooperative Framework Agreement, which was signed in September 2010, the Cross Strait Trade Goods Agreement talks are yet a few steps away to finish. However, cross straits trade dialogues are pending for inauguration of elected-Tsai administration on May 20.

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. Taiwan's livestock industry groups may welcome the option to purchase feed corn from China, especially during periods of high global commodity prices and rising concern for GE products. In the past, Taiwan has occasionally allowed feed corn from China to be imported to mitigate global price spikes.

POLICY

Reference: [GAIN Taiwan Annual Biotech Report](#)

Regulatory Oversight

According to a February 4, 2015, amendment to the Feed Control Act (FCA), COA is now the competent authority for approval registration of GE events in animal feed, with a two year grace period for implementation. This authority previously rested TFDA under the Ministry of Health and Welfare. TFDA will continue to have responsibility for GE events in food products for human consumption.

The FCA amendment mandates that all for feed use GE events register with COA by February, 2017. COA promulgated feed safety assessment on January 4, 2016 and feed safety guidelines for GE registration is anticipated to be published April 30, 2016. GE product developers, life science companies, shall register with both agencies (COA and TFDA) if the product is for both food and feed use. However, GE products have been registered to TFDA will be exempted duplicate reviews by COA; no trade interruption anticipated.

Market launches for new GE event and its stacked products may take longer for regulatory approvals as two agencies are now involved. Reportedly, COA and TFDA will have experts sitting in both COA and TFDA's safety assessment committee to assist interagency coordination in the approval process.

GE and Non-GE Corn Separate HS Codes

Effective November 1, 2014, all corn and its immediate products are required to clear customs under separate HS codes according to GE or non-GE designation. New import shipping document for customs clearance is required to indicate whether the corn shipment is GE or non-GE. At the same time, relevant handlers of corn products are required to establish traceability system and keep the record for 5 years.

CCC Code	Description of Goods
1005.90.00.90-5	Other maize (corn)
1005.90.00.91-4	Other genetically modified maize(corn)
1005.90.00.92-3	Other non-genetically modified maize(corn)
1102.20.00.00-1	Maize (corn) flour
1102.20.00.10-9	Genetically modified maize(corn) flour
1102.20.00.20-7	Non-genetically modified maize(corn) flour
1103.13.00.00-9	Grouts and meal of corn (maize)
1103.13.00.10-7	Grouts and meal of genetically modified corn (maize)
1103.13.00.20-5	Grouts and meal of non-genetically modified corn (maize)
1104.23.00.00-6	Other worked maize (corn)
1104.23.00.10-4	Other worked genetically modified maize(corn)
1104.23.00.20-2	Other worked non-genetically modified maize(corn)

Highly Processed Products Included in GE Labeling Requirements

Highly processed food product which is directly diverted from GE raw materials and even contains no detectable protein residues such as corn oil or corn starch, is required to be labeled. However, its “secondary products”, such as corn syrup in beverages, will be exempted.

Commodities:

Rice, Milled

Rice – Production, Supply, Demand

Rice, Milled Market Begin Year Taiwan	2014/2015		2015/2016		2016/2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	271	251	260	260	0	260
Beginning Stocks	288	288	291	256	0	276
Milled Production	1210	1136	1170	1144	0	1144
Rough Production	1729	1623	1671	1634	0	1634
Milling Rate (.9999)	7000	7000	7000	7000	0	7000
MY Imports	113	122	125	126	0	126
TY Imports	113	122	125	126	0	126

TY Imp. from U.S.	58	53	0	56	0	56
Total Supply	1611	1546	1586	1526	0	1546
MY Exports	30	75	19	20	0	20
TY Exports	30	75	19	20	0	20
Consumption and Residual	1290	1215	1280	1230	0	1230
Ending Stocks	291	256	287	276	0	296
Total Distribution	1611	1546	1586	1526	0	1546
(1000 HA) ,(1000 MT)						

Rice – Situation and Outlook

Overview

The drought in spring 2015 offset over-production in 2014. However, given sufficient domestic stocks, there is little impact on the island's supply and demand situation.

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 Taiwan's tariff rate quota (TRQ) outlined in their World Trade Organization (WTO) accession. The domestic rice production target remains at 1,144 TMT from 260 THA of land. The rice import forecast is constant at 126 TMT of which 56 TMT is U.S.-origin, as outlined in the WTO TRQ.

PRODUCTION

Taiwan produces two rice crops a year. The first crop is harvested between May and July, the second between October and December. 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.

