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Taiwan

Oilseeds and Products Annual

Updates

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Report Highlights:

Taiwan's demand for soybean meal continues to be the driving force behind Taiwan's demand for imported soybeans. Soybean import forecast for MY2014/15 is 2.2 MMT, on a par with MY2012/13 imports. A lower soybean import estimate for MY2013/14 of 2.1 MMT is primarily due to Porcine Epidemic Diarrhea virus (PEDv) outbreaks on the island, resulting in a smaller hog population. Local pork prices are at record highs with the Council of Agriculture (COA) seeking remedies to appease consumers. Though facing fierce competition from South American soybeans, U.S. share is anticipated to remain 50% if prices remain competitive.

General Overview:

Taiwan's demand for soybean meal continues to be the driving force behind Taiwan's demand for imported soybeans. Taiwan's soybean demand is fully dependent on imported supply for crushing for meal and oil (74%), soy food (around 13%), and full fat soybeans which is referred as full fat soybean meal in Taiwan (13%). Soybean import forecast for MY2014/15 is 2.2 MMT, on a par with MY2012/13 imports. Though facing fierce competition from South American soybeans, U.S. share is anticipated to remain 50%.

A lower import estimate for MY2013/14 is due primarily to Porcine Epidemic Diarrhea virus (PEDv) outbreaks on the island. Taiwan first reported PEDv in October 2013 and incident reports increased in February 2014. A modest PEDv impact estimate is 5% of domestic hog herd, with 300,000 affected piglets. Pork prices are at record highs with the Council of Agriculture (COA) seeking remedies and intervening in the market, trying to appease consumers and media. However, local hog auction market price continues to be high, above NT\$80/kilo whereas COA estimates that prices should not exceed NT\$75/kilo based on current supplies.

Swine and poultry are the two most important livestock sectors in Taiwan. Swine and poultry feed combined claimed 89% of the 2012 total feed output. Local swine and poultry sectors have managed to remain competitive with imported pork and poultry meat products since Taiwan liberalized its markets as part of its 2002 WTO accession. Oversupplies in 2012 and offsetting PEDv outbreaks in 2013 and 2014 realize the domestic hog production forecasts for coming years as relatively stable, or 8.5 million head. Domestic poultry production seems to be able to sustain at approximately 360 million birds on slaughtered, with an exception year in 2013. Total poultry production in 2013 had a 9% drop from the previous year due mainly to avian influenza concerns resulting in a ban on the marketing of fresh-killed chicken, impacting the native tuji birds.

Soybean oil demand estimates are revised down due to emerging trans-fat and GE labeling requirements as well as local scandals involving mis-labeled cooking oils. Taiwan had 26 thousand metric tons (TMT) of net exports of soybean oil to the neighboring countries exports last year. Soybean oil share is estimated at 54% in MY2012/13, a 3% drop. Palm oil held a 35% share, a 6% increase from the prior year.

Commodities:

Oilseed, Soybean

Production, Supply, Demand

Oilseed, Soybean Taiwan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	1	0	2		3
Area Harvested	0	1	0	2		3
Beginning Stocks	118	118	78	240		207
Production	0	2	0	3		4
MY Imports	2,286	2,286	2,400	2,100		2,200
MY Imp. from U.S.	1,137	1,137	1,100	1,050		1,100
MY Imp. from EU	0	0	0	0		0
Total Supply	2,404	2,406	2,478	2,343		2,411
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	1,960	1,586	2,020	1,556		1,691
Food Use Dom. Cons.	266	280	270	280		280
Feed Waste Dom. Cons.	100	300	100	300		300
Total Dom. Cons.	2,326	2,166	2,390	2,136		2,271
Ending Stocks	78	240	88	207		140
Total Distribution	2,404	2,406	2,478	2,343		2,411
CY Imports	2,140	2,140	2,400	2,100		2,100
CY Imp. from U.S.	1,031	1,031	1,000	1,050		1,050
CY Exports	0	0	0	0		0
CY Exp. to U.S.	0	0	0	0		0
TS=TD		0		0		0

