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Commodities Pave Way for Near-record U.S. Ag. Exports to Taiwan

Report Categories:

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Oilseeds and Products

Livestock and Products

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Report Highlights:

2014 saw near-record imports of U.S. agricultural products into Taiwan, valued at \$3.79 billion (based on Taiwan customs data). U.S. bulk commodities including corn and soybeans paved the way, rebounding from 2013 lows. Taiwan consumers continue to expand demand for diverse imports including beef, dairy, fruits and vegetables.

General Information: The United States continues to be Taiwan's number one source of agricultural products, supplying approximately 25% of Taiwan's total agricultural imports. Based on Taiwan import data, 2014 U.S. agricultural exports to Taiwan were valued at USD \$3.79 billion (based on Taiwan customs data). Taiwan's second largest source of agricultural imports, Brazil, provided just \$1.12 billion. U.S. bulk commodities including corn and soybeans paved the way, rebounding from 2013 lows, and accounting for approximately 44% of total U.S. agricultural exports to the island. Taiwan consumers continue to expand demand for diverse, high quality foods including beef, dairy, fruits and vegetables. Indications are that 2015 will also be a strong year for U.S. food and agricultural exports to Taiwan.

Bulk Commodities: Favorable weather conditions resulted in bumper U.S. corn and soybean crops. Resulting lower prices enhanced U.S. global competitiveness and allowed U.S. bulk commodities to recapture 2013 market share losses.

Oilseeds, Soybeans – Undeterred by local cooking oil scandals, U.S. soybeans to Taiwan expanded 25% over previous year's trade; valued at \$758.9 million, capturing 56% of the Taiwan market.

Corn – The bulk of U.S. corn exports to Taiwan are destined for local livestock consumption. U.S. corn exports, buoyed by low prices, recovered to capture 46% of the market, valued at \$481 million. 2014 U.S. corn exports are over double 2013 numbers which saw record-low U.S. corn exports to Taiwan as U.S. supplies were limited and resulting prices high.

Wheat – U.S. wheat continues to sell well on the island despite minor disruptions in the local baking industry. U.S. wheat exports in 2014 saw a slight decrease, both in value (\$357 million) and market share (76%). Aside from an anticipated slowdown in Taiwan's baking sector, local bakeries were also hit by food safety scandals which may have lowered input demand.

Livestock Products: Taiwan consumers demand for imported beef and dairy continues to grow. While beta-agonist bans severely limit U.S. pork to the island, U.S. poultry continues to sell well, despite significant local production.

Beef – A rising tide raises all ships. Taiwan's beef demand remains strong; 2014 was a record year for beef imports (all global sources) at over \$722 million, an increase of 14% over the previous year. This demand extended to both higher-quality chilled product (70% supplied by the United States) and lower-quality frozen product. The United States and Australia were the number one suppliers by value and volume, respectively. Despite a free trade agreement, New Zealand is a distant third place supplier of both fresh (i.e. chilled) and frozen product. The United States and Australia more or less retained their 2013 market shares (value and volume), with increased overall demand resulting in increased trade for both suppliers.

Despite tight supplies and high prices, U.S. beef exports to Taiwan solidly surpassed the previous year's record setting trade. The value of U.S. beef exports to Taiwan in 2014 was approximately 15% above 2013, at \$294 million, making Taiwan the United States' sixth largest beef market. 2014 exports to Taiwan were impressive despite record-high U.S. beef prices and stiff regional competition for preferred

cuts. Regional trading partners including Korea and Hong Kong saw increased imports of U.S. beef by 51% and 34%, respectively (based on January – November data), buoyed by liberalized import restrictions.

Pork – While Taiwan authorities called for increased pork imports to lower high local prices, the United States was unable to take full advantage of this opportunity due to beta-agonist restrictions. Taiwan imported \$197 million in pork and pork products in 2014; a significant increase of 68% over 2013. U.S. pork exports to the island were valued at \$41.7 million, in line with previous years but capturing a much smaller market share. The European Union and Canada are the preferred suppliers.

Poultry – Despite significant local production, U.S. poultry to Taiwan continues to sell well, with frozen product meeting much of the demand for the popular lunch boxes. The United States is the preferred supplier of imported product, with U.S. poultry meat exports to Taiwan valued over \$150 million in 2014.

Dairy - The United States is the second largest foreign supplier of fluid milk in 2014, reaching a record high of approximately 6,000 MT (valued at \$7.7 million) with a market share of 24%. In the wake of several food safety incidents throughout Taiwan, consumers tend to purchase imported dairy products despite the price premium. Post predicts the demand for fluid milk will continue growing throughout 2015.

Fruits and Vegetable Products - Similar to other agricultural imports, Taiwan consumers continue to expand their demand for fruit, vegetables and tree nuts. While maintaining its position as a substantial supplier of bulk commodities, the United States is also a major supplier of imported fruits and vegetables. The United States is the top supplier of most varieties of imported fresh fruits and their respective market shares are labeled in brackets: apples (39%), cherries (50%), peaches and nectarines (76%), table grapes (62%), plums (78%), oranges (81%) and berries (79%). In addition, the United States is also the key supplier of most varieties of vegetables including broccoli (96%), onion (87%), lettuce (99%) and potatoes (96%).

Processed Products - With over 6,000 food processors, Taiwan's food processing and ingredient industry is anticipated to grow steadily. Progress in food technology, marketing innovations, and exports of finished food products are attributable to Taiwan's increasing demand for quality imported food ingredients and raw materials.

Looking Forward: In the upcoming year, U.S. food and agricultural exports to Taiwan should continue to do well. Rather than demand limitations, U.S. exports may face impediments in the form of additional sanitary/phytosanitary or technical barriers to trade. A continuation of local food safety scandals may see U.S. exports to the island targeted, as has happened in the past.

U.S. bulk commodity prices, specifically corn and wheat, are expected to remain low, ensuring U.S. competitiveness with South American market participants. Barring any unforeseen opposition to genetically engineered technology, Taiwan should be a strong market for U.S. commodities in 2015.

Taiwan's consumer demand for niche and high quality products continues to expand, despite record-

high prices for certain commodities such as U.S. beef. Regarding beef, tight supplies and increasing global demand mean high prices are likely to continue. The U.S. Department of Agriculture forecasts 2015 retail beef prices to be 5-6% about 2014. However, consumer demand in Taiwan seems surprisingly inelastic and 2015 should again be a solid year for U.S. beef, despite of the often referenced political sensitivities. Consumer demand for fruits, vegetables, dairy and processed products looks to be positive.