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GAIN Report

Global Agricultural Information Network

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Growing Demand for Organics in Taiwan Stifled by Unique Regulatory Barriers

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Report Highlights:

The United States exported \$28 million worth of organic fruits and vegetables to Taiwan in 2016, up 74 percent from the year before. In comparison, U.S. organic exports to the rest of the world grew just one percent in 2016. Taiwan is now the fourth largest export market for U.S. organic products. Despite its strong market potential, Taiwan has a number of unique requirements that make exporting organic products to the market challenging.

Executive Summary:

In 2016, exports of U.S. exported \$28 million worth of organic fruits and vegetables to Taiwan, making it our fourth largest export market. This represents a 74 percent increase from the year before, compared to a one percent growth in organic exports to the rest of the world. The highest selling U.S. organic products to Taiwan were head lettuce, cauliflower, broccoli, celery, and apples.

Despite its strong market potential, Taiwan has a number of unique requirements that make exporting organic products to the market challenging. The key issue is a requirement that imported organic products must apply to Taiwan authorities for approval to be labeled as organic even if Taiwan has recognized the exporting countries' organic standards as equivalent. This "re-certification" process can take anywhere between 1-2 weeks to over a month. In addition, Taiwan has a *de facto* zero tolerance for traces of any unapproved substances, even in cases of unintentional presence of unapproved substances.

Taiwan authorities are working to promote organic production and consumption. The Council of Agriculture (COA) provides subsidies to organic farmers and has set a target of increasing certified organic land from a reported 6,784 hectares in 2016 to 15,000 hectares by 2020. According to COA statistics, revenue from domestic organic production reached \$123 million in 2016.

Taiwan is also looking to increase organic exports. In July 2017, the Executive Yuan completed its review of a new [draft organics law](#), and aims to have it passed by the Legislative Yuan by the end of the year. Among other provisions, the legislation seeks to pressure countries to recognize Taiwan's organic products by ceasing recognition of other trading partners' organic products if they do not recognize Taiwan's organic system as equivalent within one year.

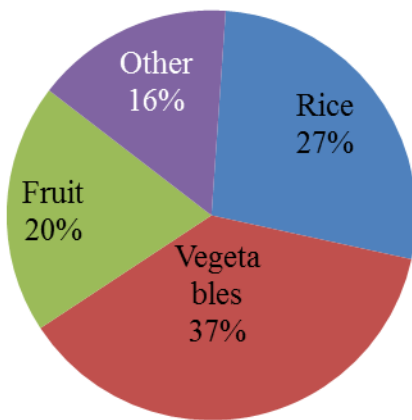
Organic Farming in Taiwan

In 1986 the Council of Agriculture (COA) asked a group of experts to evaluate the feasibility of adopting organic agriculture in Taiwan. The "project of monitoring the feasibility for Taiwan's organic agriculture" was established the following year. As a result, several agricultural improvement farms were established under COA supervision in the late 1980s to experiment with organic production. In 1995 COA started promoting organic farming across the island. COA issued [guidelines](#) for organic labeling in 1997.

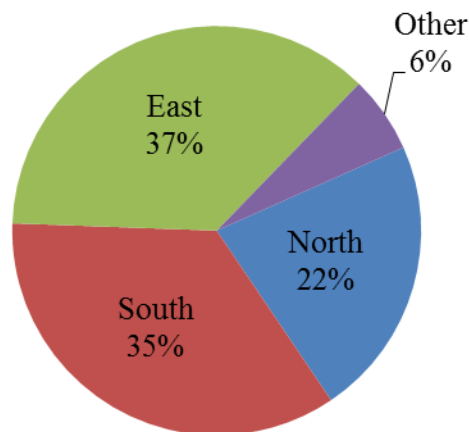
The [Agricultural Production and Certification Act](#), implemented in January 2007, set out the basic regulatory framework for organic agriculture. By that time, 936 farmers were growing organic products on 2,000 hectares of farmland. The Executive Yuan launched a campaign in 2009 to promote organic production and set a target of reaching 5,000 hectares of organic land by 2013. Various counties also have their own promotion programs for organic agriculture. Yilan county was the first county to pass such a measure in 2014. Current COA Minister Lin Tsung-hsien was the magistrate of Yilan County at that time.