Soybeans Situation & Outlook

General

Aside from locally produced vegetable soybeans (edamame), Taiwan is fully dependent on soybean imports for soy foods, full fat soybeans (FFSB) and crushing for meal and oil. In marketing year (MY) 2012/13, Taiwan imported 2.286 MMT of soybeans, unchanged from the previous year. The United States reclaimed its position as the top soybean supplier to the island, with 50% market share, or 1.137 MMT, worth USD \$700 million. Brazil imports fell into the second place holding 45%, Argentina 4% and other 13 countries combined 1%. In 2011/12 when U.S. crops faced severe drought, local crushers deemed Brazilian beans to be a better bargain with 1% higher oil and 0.5% higher protein content on average, generating higher crushing margins. However, this situation has improved in recent years.

The U.S. has recaptured lost market share as soy food manufacturers value U.S. beans due to superior protein quality.

First reported in October 2013, local hog production has been affected by Porcine Epidemic Diarrhea virus (PEDv) outbreaks. Due to PEDv outbreaks, the domestic hog production estimate for 2014 is lowered to 8.2 million head slaughtered from Taiwan's COA previously set target of 8.5 million head. High pork prices are raising consumer concerns. However, local slaughter numbers are expected to recover in 2015, rebounding to 8.5 million head. Taiwan's soybean import estimate, therefore, is adjusted down to 2.10 MMT in MY2013/14.

Taiwan's consumption of soy foods, such as tofu and soymilk, is high level and relatively stable with an estimated 280 TMT. This demand is primarily satisfied by locally screened U.S. #2 grade soybeans. Of this 280TMT in food use, demand for Non-GE soybeans is anticipated to increase gradually because local consumers tend to be misled by the February 5, 2014 Food Safety and Sanitation Act (FSSA) Amendment which strengthens Taiwan's biotech regulations.

Full fat soybeans (FFSB) are referred to as full fat soybean meal in Taiwan. FFSB is commonly used in fishery, broiler, and piglet feed rations. According to members of Taiwan's feed industry association, feed inclusion rate of total protein-meal-of-soybeans (including FFSB and soybean meal) is roughly estimated at 25% maximum in terms of Taiwan's total feed output, regardless of animal feed (i.e. fish, poultry, or hogs). FFSB inclusion rate in fishery feed, for instance, is estimated between one fourth and one third, with the remaining being soybean meal. Taiwan produces approximately 500 TMT of fishery feed annually. Soybean use in FFSB for feed formulation is estimated at 300 TMT for current and forecast years. FFSB as a proportion of feed rations has increased in recent years as a result from containerized shipment available to deliver corn and soybeans to Taiwan. Feed mills have options to process FFSB in their own facilities from imported soybeans or to procure soybean meal from local crushers. Increased FFSB consumption is also attributed to long lingering BSE, or mad cow disease, concerns where there is now less animal protein meal in feed rations. Moreover, FFSB consumption is correlated to high animal fat prices. When the price of animal fats is high, FFSB will be used to substitute for soybean meal and animal fats in feed formulation.

Biotech Regulations

As of January 14, 2014, Taiwan granted registration approval for thirteen single-event and two stacked-event GE soybeans. Of which five single events were registered after February 2013, including MON87708, MON87769, BPS-CV-127-9, DAS-68416-4, and FG72. Registration for food, feed and processing (FFP) use is valid for five years but products are not eligible for environmental release in Taiwan.

Currently, food products derived from biotech soybeans, such as tofu, soy milk, miso, etc., with detectable content must be labeled as "genetically modified (GM)" with a 5% labeling threshold.

