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Taiwan

OILSEEDS

Annual

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Report Highlights:

Taiwan remains the fourth largest export market in the world for U.S. soybeans. In MY07/08, Taiwan imported 2.148 million metric tons of soybeans, 88 percent of which were supplied by the United States, a \$952 million market. Soybean import forecasts for MY08/09 and MY09/10 remain at the same level as MY07/08, in the range of 2.1 to 2.2 million metric tons, in line with continued weak domestic feed demand driven by declines in Taiwan's two important livestock sectors--swine and poultry. In 2009, the Taiwan authorities reduced their domestic swine production target by 2.1 percent from the previous year to 880 million head, and the poultry production target by 1.9 percent to 363 million birds. As a result, feed demand, an important driver of overall soybean demand, is estimated at 7.2 million metric tons for 2009, down slightly from 7.28 million metric tons in 2008, but more dramatically vs. 7.641 million metric tons in 2006. Taiwan's demand for soybeans is met almost entirely by imports. Its demand for soybean meal and oil is also highly dependent on local supplies crushed from imported soybeans. In MY07/08, locally-crushed soybean meal accounted for 99 percent of the Taiwan soybean meal market while locally-crushed soybean oil accounted for 90 percent of that market. The reduced availability and higher cost of shipping containers may increase Taiwan's sourcing from South American suppliers, cutting the dominant U.S. share of Taiwan's soybean imports.

Executive Summary:

Taiwan has been, and remains, the fourth largest export market in the world for U.S. soybeans. In MY07/08, Taiwan imported 2.148 million metric tons of soybeans, 88 percent of which were supplied by the United States, a \$952 million market.

Taiwan's demand for soybeans is met almost entirely by imported supplies. Its demand for soybean meal and oil are also highly dependent on local supplies crushed from imported soybeans. In MY07/08, locally crushed soybean meal accounted for 99 percent of the Taiwan total soybean meal market and locally crushed soybean oil 90 percent of the Taiwan total soybean oil market -- although soybean oil only enjoyed 59 percent of Taiwan's total vegetable oil market.

Approximately 90 percent of Taiwan's feed production goes to swine and poultry production, 45 percent each, with most of the rest going to cattle and fishery production. In addition, the Taiwan authorities placed an exemption on the 5% VAT for soybeans (and three imported grains) starting from March 10, 2008 to help local crushers cope with current market and economic conditions.

Local press has reported reductions in work hours and increased layoffs, which negatively impacts local markets in all sectors. When the market condition is unpredictable, as in the current global economic downturn, a conservative consumption attitude is customary in Chinese culture. As a result, in 2009 the Taiwan authorities reduced their domestic swine production target by 2.1 percent from the previous year, to 880 million head, and the poultry production target by 1.9 percent, to 363 million birds. Feed demand is estimated at 7.2 million metric tons for 2009, compared to 7.28 million metric tons in 2008, 7.484 million metric tons in 2007, and 7.641 million metric tons in 2006. This reduced demand trend can be traced directly to recent price shocks in the swine production sector and uncertainty in the poultry sector, as illustrated below.

In the swine sector, there was an oversupply in 2006 and hog prices fell below NT\$5,000 per 100-kg head. In response, the industry started cutting hog production in 2007 by culling sows and young pigs. During the 4th quarter of 2007, world grain prices began to increase rapidly while domestic hog prices were below the break-even point. A serious hog production reduction scheme was implemented to support prices and help industry survive. At the same time, the local hog sector pressured COA to ban the usage of ractopamine in meat animal production on Taiwan. The industry succeeded and Taiwan has banned ractopamine since October 2006, which later interrupted U.S. pork exports to Taiwan. In part due to these developments, local hog prices rose to NT\$7,557 per 100-kg head in June 2008 and since then stayed generally above NT\$6,000 per 100-kg head, a self-claimed break-even point for the industry. Despite this, domestic production remains below earlier levels, thereby reducing feed demand. Meanwhile, Taiwan is in the final phase of its Food and Mouth Disease (FMD) eradication program, but encountered its first outbreaks of the disease in nearly a decade when FMD was detected in three herds in two counties earlier this year. This led to a prohibition on imports of Taiwan pork in Singapore and it is now anticipated that Taiwan will be unable to declare itself FMD free as hoped over the next three years. This is a major setback for an industry with hopes for restarting their once-extensive export business to Japan once FMD is eradicated. Whether or not Taiwan can eradicate FMD longer-term remains to be seen, but hog production in 2010 is anticipated to continue at lower levels.