After their 2002 WTO accession, Taiwan targeted domestic rice production at 1,130 TMT to 1,140 TMT, depending on crop conditions, from 260 THA. Taiwan is only about 33% self-sufficient in overall food production. To encourage production, Taiwan authorities upwardly adjusted domestic rice purchase prices by 13% in 2011, enticing farmers to expand rice production beyond the Council of Agriculture (COA) targets. As a result, rice output in 2014 exceeded 1.20 MMT, approximately 8% higher than the target level. However, Taiwan experienced a drought in spring 2015 resulting in a 7% production decrease. Such relieved stock pressures resulting from the previous year's over-harvest.

Under current rice purchase programs, Taiwan's rice market is stable and has a sufficient supply from domestic production.

CONSUMPTION

In a drive for greater food self-sufficiency, COA initiated several promotional campaigns to increase domestic rice consumption. 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 45 kg in 2013. Consumption was up only slightly in 2014, at 45.7 kg. By comparison, over the past 30 years, per capita wheat consumption rose from 23 kg to 36 kg. Taiwan's goal is to reach a 40% overall food self-sufficiency rate by 2020 compared to 33% at the present. The feasibility of this goal is dubious.

Taiwan's COA 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 contain a minimum 50% or higher of rice flour; otherwise the product shall not be labeled "rice" noodles.

The total consumption estimate for 2016 is lowered from the previous estimate due to less (old) rice available for feed use. Consumption estimates for the forecast year are reduced to 1,230 TMT.

STOCKS

Taiwan carries high rice stocks due to food security policy.

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 348 TMT from the previous level of 260 TMT. Given that carrying higher than necessity stocks is unrealistic, Taiwan has never actually reached the reservoir goal. _

TRADE

According to their WTO accession agreement, Taiwan's tariff rate quota (TRQ) for rice is 126 TMT (144,720 MT brown equivalent), which accounts for approximately 10% of domestic rice consumption. Taiwan's rice TRQ is divided into two portions: 35% or 44 TMT (50,652 MT brown equivalent) is reserved for private sector imports and 65% or 82 TMT (94,068 MT brown equivalent) is set for public sector imports.

The U.S. country specific quota (CSQ) allocation is 56 TMT (64,634 MT brown equivalent). A shift to increasing CSQ purchases of U.S. rice under the Simultaneous-Buy-Sell (SBS) regime has led to opportunities to direct marketing U.S. rice to retail. 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.

Imports

All rice imports are made under the WTO TRQ of 126 TMT annually with CSQ allocations. According to Taiwan Custom's 2015 data, Taiwan imported 122 TMT of rice on a milled basis, of which the United States supplied 53 TMT accounting for 43% share, followed by Vietnam (27%), Thailand (21%), Australia (5%), Myanmar (2%) and other countries combined 2%.

Rice 2015 Imports, 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	21,604 (18,795)	33,846	(2,817)	0	52,641 (43%)
Australia	0	914 (795)	4,822	0	0	5,617 (5%)
Egypt	0	0	0	0	0	0
Thailand	0	4,460 (3,880)	20,571	(5,991)	915	25,366 (21%)
Vietnam	0	10,502 (9,137)	23,984	(16,217)	0	33,121 (27%)
Cambodia	0	92 (80)	240	0	0	320
Japan	0	95 (83)	670	0	0	753
India	0	0	86	0	0	86
Pakistan	0	0	123	0	0	123
Italy	0	0	160	0	0	160
Myanmar	0	0	3,725	0	0	3,725(2%)
Korea	0	0	1	0	0	1
Uruguay	0	0		0	0	0
Spain	0	0	5	0	0	5
Others	0	0	4	0	0	4
Total	0	37,667 (32,770)	88,237	(25,028)	915	121,922

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.

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 2016 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 COA's preliminary statistics, Taiwan's fill rate for the 2015 rice TRQ for private sector imports is calculated at 99.79% or 50,545 MT (brown basis), of which only about 46 MT(brown basis) or 0.09% was U.S.- origin.

2016 Private Rice Quota Allocation Schedule & Results (The 3rd allocation results of 2015 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
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Rice	15,000	Jan. 1/ Sept. 15	Nov. 26	NT\$7.362	NT\$18.500	NT\$9.122	20
	20,652	Mar 1/Sept. 15	Feb. 24	NT\$7.826	NT\$23.260	NT\$9.778	35
	15,000	May 1/Sept. 15	Apr. 28 (4/29/2015)	TBD (NT\$7.966)	TBD (NT\$11.000)	TBD (NT\$7.150)	TBD (39)
Total	50,652 MT (44,067 MT milled equivalent)						

Public Sector Imports under Country Specific Quota

The 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. 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 \$61/MT), and then revised down to NT\$1,600/MT (approximate \$49/MT) due to lower world grain prices for the 2016 SBS imports.