However, soy oil or other final products with non-detectable GE contents do not need to be labeled as GM. New regulations under Taiwan's Food Safety and Sanitation Act (FSSA), enacted February 5, 2014, however, seek to modify GE labeling requirements. Taiwan's new requirements include the extension of pre-market registration to all GE products for food use, with a two-year grace period from

the date of the official announcement. This regulation will significantly expand Taiwan’s biotech regulatory scope to include all GE products, now limited to GE-corn and GE-soybeans and their derived products. Highly refined products, such as soybean oil, where GE-content is not detectable is also included in the regulation.

The new regulations may also tighten traceability and labeling requirements for GE products, though to what extent is undetermined. Taiwan authorities initially sought to reduce the biotech labeling threshold for food products from the current 5% to 0.9%, mirroring the European Union labeling threshold. However, this draft text for this regulation, as well as other implementation texts, will likely not be published until the end of 2014. The feasibility of Taiwan implementing a strict labeling threshold is also in question, considering the island’s heavy reliance on imports. All details are to be determined.

The change to the FSSA regarding GE-labeling requirements was, in part, driven by a small, but growing, segment of the population seeking “natural” or organic and non-GE products. Thus, the biotech labeling requirements are a marketing tool for some producers who promote non-GM soy foods. Still, out of the estimated 280 TMT of soybeans designated for food use, Taiwan imports only about 20 TMT of non-GE soybeans. There is also increasing attention on locally grown food production and discussion of developing non-GE soybeans on the island. Starting 2013, soybeans were included on the list of the government incentivized rotational crops, encouraging domestic soybean production. According to COA, target production for 2014 is 3 TMT from 1,500 hectares of land, a 50% increase over 2013.

Stocks and Containerized Shipment

Local crushers have historically maintained low stock levels for cost management purposes. The availability of containerized shipping in recent years has provided importers with greater flexibility in their purchasing schedules and reinforced the decision to maintain limited stocks. Of the MY2012/13 U.S. soybean exports to Taiwan 89% were shipped via containers.

Soybean Imports in Containers - CY2010-CY 2013

Calendar Year	Total Imports, TMT	Imports from US, TMT	Containerized Shipments, TMT/(share)
2010	2,548	1,548	652 (25%)
2011	2,340	1,284	714 (31%)
2012	2,349	1,195	876 (37%)
2013	2,140	1,031	1,011 (48%)
Source: Industry estimates			

Trade with China under a Thawing Cross Strait Relationship

Taiwan prohibits imports of commodity soybeans, soybean meal, and oil from China. Since 2008, however, Taiwan has permitted imports of specialty black skin soybeans under a separate HS1201-

9000-90. Black skin soybeans are primarily used to make specialty soy milk or fermented soy sauce. The demand for China-origin black skin soybeans is 5-6 TMT a year.

Although no China-origin soybean meal has been imported in recent years, Taiwan has historically lifted the import ban on China-origin soybean meal to temporarily appease the local livestock sector. Similar and more frequent openings have occurred for imports of feed-use corn from China. This suggests that Taiwan authorities are willing to lower import restrictions on agricultural or food products from China under certain circumstances. Speculation on future openings for imports of soybeans and intermediate products from mainland China has increased since Taiwan signed the Economic Cooperative Framework Agreement (ECFA) with China in June 2010. President Ma urged to complete cross-strait talks on trade in goods under ECFA by the end of 2014. The Ma administration had said that Taiwan will not open its market to any of the 830 currently banned China-origin agricultural products, including soybeans and products. However, there are conflicting reports that import restrictions may be lifted on products on which Taiwan is heavily import dependent, for example, soybeans and immediate products. Post continues to maintain a close watch on this issue.