With respect to the poultry sector, Taiwan has proposed a ban on marketing freshly killed

chicken in traditional wet markets since 2007 aiming to prevent an Avian Influenza (AI) outbreak. In late March, COA announced its intention to move ahead with the ban but met further resistance from wet market poultry vendors while determining that the domestic processing industry needed more time to be ready to handle the additional market demand. As a result, further action has been postponed for several months or more. If the ban takes effect, the raising of colored birds, which currently account for 40 percent of Taiwan's total poultry production, is likely to be negatively impacted, and imported poultry meat should find new opportunities in the market.

In another key development for U.S. soybean trade with Taiwan, the percentage of exports sold in containerized shipments is anticipated to decrease from the previous year's high of seventy percent due to the decrease in availability of empty backhaul containers as Asian exports to the U.S. suffer during the current global economic downturn. Trade sources indicate this may give an import opportunity to South American soybeans, with the possibility of reducing U.S. share to about 75 percent in the current year from the 88-percent shares held in 2007 and 2008.

Commodities:

Oilseed, Rapeseed
Select

Production:

Production, Supply and Demand Data Statistics:

Oilseed, Soybean	Taiwan	2007		2008		2009	
		2007/2008		2008/2009		2009/2010	
		Market Year Begin: Oct 2007		Market Year Begin: Oct 2008		Market Year Begin: Oct 2009	
		Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Jan
			Data		Data		Data
Area Planted		0	0	0	0		0
Area Harvested		0	0	0	0		0
Beginning Stocks		133	133	90	97		90
Production		0	0	0	0		0
MY Imports		2,149	2,148	2,350	2,200		2,100
MY Imp. from U.S.		1,750	1,892	1,750	1,936		1,848
MY Imp. from EU		0	0	0	0		0
Total Supply		2,282	2,281	2,440	2,297		2,190
MY Exports		0	0	0	0		0
MY Exp. to EU		0	0	0	0		0
Crush		1,927	1,543	2,075	1,642		1,535
Food Use Dom. Cons.		265	265	265	265		265
Feed Waste Dom. Cons.		0	376	0	300		300
Total Dom. Cons.		2,192	2,184	2,340	2,207		2,100
Ending Stocks		90	97	100	90		90
Total Distribution		2,282	2,281	2,440	2,297		2,190
CY Imports		2,500	2,380	2,475	2,087		2,200

CY Imp. from U.S.	2,300	2,149	2,375	1,817			1,936
CY Exports	0	0	0	0			0
CY Exp. to U.S.	0	0	0	0			0
TS=TD		0		0			0
Comments							
AGR Number							

Comments To Post

Author Defined: Soybean Situation and Outlook

General

Starting in mid 2006, world soybean and other commodity prices started an upward trend that peaked in July 2008 and then severely dipped until the rebound of recent weeks. In response to these severe fluctuations, Taiwan slowed down its import pace particularly after July 2008, which is reflected partly in MY07/08 and MY08/09 soybean import figures. Taiwan's soybean import demand for MY08/09 and MY09/10 has also been adjusted downward reflecting the global economic downturn which starting hitting the Taiwan economy hard in late 2008 decreasing demand in general for nearly all imported commodities.

Nevertheless, the soybean import forecast for MY08/09 and MY09/10 remains at the same level as MY07/08, in the range of 2.10 to 2.20 million metric tons, in line with weak domestic feed demand driven by declines in Taiwan's two important livestock sectors. This compares to import volumes of 2.148 million metric tons in MY07/08 and 2.435 million metric tons in MY06/07. These lower import forecasts track the modest downward adjustments in domestic hog and poultry production. According to Taiwan's Council of Agriculture (COA), the domestic hog production target for 2009 is 880 million head (slaughtered), and for poultry is 363 billion birds (slaughtered), down 2.1 percent and 1.9 percent, respectively, from a year earlier.