Total organic land reached 6,784 hectares in 2016 according to COA statistics, slightly under one percent of all agricultural land. Organic production is focused on rice, vegetables, and fruit and concentrated in major rice producing counties on the East coast (see tables below). During Taiwan's [2010 Agriculture, Forestry, Fishery and Animal Husbandry Census](#), farmers reported 45,438 hectares of farmland under production without using any chemical fertilizers or pesticide, many times larger than officially certified organic farmland. The large difference may be due in part to the difficulty and expense in getting land certified as organic, as well as the required waiting transition period to certify former conventional farms as organic. COA has set a target of increasing certified organic land to 15,000 hectares by 2020.

Organic Production by Crop



Organic Production by Area

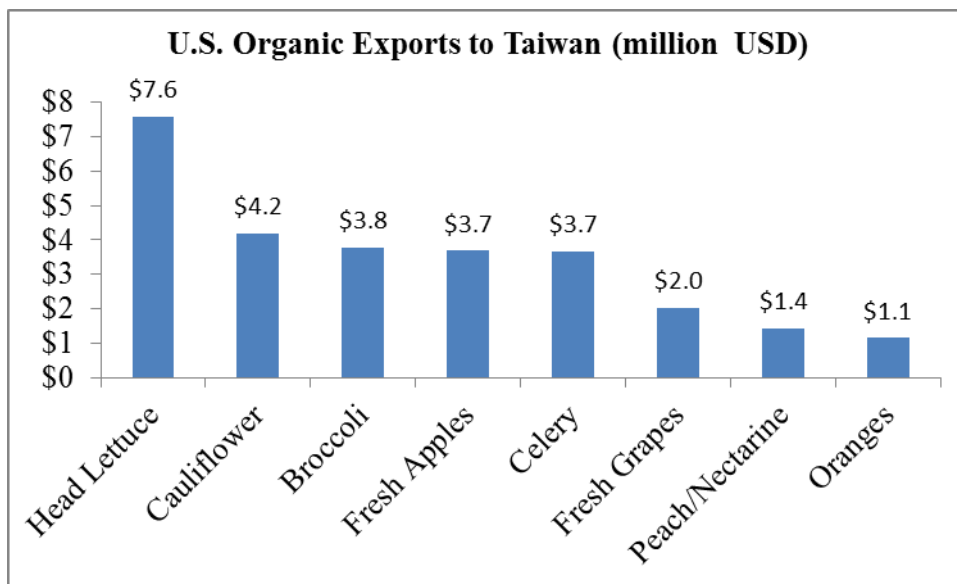


Source: [University of Yilan](#)

On September 1, 2016, the Executive Yuan announced a goal for school lunches to include domestic organic products in at least one meal a week. COA was given responsibility for managing this program. Eleven counties have adopted the one meal a week goal, covering 780,000 students. Based on conversations with organic farmers, the prices offered by COA through the school lunch program are not competitive. Moreover, smaller farms also have trouble supplying the large orders requested by COA under the program.

Market for Organic Foods in Taiwan

Revenue from domestic organic production reached \$123 million in 2016 according to [COA statistics](#), while imported organic products were reported to total \$40 million. The actual amount of imported organic products may be higher as there are not separate tariff codes for all organic products. Per capita spending on organic products in Taiwan remains low by developed country standards. Unlike Taiwan, the United States tracks organic imports and exports for a select group of [fruits and vegetables](#). Exports of these products to Taiwan totaled \$28 million in 2016, making it our fourth largest export market after Canada, Mexico, and Japan.



Source: [U.S. Census Bureau Trade Data](#)

According to the Almanac of Food Consumption Survey by Taiwan Food Industry Research and Development Institute, 27 percent of Taiwan consumers have consumed organic food or beverages products in recent past year. The main consumer demographic for organic products are women aged 45-60 years old. This group is willing to pay a premium for products they perceive as higher quality.