Commodities:

Meal, Soybean

Production, Supply, Demand

Meal, Soybean	Taiwan	2012/2013		2013/2014		2014/2015	
		Market Year Begin: Oct 2012				Market Year Begin: Oct 2014	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush		1,960	1,586	2,020	1,556		1,691
Extr. Rate, 999.9999		1.	0.7995	1.	0.7969		0.7995
Beginning Stocks		74	74	13	34		19
Production		1,543	1,268	1,589	1,240		1,352
MY Imports		43	44	50	50		50
MY Imp. from U.S.		34	33	5	10		10
MY Imp. from EU		0	0	0	0		0
Total Supply		1,660	1,386	1,652	1,324		1,421
MY Exports		17	16	10	10		20
MY Exp. to EU		0	0	0	0		0
Industrial Dom. Cons.		0	0	0	0		0
Food Use Dom. Cons.		0	0	0	0		0
Feed Waste Dom. Cons.		1,630	1,336	1,630	1,295		1,362
Total Dom. Cons.		1,630	1,336	1,630	1,295		1,362
Ending Stocks		13	34	12	19		39
Total Distribution		1,660	1,386	1,652	1,324		1,421
CY Imports		53	53	50	50		50
CY Imp. from U.S.		34	34	5	10		10
CY Exports		14	14	15	10		20
CY Exp. to U.S.		0	0	0	0		
SME		1,630	1,336	1,630	1,295		1,362
TS=TD			0		0		0

Oilmeal Situation and Outlook

General

Soybean meal demand continues to be the driving force behind Taiwan's soybean imports. In MY2012/13 imported soybean meal accounted for about 3% of total meal consumption. This is the normal level of meal imports, reflecting an adequate supply of locally crushed meal. Based almost exclusively on domestic feed production, Taiwan's annual demand for soybean meal is slightly below 1,400 TMT, including conventional and de-hulled. (See Soybean PSD for demand for full-fat soybeans which is estimated at 300 TMT in MY2013/14 and forecast year.)

In addition to occasional increases in soybean meal imports, locally crushed soybean meal faces minor market challenges from imports of distiller's dried grain soluble (DDGS) and other oilseed or protein meals, especially during periods of high world soybean prices. Meal is imported only when the global soybean meal prices are comparatively lower than locally crushed soybean meal.

Other Protein Meals Substitute for Soybean Meal in TMT

Meal/HS Code	MY2010/11	MY2011/12	MY2012/13
HS2301.10: Meat and offal meal	52	56	49
HS2301.20: Fish meal	155	177	145
HS2302: Grain bran (HS2302.10: corn gluten meal)	54 (13)	51 (10)	38 (10)
HS2303.30: DDGS	225	243	216
HS2305: peanut meal	5	6	9
HS2306: other oilseeds meal	135	184	228
HS2309.90: others for animal feeding	83	83	68
HS1214: alfalfa & Lucerne	213	216	224
Total supply (Est. inclusion rate in commercial feed)	922 (12.5%)	1,016 (14.8%)	977 (13.8%)

Sources: Taiwan Customs Statistics
 Note: According to industry sources, Taiwan uses minimal milk powder or whey products in feed formulation because of the high cost.

Domestic Livestock Productions

According to COA, livestock production is valued at NT\$148 billion (about US\$4.9 billion) and accounts for 31% of Taiwan's total agricultural output. Swine and poultry production accounts for 45% and 31%, respectively, of Taiwan's total livestock output. Swine and poultry feed combined accounted for 89% of the 2012 total feed output. The local swine and poultry sectors have managed to be generally competitive with imported pork and poultry meat since Taiwan liberalized its market as part of its 2002 WTO accession. Worth noting, SPS barriers (the lack of an established maximum residue limit for ractopamine in hogs) prevent significant U.S. exports of U.S. pork to the island.

In terms of marketing, Taiwan promotes freshness, a smaller carbon footprint - "local consumption from local production" - and a traceability system to help domestically produced product compete with imports. In addition, only locally produced are allowed to apply for COA's Certified Agricultural Standard (CAS) program. CAS logo poultry meat and pork products are promoted as premium products with the aim of increasing domestic competitiveness.