Taiwan's demand for soybeans is almost entirely met by imports. Soybean import demand is divided between food uses, which are relatively constant; and crushing for meal and oil, which is getting more variable since Taiwan liberalized its meat import market post WTO accession in January 2005. Nevertheless, Taiwan has become the fourth largest export market for U.S. soybeans in recent years, with total export value reaching nearly \$1 billion in CY 2008 (surpassing corn as the largest U.S. agricultural export to Taiwan).

Demand for food-use soybeans remains strong. It is estimated at 265 thousand metric tons, primarily sourced from locally-screened U.S. #2 grade soybeans and distributed by domestic crushers. In MY07/08, 14 thousand metric tons of the total food use soybeans were non-GM, including organic and food grade beans, from non-U.S. sources, according to the Taiwan Customs statistics. It is difficult to estimate the volume of non-GM soybeans sourced from the U.S. using Taiwan Customs statistics. However, at least four U.S. non-GM soybean suppliers are active in the Taiwan market, so Taiwan soy food manufacturers don't have any problem importing non-GM beans from the United States, including specialty varieties for making natto or natto kainase via containerized shipments.

Market Share: U.S. Market Share is Expected to Remain Dominant

In recent years, U.S. soybeans have been facing stronger competition from South American soybeans. Price competition may stimulate additional interest in South American beans, or imports of less expensive soybean meal from India or the United States to substitute for locally-crushed meal from imported soybeans. Despite these changes, the United States is expected to retain its leading position in the Taiwan soybean market because of increasing U.S. attention to quality, the year-round availability of U.S. soybeans, the reliability of U.S. supplies, and the advantages of shipping from the U.S. via backhaul containers. In addition, local crushers commented that U.S. soybean quality in recent crops was improved in terms of higher oil and protein content. Taiwan also relies on U.S. supply for screening beans for food use because domestic food manufacturers refuse to use South American beans for their processing lines. In MY07/08, Taiwan imported 2.148 million metric tons. The United States maintained its commanding 88% market share, and U.S. suppliers are likely to continue to hold this share if the availability and pricing of backhaul containers improves.

Biotechnology and Labeling

Taiwan has granted registration approvals for three soybean biotech events: RR40-3-2; A2704-12 and MON89788. The registration is valid for five years until 2012 for food, feed, and processing (FFP) use, but not for environmental release or plantation. As of reporting date, Taiwan has granted registration approval for a total of 18 single biotech events, including the aforementioned 3 soybean events and 15 corn events, as well as 4 two-way stacked corn events and one three-way stacked corn event.

Food made of biotech soybeans, such as tofu, soy milk, miso, natto, and others are required to be labeled as containing GM soybean or soybean ingredient, but this requirement had been limited to commercially-packaged food products. However, on March 25, 2009, DOH announced a new labeling requirement for foods in bulk packaging. Starting January 1, 2010, all food products in bulk packaging for retail sale should indicate: (1) product name, and (2) country of origin on a card, logo (label), sign board, or some other means of prominently displaying this information in retail venues so that the product can be clearly identified by consumers.

This is Taiwan's first initiative requiring this sort of labeling for marketing of food in bulk, and it might have a market influence on biotech soybeans and soy food sold in restaurants, stands, or traditional markets. The new labeling requirement may have potential to increase Taiwan's demand for non-GM food soybeans given the small but growing segment of Taiwan's population demanding alternative, natural-grown or organic products as part of a larger movement for healthier eating/lifestyle.

Low Stock Levels & Containerized Shipments

Ending stocks in MY07/08 were even lower than a year earlier and are anticipated to stay at a very low level due to the current volatile market situation and also because of new opportunities from containerized commodity shipments to Taiwan. Availability of containerized shipping provides importers with flexibility in shipping arrangements, which is another reason that Taiwan can keep its stocks at a very low level.