Regarding Taiwan's 2015 U.S. CSQ purchase commitments, Taiwan successfully awarded their SBS tender commitments for 35,600 MT (brown basis) of U.S. rice and normal tender commitments for 29,034 MT (brown basis) of U.S. rice. No U.S. rice was opened for global contract.

For the 35,600 MT (brown basis) of the 2015 U.S. rice CSQ under the SBS scheme, 4,600 MT (as of February 29, 2015) is yet to be shipped to Taiwan by April 30, 2015 deadline. For the 29,034 MT of the 2015 U.S. rice CSQ under normal tender, only 1,150 MT had been imported in 2015 and the remaining 27,884 MT was tendered for delivery by June 30, 2016.

It is anticipated a successful tender implementation year for the 2016 U.S. rice CSQ. As of reporting date, Taiwan has completed tender for 35,600 MT under SBS for delivery from May 1, 2015 to June 30, 2016.

2016 Country-Specific Quota (CSQ) Allotments for Public Sector Imports (MT brown basis)

Country	SBS Tender	Normal Tender	Total CSQ
Egypt	0	2,500	2,500
Thailand	6,500	1,800	8,300
Australia	6,500	12,134	18,634
USA	35,600	29,034	64,634
Total	48,600	42,968	94,068
Source: Council of Agriculture (COA) announcements			

Exports

Taiwan's rice exports in 2015 amounted to 75 TMT, of which 17 TMT was dedicated to humanitarian food aid with the balance sold on a commercial basis. This is about four fold greater than the previous year' as Papua New Guinea imported 55 TMT of rice from Taiwan instead of Australia.

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. Despite a great deal of trade promotion efforts, Taiwan exported only approximately 2 TMT to China and Hong Kong in 2014, and less than 2 TMT to China and Hong Kong combined in 2015. 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 and comes at a higher cost. Exports for forecast year are expected to near three TMT for commercial exports and 17 TMT for food aid.

Taiwan 2015 Commercial Exports, MT (milled)

Destination	Tonnage	
	HS100620 brown (milled)	HS100630
Papua New Guinea	0 (0)	54,917
Hong Kong	180 (157)	1,232
China	38(33)	313
Australia	2 (2)	478
Singapore	19 (17)	193
Canada	14 (12)	21
Japan	4 (3)	6
Malaysia	64 (56)	251
U.S.A.	35 (30)	64
Others combined	23 (20)	357
Subtotal	379 (330)	57,832
Total	58,162	

Source: Taiwan Customs Arrival Data

Taiwan 2015 Food Aid Shipments, MT (milled)

Recipient Destination	Tonnage
Haiti	4,900
Lesotho	160
Swaziland	200
Philippines	6,300
Pakistan	700
South Africa	800
Zimbabwe	440
El Salvador	600
Honduras	580
Bangladesh	100
Cambodia	340
Jordan	600
Nicaragua	1,400
Mozambique	200
Dominica	20

Tuvalu	50
Total	17,390
Source: Council of Agriculture (COA)	

POLICY

Domestic Rice Purchase Programs

Taiwan established voluntary purchase programs for domestic rice in 1974. Under a policy to increase their food self-sufficiency, 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. In 2014, 367 TMT of paddy sold to government accounted for approximately 21% of total annual output. More domestic rice enters public stocks, which might be contributed to increases of U.S. rice CSQ under SBS tender.

Blending of Domestic and Imported Rice Prohibited

Effective December 18, 2014, blending of foreign and domestic rice in branded rice packages is prohibited. Authorities found that (cheaper) domestic rice was blended with more expensive domestic rice, and marketed as locally produced, therefore commanding a premium. Still, some feel the labeling policy change may be an opportunity to promote U.S. rice and U.S. rice varieties, including U.S. long grain and southern medium grain.

Long Grain Rice Ban Lifted

In late November 2014, Taiwan authorities lifted the longstanding ban on U.S. long grain rice. Taiwan imposed an import ban on U.S. long grain rice immediate after the LibertyLink incident, summer 2006. Tenders for U.S. long grain rice were successful for the 2016 U.S. rice CSQ as Taiwan removed the amylose specifications which were beyond what U.S. suppliers could guarantee.

Grading Standards

Taiwan revised its National Standards for milled rice (Rice CNS 2425, N 1059) in September 2015, allegedly to help local millers meet grade labeling requirements in terms of chalky kernels. Under lower heat damaged kernels and damaged kernels combined, the rice is allowed to be graded as the same grade with a higher allowance of chalky kernels than the old version grading standards which have specific standards for respective quality characteristics old heat damaged kernels, damaged kernels and chalky kernels. CNS #2 consumer pack rice was often found mislabeled to CNS #1 because of higher chalky kernels. It is anticipated fewer incidents of quality and/or labeling disruptions to occur.

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. Small rice milling machines can be found at certain stores, promoting natural and local food.