Hog Sector

According to Taiwan's semi-annual hog census, the island's standing hog population continues its slow decline. In November 2013, Taiwan's reported hog population was 5.8 million head, down 3% year-over-year. Due to PEDv outbreaks, the domestic hog production estimate for 2014 is lowered to 8.2 million head slaughtered from COA previously set target of 8.5 million head. The total number of affected piglets by PEDv is not transparent, with a modest estimate of 300,000 piglets lost so far, equivalent to 15 TMT of pork. Incidents of PEDv appeared to accelerate in February, 2014. As a result, local live hog auction market prices in March reached over NT\$85.00/kilo (US\$27.8).

By comparison, oversupply in 2012 caused farm gate auction prices to decline to NT\$63.55/kilo (US\$21.2) from NT\$71.99 (US\$24) in 2011. Estimated 2013 prices of \$64.51/kilo were also lower than the reported production costs of NT\$66.5 (US\$22). Local farmers have long complained about low production margins.

Recent price spikes have generated media reports and consumer frustrations. There are rumors of collusion between the domestic swine producers, processors, and wholesalers. COA has undertaken multiple interventions, trying to stabilize prices. For instance, COA is monitoring the auctions, encouraging processing plants to limit inventories, and increasing hog supplies from state-run companies. However, local hog auction market price continues to be high, above NT\$80/kilo whereas COA estimates that prices should not exceed NT\$75/kilo based on current supplies.

On March 19, 2014, COA announced that if local hog prices do not fall to a reasonable price range (~NT\$75/kilo), all hogs over 130 kg will be excluded from the livestock indemnity program. As of March 26, hog prices were close to NT\$82/kilo, thus heavy hogs are excluded from the insurance policy. Also, COA said that the government supported non-profit organization, National Animal Industry Foundation (NAIF), will import 3,000 MT of pork, of which 2,000 MT will be imported by the end of April, 2014. (NAIF collects and publishes animal industry information, providing technical assistance to farmers and processors, serves as a HACCP certifier, and helps with slaughterhouse inspection.) Finally, COA has threatened to reduce the import tariff on pork products, though Post feels this will be a measure of last resort. Local hog producers have verbally protested these COA interventions and instead called for authorities to reduce the tax on imported feed products.

Taiwan has no significant pork exports since FMD outbreaks in 1997 closed the Japan market.

Table 1 - Pork Imports, Domestic Production, and Wholesale Market Auction Prices (calendar year basis)

Year	Pork Imports, 1,000 metric tons (TMT)		Domestic Pork Production, per 1,000 head slaughtered	Auction Price in NT\$/kg
	Meat [HS0203]	Offal [HS0206]		
2009	54	28	8,745	\$63.72
2010	44	29	8,575	\$69.36
2011	44	27	8,786	\$71.99
2012	24	29	8,965	\$63.35
2013 (estimate)	30	27	8,646	\$64.51
2014 (forecast)	45	30	8,200	\$75.00
2015 (forecast)	25	27	8,500	\$70.00

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

Poultry Sector (refer to Statistical Table 2)

Total poultry production in 2013 was estimated at 326 million birds (slaughtered), a 9% drop from 2012 due to avian flu concerns and new restrictions on fresh-killed birds at traditional wet markets. COA target poultry production for 2014, and forecast for 2015, is 359 million birds, a recovery to 2012 levels. The equivalent poultry feed demand is about 3.11 MMT. According to the 2012 COA Agricultural Yearbook, broiler production accounts for approximately 52% of total poultry product, native tugi birds 33%, and duck, geese, turkey, and layer production accounting for the remainder.

Starting May 17, 2013, Taiwan banned the slaughter of birds at the local traditional wet markets due to H7N9 concerns (see GAIN report TW13014). Most impacted by this ban is the native tugi bird, historically processed at the traditional, wet markets.

On March 1, 2014, COA implemented another regulation stating that thawed (previously frozen) poultry meat products cannot be labeled as chilled or fresh. As the majority of frozen poultry is imported, this new labeling requirement on poultry products is kind of marketing tool to differentiate imported and locally produced chicken meat products.