Containerized shipments have increased rapidly in recent years, growing from one percent of total volume in 2004, to 22 percent in 2005, 33 percent in 2006, 77 percent in 2007, and then declining slightly to 74 percent in 2008. Availability of containers for shipment has been affected by the recent global economic downturn, because the reduction of Taiwan

exports to the U.S. results in fewer empty backhaul containers available to return to Taiwan or elsewhere in the Asia Pacific region.

New Quarantine Enforcement on Wood Packing Material in Oilseeds/Grain Containerized Shipments

All shipments without ISPM-15 compliance stamps on wood packing materials, such as bulk heads, must be fumigated at port of entry according to Taiwan import requirements for wood packing materials.

Taiwan has implemented wood packing material requirements in compliance with ISPM-15, IPPC since January 1, 2009. Please see the attached file for details on the Taiwan phytosanitary requirements.

Trade Relationship with China under Thawing Cross-Strait Relations

Taiwan bans imports of commodity soybeans and soybean meal from China, but lifted the import ban on specialty soybeans from China under a separate Code, HS1201-0000-20-1. In MY07/08, about 2 thousand metric tons of black skin soybeans were imported from China for producing specialty soy milk or fermenting specialty soy sauce. According to the industry, the United States doesn't grow the same variety of soybeans. Although no PRC soybean meal has been imported to date, Taiwan temporarily lifted the import ban on PRC soybean meal from November 18, 2003 to January 31, 2004. Similar openings have been implemented more frequently for imports of feed-use corn from China. This suggests that Taiwan authorities are willing to lower restrictions under the right circumstances. Over the next few years, these restrictions on soybeans and meal and/or other PRC agricultural products may be gradually relaxed because Taiwan is import dependent on these commodities and products and because local industry sectors diversify foreign supply sources to reduce business risk.

Commodities:

Meal, Soybean

Production, Supply and Demand Data Statistics:

Oilseed, Soybean Taiwan	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Oct 2007		Market Year Begin: Oct 2008		Market Year Begin: Oct 2009	
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Jan Data
		Data		Data		
Area Planted	0	0	0	0		0
Area Harvested	0	0	0	0		0
Beginning Stocks	133	133	90	97		90
Production	0	0	0	0		0
MY Imports	2,149	2,148	2,350	2,200		2,100

MY Imp. from U.S.	1,750	1,892	1,750	1,936			1,848
MY Imp. from EU	0	0	0	0			0
Total Supply	2,282	2,281	2,440	2,297			2,190
MY Exports	0	0	0	0			0
MY Exp. to EU	0	0	0	0			0
Crush	1,927	1,543	2,075	1,642			1,535
Food Use Dom. Cons.	265	265	265	265			265
Feed Waste Dom. Cons.	0	376	0	300			300
Total Dom. Cons.	2,192	2,184	2,340	2,207			2,100
Ending Stocks	90	97	100	90			90
Total Distribution	2,282	2,281	2,440	2,297			2,190
CY Imports	2,500	2,380	2,475	2,087			2,200
CY Imp. from U.S.	2,300	2,149	2,375	1,817			1,936
CY Exports	0	0	0	0			0
CY Exp. to U.S.	0	0	0	0			0
TS=TD		0		0			0
Comments							
AGR Number							

Comments To Post

Author Defined: Oilmeal Situation and Outlook

General

In Taiwan, locally crushed meal from imported soybeans dominates the soybean meal market. In MY07/08, locally crushed meal accounted for 99 percent of total soybean meal consumption and imported soybean meal only accounted for the remaining one percent. Crushers and feed millers, aiming to reduce feed cost, pay close attention to the world soybean and meal market. They import meal only when the global soybean meal price is comparatively lower than locally crushed soybean meal. Taiwan's demand for soybean meal is the main driver for Taiwan's imports of soybeans, along with its demand for soybean oil. In addition to occasionally importing soybean meal, locally crushed soybean meal is facing some minor market challenges from increased imports of distiller's dried grain soluble (DDGS) and other oilseed or protein meals during the period of high world soybean prices.