Organic products cost significantly more than their conventional counterparts and, based on a limited survey of retail markets by post, the premium for imported organic products compared to conventional products in Taipei is around 180 percent for apples, 115 percent for cereals, and 400 percent for cheese. Consumers tend to associate organics with food safety and sustainable farming practices. According to sources, some consumers in Taiwan prefer organics because of their Buddhist beliefs.

Organic products are mostly sold through organic chain stores. On average, organic products make up around a third of the products sold in these stores. These stores also feature “natural” foods, prepared health foods, and vitamins. Organic products are also available at conventional retail stores, but scattered across different sections.

A growing number of importers are claiming their products as “natural” instead of organic due to current onerous requirements for importing organic products. Even though the price for “natural” products is higher than conventional products, it is still around 20 percent less than an organic-labelled product. Some major grocery stores that have established sales of organic products are choosing to black out the organic labels on the products so that they can continue supplying their customers with these products while avoiding then lengthy delays and expenses involved with importing organic products.

Major Organic Retail Chains

Organic Retail Chain	Number of Stores
Leezen	129
Uni-President Santa Cruz	96
Yogi House	70
Cotton Land Health Stores	61
Orange Market	19
Organic Garden	11
Organic Yam	10
Anyong Fresh	9
Green & Safe	5

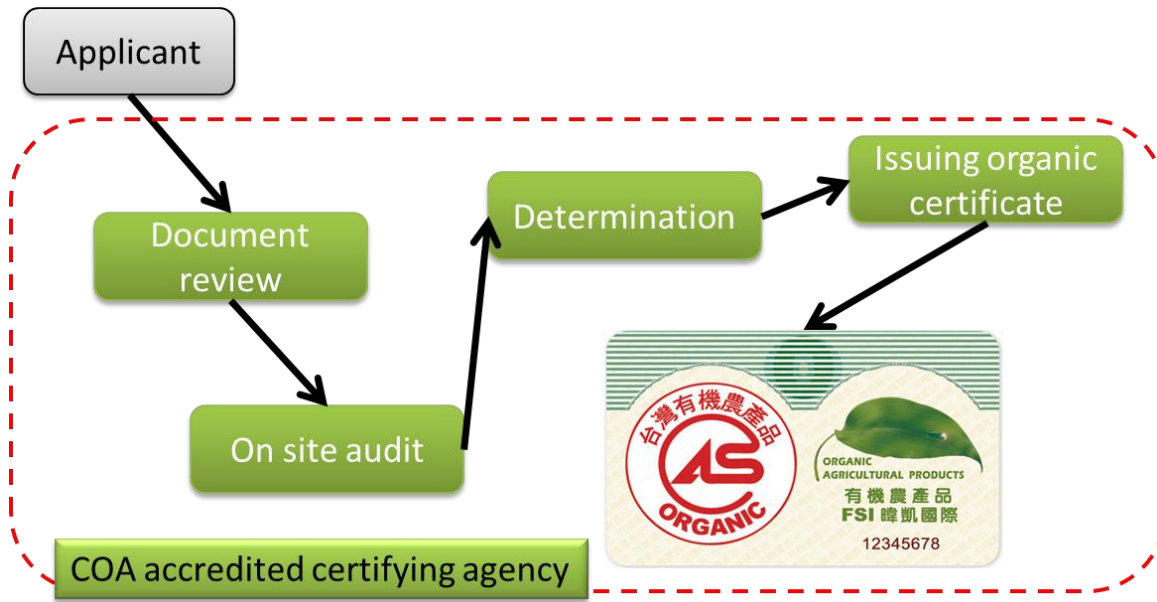
Regulatory System for Organics in Taiwan

The [Organic Agricultural Product and Organic Agricultural Processed Product Certification Management Regulations](#) and the [Imported Organic Agricultural Product and Organic Agricultural Processed Product Management Regulations](#) are the primary regulations governing the production, manufacturing, distribution, and importation of organic products in Taiwan.

These regulations are administered by three agencies within COA: the Department of Animal Industry for organic livestock and livestock processed products; the Fisheries Agency for organic aquatic and aquatic processed products; and the Agriculture and Food Agency (AFA) for organic crops and crops processed products.

