

TAIWAN

Rice Situation & Outlook

Imports

Taiwan switched its import regime to a Tariff Rate Quota (TRQ) system in 2003 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 tmt on a milled rice basis). Of this total, 65 percent is reserved for the 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. The quota allocation schedule was reported in the TW3005, and public tender schedule the TW3012. Without prior consultation, Taiwan submitted the new rice import regime to the WTO in October 2002 and passed implementing legislation in December 2002. The U.S., Australia, and Thailand all raised formal objections in the WTO. The primary concerns were Taiwan's lack of consultation, removal of language committing to the distribution of imported in normal marketing channels and the extremely high out of quota duty. Under the TRQ's "System Three" quota bidding system, Taiwan has so far successfully allocated 30,652 mt (brown basis) of quota rights to local importers, with the lowest bid price at NT\$7.688/kg (brown basis). The cost for quota rights in 2003 is lower than the lowest 2002 mark up price of NT\$8.26/kg (for milled and brown rice). Allocation of the remaining

20,000 mt of quota rights is scheduled for May 23. Under System Three, importers bid for quota rights that are sold to the highest bidders first. Any remaining quota goes to bidders in descending order until exhausted. System Three allocates quota rights much more quickly than the mark-up system used in 2002 that used a fixed quota allocation schedule for incorporating a NT\$3/kg reduction every two weeks. With exception of any unused quota reallocation, there is no need for quota reallocation under the System Three. The United States had 69 percent share of the 2002 rice MMA quota (see TW3010). Note: Some of the 2002 MMA rice was imported in 2003, so the MMA totals do not match 2002 trade data. The U. S. import share for 2003 is expected to fall slightly because of increased private sector purchases from Thailand caused by higher U.S. and lower Thai rice prices. According to industry sources, the 2002 government imported brown rice is being sold in Taiwan at NT\$21.23/kg for 2002 crop, equivalent to U.S. rice at C&F \$330/mt. Since current U.S. rice costs around \$400/mt, this price will be very attractive to local millers. As of late April 2003, approximately one-third of government imported rice was released to the market

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Exports

Taiwan has committed to stop selling surplus rice onto the world market at discounted prices after WTO entry and there have been no commercial exports after May 2002. Total 2002 rice exports of 94 tmt were all contracted for prior to WTO entry. No non-food aid rice exports are anticipated in 2003. However, Taiwan will export 5,000 mt of food aid to Iraq in April 2003 and may send as much as 100,000 mt of food aid to other destinations.

Production

Taiwan's rice production policy focused on self sufficiency, despite falling demand and high production costs that vary between \$550/mt to \$820/mt (milled basis). Artificially high prices have resulted in overproduction since the 1970's. To reduce supplies and maintain prices, Taiwan subsidizes other crops through its paddy diversion program and land set-asides. To further stabilize prices, the Taiwan authority purchases 20 – 25 percent of the rice harvest at guaranteed prices, see Table 1 below. As a result, Taiwan rice is not price competitive on the world market. Further information on Taiwan's rice production policies are available in report TW9053. The policies have remained unchanged since 1993.

From 2002, Taiwan ended its ban on imported rice and allowed the import of 144,720 mt. As a result, its post-WTO rice production target has been adjusted downward to 1.18 mmt (1.36 mmt on a brown basis) from 300,000 hectare of

land. As a result of a drought in northern Taiwan during the 2003 Spring crop planting season, the 2003 rice production estimate is 1.14 mmt from 288,000 hectares of land. This decrease will help offset the large harvest in 2002 and support prices. Local rice market prices fell from January 2002 to January 2003 but have risen since February 2003, although they remain lower than in 2002.

Marketing

The introduction of imported rice has resulted in the diversification of the Taiwan rice market into different origins and varieties. Taiwan customers now have the choice of many different types of rice, including Calrose, Koshihikari, Jasmine or Tamanishiki. However, because of government procurements, most imported Calrose goes to institutional use, which accounts for 65 percent to 70 percent of total rice distribution. Institutional use is also stimulated by the lack of a price premium for Calrose on the Taiwan market. However, many Taiwan millers prefer marketing a Calrose-Taiwan rice mix because Calrose can improve product quality while allowing mills to make more money. Jasmine Thai rice or Missouri rice, Koshihikari, organic brown, rice with germ, and certified Taiwan good quality rice are priced higher than general rice varieties. The diversification of rice products and the presence of new premium varieties have made local consumers increasingly concerned about false labeling of commercially packed rice. To help ensure that people get what they pay for, Council of Agriculture is conducting

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research on how to better monitor rice freshness, varieties, and origins to ensure more truth in labeling. Current rice labeling guidelines require that commercially packed rice list rice origin, local production county for Taiwan rice, or both for mixed origins. There is an ongoing project to build a “rice DNA fingerprint data bank” to cover rice varieties from Taiwan, the United States, Australia, Thailand, and mainland China. DNA fingerprints help prevent false labeling on rice packages.

Consumption

Total domestic rice consumption in 2002 and 2003 is estimated to fall slightly because of the falling quantity of rice available for feed use. The table rice consumption forecast remains at 1.2 mmt. According to the last published COA Taiwan Food Balance Sheet, total domestic rice consumption was 1,354 tmt in 2000, of which 48 tmt was used for feed; 15 tmt for planting; 80 tmt for processing; 13 tmt wasted; while 1,198 tmt went for table rice use. Per capita rice consumption has been falling steadily for the past two decades because of rising disposable income, increasingly western-style consumption patterns and the replacement of cereals by meats in the diet. Per capita rice consumption in 2000 was 54.17 kg, compared to 54.90 kg in 1999 and 65.94 kg in 1990.

Policies and Prospects

Taiwan rice millers are using different market strategies to respond to the post-WTO market. Large millers are both

importing and investing in new milling/packing facilities to improve rice quality in order to compete with imported rice. One top local miller has taken out newspaper ads for imported U.S., Japanese, Australian, and Thai rice sold under his brand. Some millers claim that they will stick with locally grown rice and segregate the market from imports through advertising. COA is training its staff to inspect packaged rice in retail outlets to improve domestically grown rice quality in order to be able to compete with imported rice (see TW0004 for Taiwan rice sanitary and quality standards). Imported rice continues to be inspected on a lot-by-lot basis for pesticide residues, heavy metal and aflatoxin by the import inspection authority, BSMI. This raises some national treatment concerns as Taiwan rice does not appear to be subject to such inspection. Post is taking this matter up with Taiwan authorities.