Soybeans for Crushing and Situation & Outlook of Taiwan Livestock Sectors

The demand for soybeans for crushing is forecast to remain at 1.5 to 1.6 million metric tons in forecast years, in line with local livestock production adjustments and conditional on the quantity of local soybean oil stock. In addition to an estimated 265 thousand metric tons (tmt) for food use, some 300 tmt of soybeans goes to full fat soybean meal in feed rations. Because the size of the full fat soybean meal market varies according to many factors, it is difficult to estimate the actual level. Still, Taiwan's total soybean meal demand is estimated at 1.7 million metric tons, including conventional, de-hulled and full fat meal.

The domestic swine sector has demonstrated it can compete with imported pork products even in the post 2005 liberalized meat market. Pork imports have not significantly increased the past two years (see table 9) and represent a small percentage of the total

market. Taiwan's policy banning use of ractopamine (a feed additive approved for use in the U.S. and Canada) has also curbed access for imported pork. Local hog production accounts for about 15 percent of Taiwan's total agricultural output and has been an important and profitable agricultural sector on Taiwan. The Council of Agriculture (COA) conducts the hog consensus survey twice a year, in May and November, to monitor the domestic pork market situation. According to the COA November 2008 hog consensus, standing hog population was down by 3.0 percent year-on-year and down by 1.2 percent to 6.44 million head from the numbers reported by the survey conducted in May 2008. There is a target production of 880 million head for 2009.

Imported poultry meat is mainly marketed for HRI use. Imports of poultry meat are forecast to remain at nearly 90 tmt, based on an estimated production level at 363 million birds, following two consecutive years of relatively stable imports. The COA production targets for poultry in 2009 have been adjusted slightly downward by 1.9 percent while the prohibition on wet market slaughter is pending. If the ban is put in place, it will likely change local poultry consumption patterns, increasing acceptance of imported high-quality chilled poultry meat.

On the marketing side, in addition to promoting the freshness of locally produced meats, the local poultry and swine sectors are trying to increase their competitiveness with imported meat and poultry products by introducing a traceability system. Consumers can use an identification code to trace production information about the packaged poultry or meat products, such as the name of the producer, the location at which the animal was raised and processed, the date of processing, the sanitary quality of the meat product, and what kind of feed was used etc. The traceability system is now applied to value added production.

Consumption & Trade

The feed demand forecast is 7.2 million metric tons for MY08/09 and MY09/10 due to the current world economic situation and the reduction in COA's 2009 hog and poultry production targets by 2.1 percent and 1.9 percent, respectively, vs. 2008. No expansion is anticipated in the current and coming years.

Taiwan's demand for soybean meal for use in feed is forecast at approximately 1.7 million metric tons, with soybean meal comprising a higher percentage of total feed volume than in MY07/08. Though soybean prices have decreased from July 2008, inducing this higher inclusion, they are still higher than in previous years, so the inclusion rate remains lower than the average for the past few years. Feed millers and livestock farmers source soybean meal from the lowest cost supplies. They import soybean meal when imported meal is price competitive with locally crushed. Large stocks of Taiwan soy oil in the early months of MY08/09 prevented local crushing in the first half of MY08/09, and Taiwan has imported a total of 110 thousand metric tons of meal, of which 8 thousand metric tons were U.S. meal and the remainder was Indian meal. In general, Taiwan imports high protein meal from the United States and conventional meal from India.

In addition to conventional soybean meal, full fat meal and de-hulled high protein meal of crude protein (CP) 47.5% or above remained popular. De-hulled high protein meal is priced with a premium of NT\$0.7/kg over conventional soy meal of CP 42.5%. The production of full fat soybeans, estimated at some 300 tmt, varies from year to year, and de-hulled soy meal is estimated to remain at about 200 tmt. The remaining 1.0 million metric tons are conventional soybean meal.