COA has approved the Taiwan Accreditation Foundation (TAF) as the “specific assessment body” that evaluates organizations applying to become an organic certifier. Organizations must first be accredited under ISO 17065:2012 by TAF in order to be accredited by COA as a third party certifier. The accredited third party certifiers are responsible for certifying organic production in Taiwan.

There are 14 accredited certifying agencies able to issue the Certified Agricultural Standards (CAS) organic seal for domestic organic products. All domestic products labeled as organic must have the CAS organic seal and the third party certifier’s seal. The operation’s certification is valid for three year, after which the operation must renew their certification. Certifiers are required to conduct annual scheduled onsite audits of organic operations. They also sometimes conduct unannounced audits to check compliance with organic standards. If a violation is found, the grower must provide an improvement plan and take correction action. If the action is found to be insufficient the operations can be suspended or lose their organic certification.

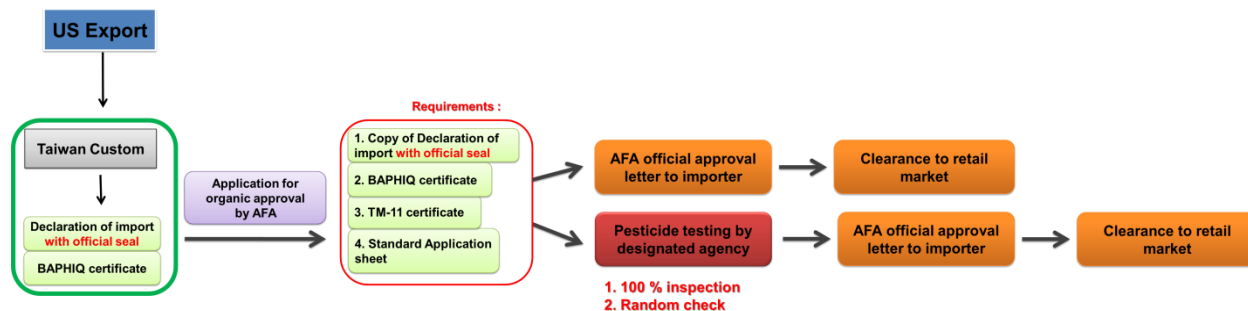


Exporting Organic Products to Taiwan

On March 18, 2009, Taiwan’s Agriculture and Food Agency added the United States to the list of “recognized countries whose standards are equivalent to Taiwan standards for organic agricultural and livestock products.” Requirements for exporting to Taiwan are specified on the [USDA Agricultural Marketing Service’s website](#). As part of the agreement, the United States agreed to include the following statement on USDA’s [TM-11 form](#) for shipments organic processed products and crops: “organic agricultural products and organic processed products, accompanied by this certificate, were produced or processed using zero prohibited substance.” Taiwan maintains a near zero tolerance for agricultural chemical residues on organic products (see Trade Challenges section).

Under COA [regulations](#), upon arrival at port, imported organic products must apply to AFA for approval to be labeled as organic. This requirement applies to all imported products whether or not they are from a country on the list of “recognized countries whose standards are equivalent to Taiwan.” During 2016 Trade and Investment Framework Agreement (TIFA) talks, Taiwan authorities stated that the 2009 agreement with the United States was a “unilateral letter” and not an equivalency agreement. (Under a standard equivalency agreement, one regulatory body accepts another regulatory body’s organic certification system and does not require products to be re-certified in the destination market.)

Imported agricultural products (conventional and organic) are first subject to approval by Taiwan Food and Drug Administration (TFDA) and COA Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) inspectors. After approval by port authorities, imported organic products can apply to AFA for approval to be labeled and sold as organic (see diagram below). The approval process can take 1-2 weeks if no testing is required or up to a month or more if AFA selects a product for further testing. Additional information on how to export organic products to Taiwan can be found in Chinese on [AFA’s website](#).



Trade Challenges

Taiwan maintains a number of requirements that are not found in international organics trade elsewhere. These requirements are an impediment to further increasing U.S. organics exports to Taiwan.