[Note: Soybeans for full fat soy meal are excluded as beans for oil crushing, but are included in the "Feed Waste Dom. Cons." in the Oilseeds, Soybean PSD Table. However, Full Fat soybean meal is included under "Production" in the Meal, Soybean PSD Table, which makes soybean meal extraction rate around integer "1". As a result, the Soybean Meal PSD Table indicates total meal production and consumption, including conventional meal, de-hulled meal and full fat meal (a small quantity of fermented full fat soybean meal is reportedly included). The Oil extraction rate in the Soybean Oil PSD table can reflect actual oil extraction rate.]

Impact of DDGS Imports and High Soybean Prices on Feed Inclusion Rates

In MY07/08, total feed consumption is estimated at 7.28 million metric tons and the inclusion rate of soybean meal is estimated at the lowest level in recent years at 21.8 percent, as compared to 22-24 percent previously. The decrease in the feed inclusion rate of soybean meal is largely due to increased distiller's dried grain soluble (DDGS) import supply, which partially substitutes for soybean meal, and because soybeans and products were expensive. Other oil meals and protein meals had insignificant impacts on soybean meal consumption. In addition, the Taiwan authorities implemented an exemption for the 5 percent VAT on soybean (and three other feed grains) imports to help local industry cope with the difficult market situation due to the historically high prices and volatile conditions for grains and oilseeds on world markets.

In MY07/08, Taiwan imported a total of 281 tmt of DDGS, compared to 248 tmt in MY06/07, 159 tmt in MY05/06 and just 99 tmt in MY04/05. However, DDGS imports are forecast to decrease for MY08/09 due to reduced price competitiveness with soybean meal and feed grains. Among the combined total DDGS imports, 53 tmt were imported under HS2303.30 on tariff rates that varied from 3 percent to 1.5 percent, and currently at zero duty reflecting Taiwan's decision to cut tariffs for key commodities to address concerns about food and feed cost inflation (see TW9006). Additionally, 153 tmt were imported under HS2306.70 and 75 tmt under HS2302.10, both at a zero percent tariff rate. The Taiwan Feed Industry Association (TFIA) has petitioned for permanent a zero tariff on DDGS under HS2303.30, and it is anticipated that Taiwan authorities will eventually grant this request for DDGS imports to help boost the competitiveness of domestic livestock industries vs. pork and poultry meat imports.

The feed inclusion rate for other meals remained approximately unchanged. In MY07/08, the use of other oil meals under HS2306 (note: total DDGS imports under HS2306 were excluded) and HS2305 combined remained at 240 tmt, similar to previous years. Fish meal imports under HS2301.20 were 147 tmt and imports of alfalfa (Lucerne) meal and lupines combined under HS1214 were 221 tmt, which were all similar to levels a year earlier.

There were no import statistics for milk powder under HS0402.2910 and whey imports under HS0404.1010 for feed use. Imports under HS2309-90 totaled 47 tmt but Taiwan also exported 37 tmt. According to the feed industry, Taiwan only uses a very small amount of milk powder or whey products in feed formulation because dairy powder is very expensive.

Commodities:

Oilseed, Soybean

Production, Supply and Demand Data Statistics:

Oil, Soybean Taiwan	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Oct 2007		Market Year Begin: Jun 2008		Market Year Begin: Oct 2009	
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Apr
	Data		Data		Data	
Crush	1,927	1,543	2,075	1,642		1,535
Extr. Rate, 999.9999	0.	0.186	0.	0.1857		0.1889
Beginning Stocks	27	27	16	29		20
Production	339	287	365	305		290
MY Imports	40	40	60	5		20
MY Imp. from U.S.	10	17	10	2		5
MY Imp. from EU	0	0	0	0		0
Total Supply	406	354	441	339		330
MY Exports	8	8	8	10		8
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	15	15	15	15		15
Food Use Dom. Cons.	367	302	400	294		290
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	382	317	415	309		305
Ending Stocks	16	29	18	20		17
Total Distribution	406	354	441	339		330
CY Imports	50	27	60	25		10
CY Imp. from U.S.	0	12	0	8		5
CY Exports	8	6	8	11		8
CY Exp. to U.S.	0	0	0	0		0
TS=TD		0		0		0
Comments						
AGR Number	TW9009					
Comments To Post						

Author Defined:

Oil Situation and Outlook

General

Taiwan's demand for soybean oil is primarily met by oil locally crushed from imported soybeans, above 90 percent in general. Each year Taiwan has a small soybean oil trade. For instance, in MY07/08, Taiwan exported 6 tmt of soybean oil to Japan and 2 tmt to Korea, and imported 17 tmt from the U.S., 16 tmt from Argentina, and 7 tmt from Paraguay. Soybean oil trade is forecast to be much quieter in MY08/09 than in MY07/08

because the domestic soybean oil market stagnated in the 4th quarter of 2008 after international soybean prices fell rapidly from the record highs in July 2008. This has increased business risk for local distributors and oil was piled up at crushers' pipelines so that local crushers slowed down operations. Therefore, there was no extra oil for its niche markets in Japan and probably no room for importing more soybean oil into the Taiwan market.

Total vegetable oil consumption in MY07/08 in Taiwan is estimated at 544 tmt, down 2.2 percent from a year earlier (see Table 13). Consumption is expected to decrease another 2 percent in MY08/09 to 530 tmt in line with current economic downturn. As a notable exception to decreased demand for oils, Taiwan's palm oil consumption is anticipated to increase due to growing concerns about trans fats in partially hydrogenated soybean oil in the HRI sector use and a new use in biodiesel processing.

Competition Among Oils

There are three segments in the Taiwan vegetable oil market:

- Market leaders: comprised of soybean oil and palm oil, with respective market shares of 59% (up 1%) and 28% (up 4%) in MY07/08.
- New-to-market oils: including olive, canola, corn, sunflower, and safflower oils with a combined 9% share (down 5 %).
- Traditional Chinese oils: peanut and sesame oil with a combined 4% share (no change).

Despite post-WTO tariff reductions for new-to-market oils (see Table 11), soybean oil and palm oil are expected to retain their market leading positions because of their widespread use in the HRI and food processing sectors and because of their competitive prices.

The relatively high prices of new-to-market oils have prevented them from gaining market share. In MY07/08, imports of new-to-market oils dropped by 5% due partially to a conservative consumption attitude by general consumers who were affected by weak labor market conditions and press reports of layoffs and reductions in work hours, etc. It is hoped that the recent partial turnaround in the Taiwan stock market may signal better economic and general market conditions ahead.

Concerns over Trans Fat

Taiwan amended its "Regulation on Nutritional Labeling for Packaged Food" to require that any consumer-packaged food products manufactured after January 1, 2008, marketed in

Taiwan should carry specific nutritional labeling including saturated fatty acid and trans-fatty acid information. Due to gradually increasing concern over trans-fats, the non-conjugated trans fatty acids formed in the process of partial hydrogenation of edible oils, Taiwan may develop new demand for low linoleic acid soybean varieties in order to reduce trans-fat content in soybean oil refining. The local press has picked up trans-fat stories since 2005. In mid 2006, Taiwan Sugar Company launched the first "No Trans Fat" labeled soybean oil. The Kentucky Fried Chicken fast food chain on Taiwan announced it would gradually switch its oil to palm oil from partially hydrogenated soy oil starting at the end of 2006. The food industry's reaction to the trans-fat issue provides market potential for an expansion of palm oil imports to Taiwan. In MY07/08, palm oil imports increased by 17 tmt and its market share increased by 4 percent.

One example of Nutrition Labeling is as follows (See TW8046 for more information on Taiwan's nutrition labeling)

Nutrition Labeling	
Serving size	gm (ml)
This package contains	xx servings
	Per serving
Energy	Kcal
Protein	gm
Fat	gm
Saturated fat	gm
Trans fat	gm
Carbohydrate	gm
Sodium	mg
Content of other nutrient claimed	
Content of other nutrients	

Biodiesel

Taiwan has three small-scale batch type biodiesel facilities with a combined production capacity of 13 billion liter. The plants are running at about 10 percent capacity using recycled cooking oil and a small amount of feedstocks from government subsidized soybeans, rapeseeds and sunflower seeds produced on fallowing rice land. However, Taiwan ended its miniscule energy crop plantation in 2008 because of the worldwide food security concern.