Taiwan regulations do not allow product labeled as organic to test positive for any unapproved substances. Unlike most other organic producers, such as the United States and European Union, this policy does not take into account unintentional presence of unapproved substances. Taiwan maintains a limit of quantification (LOQ) for compounds not approved for organic production. The LOQ for pesticides is set at 0.01 ppm for fresh vegetables and fruit, spice plants and other herbs, 0.02 ppm for cereals and dried beans, and 0.05 ppm for dried tea, spice plants and other herbs. If the testing value is below the LOQ the inspectors will determine the result to be “Non-Detected.” These levels are so low that they create a de facto zero tolerance for all un-approved substances.

AFA conducts random testing on imported organic products. The testing and approval process can take a month or more, during which time the product can be released onto the retail market but cannot be labeled as organic. The product can be labeled organic only after the testing and approval process is completed. AFA and local governments also conduct retail market surveillance of organic products. If a product certified as organic product is found to contain traces of unapproved compounds during retail inspection AFA will add that certifier to a list of certifiers subject to increased inspection. Future imports of products certified by certifiers on this list are subject to 100 percent residue testing. The current list can be found on the [AFA website](#).

The certifier and exporting country must submit an investigative report and compliance plan to AFA in order to remove a certifier from the list. If AFA accepts the reports, the certifier is moved to a “watch list.” Testing for products certified by a certifier on the watch list will return to the normal inspection rate after five consecutive shipments of products with the exact same country of origin, tariff code, and importer are found to be compliant.

In practice, the requirements for removing a certifier from 100 percent testing are extremely difficult to meet. AFA often declines to accept investigative reports given the significant differences between Taiwan’s organic requirements compared to those in most other countries. Even if AFA accepts the report, it is very difficult to meet the requirements for five consecutive shipments with the same certifier, country of origin, tariff code, and importer, due to the reduced volume of trade. Due to the

risk, most importers will not import any organic product that is subject to 100 percent residue testing due to the long waiting time for approval and risk of rejection due to Taiwan's de-facto zero-tolerance standard for traces of unapproved compounds. Post is not aware of any certifier being successfully removed from the 100 percent inspection rate after AFA put it on its list.

Future of Organic Regulations

In May 2014, 22, Democratic Progressive Party (the majority party) legislators introduced a draft law titled "[Encouragement for the Organic Agriculture.](#)" On November 9, 2015, COA released their own draft legislation regarding the accreditation, certification, production, marketing, and labeling of organic products, including imported products, as well as regulations regarding organic equivalency between trading partners. The draft text mandates bilateral organic equivalency, revoking any existing unilateral organic equivalency recognition Taiwan has with other trading partners (see [GAIN TW15041](#)).

On July 27, 2017, the Executive Yuan announced that the COA's [draft organics law](#) had passed the internal review and would be submitted to the Legislative Yuan at its next session in September 2017. The bill retains the clause ending "unilateral recognition." The bill will enter into force one year after it is passed by the legislature. After that, Taiwan would cease recognition of other trading partners' organic products if they do not recognize Taiwan's organic system as equivalent within one year.

At this time, none of Taiwan's trading partners have recognized Taiwan's organic system. Taiwan has outstanding requests with a number of trading partners, including the United States, European Union, Japan, and New Zealand. AFA's list of "[recognized countries whose standards are equivalent to Taiwan standards for organic agricultural and livestock products](#)" includes the United States, Canada, New Zealand, Australia, Chile, Switzerland, and 16 European Union member states.

On May 5, 2017, COA promulgated the [guidance for recognition of environmentally friendly agriculture grower group](#) and as well as the [guideline for subsidization of eco-friendly and organic production](#). These policies provide subsidies to farmers to encourage them to reduce the use of pesticides and chemical fertilizers amongst farmers who are not yet ready or able to be certified as organic.

Some farmers in Taiwan are experimenting with the Participatory Guarantee Systems (PGS) as an alternative certification. The International Federation of Organic Agriculture Movements (IFOAM) - Organics International supports the development of PGS as an alternative and complementary tool to third-party certification within the organic sector and advocates for the recognition of PGS by governments. On December 12, 2016, Tribal E-shop, a shop run by Taiwanese aborigines, was listed by IFOAM PGS group as [Taiwan first PGS operator](#).