- **Broiler** - Deep-fried chicken fillets have remained popular since 2011 when a movie featuring a vendor at a local night market selling deep-fried chicken fillets debuted. These night markets and the chicken fillet vendors remain a popular draw for tourists and local youth. Popular lunch boxes often include chicken legs or leg quarters. Local production is competitive with imports and accounts for 85% of domestic consumption. COA broiler target production for 2014 is 193 million birds, with nearly a 3% increase from the previous year.
- **Tugi (native bird)** - The local tugi sector was negatively impacted by Taiwan’s first HPAI detection in March 2012. Also, the ban on fresh-killed birds at the tradition wet markets negatively impacted tugi production. As a result, 2013 tugi output remained low, similar to 2012 levels. COA tugi target production for 2014 is 110 million birds, with a less than 1% increase from the previous year. However, there is concern of declining demand for tugi in the long-run as the popularity of eating outside the home continues to increase, and the younger generation is typically less fond of tugi cuisine.
- **Other Poultry Sectors** - Annual mule duck production expects to see small gains; from 27 million in 2012, to 29 million in 2013 and 30 million forecast in 2014. Other poultry sectors combined account for 7% of the total poultry production. COA 2014 targets for chicken egg and duck egg production are 6.45 billion and 480 million eggs, respectively.

Table 2 - Poultry Meat Imports, Domestic Production and Farm Prices

Year	Imports of Poultry Meat & Products in 1,000 metric tons (TMT) [HS0207]	Domestic Poultry Production in million birds slaughtered	Farm Price, NT\$/kg (Broiler)
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2009	83	363	\$42.28
2010	115	370	\$41.85
2011	113	386	\$44.04
2012	130	359	\$42.99
2013 (estimate)	115	326	\$44.70
2014 (forecast)	115	359	\$45.00
2015 (forecast)	115	359	\$45.00

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

Total Feed Demand Estimates and Meal Consumption

Feed demand for 2014 and 2015 is forecasted at 7.0 MMT and 7.2 MMT, respectively. The equivalent meal consumption is estimated at 1.3 MMT and 1.4 MMT, respectively, based on a 23 percent inclusion rate of the total protein meal of soybeans. According to COA, “other” livestock sectors account for 11% of the total feed consumed, due in part to a growing dairy industry.

Table 3 - Taiwan Feed Production for CY2010-2014 in TMT

	2010	2011	2012 (revised)	2013 (Estimate)	2014 (Forecast)	2015 (Forecast)
Total Feed	7,182	7,340	7,309	7,100	7,000	7,230
Hog Feed	3,160	3,213	3,300	3,185	3,020	3,160
Poultry Feed	3,313	3,375	3,184	3,060	3,110	3,184
Others	708	752	825	855	870	886

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

Trade

In MY2012/13, Taiwan imported a total of 44 TMT of soybean meal, 41 TMT under HS-2304 and 3 TMT under HS-1208, of which 33 TMT was imported from the United States followed by 7 TMT from India. Soybean meal imports for upcoming years are anticipated to remain low, near the historical level of 3% of total domestic consumption.

Taiwan’s soybean crushing industry is consolidated into four major crushers. Unfortunately, one crusher with 1,000 MT of daily crushing capacity is idle due to alleged involvement in a 2013 food scandal where vegetable oils were mislabeled. This has reduced Taiwan’s total soybean crushing capacity in operation to 8,000 MT daily. Both of Taiwan’s two main crushers have invested in de-

hulling equipment to increase production of high protein de-hulled meal. In addition to conventional soybean meal, full fat soybeans and de-hulled high protein meal, with crude protein (CP) of 47% or above, remain popular. Soybean meal is traded according to CNS (Chinese National Standards), with a 43% CP national standard for soybean meal. For this reason, Taiwan crushers typically complain about lower protein content in U.S. soybeans.

Commodities:

Oil, Soybean

Production, Supply, and Demand

Oil, Soybean Taiwan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,960	1,586	2,020	1,556		1,691
Extr. Rate, 999.9999	0.	0.1892	0.	0.1896		0.1892

Beginning Stocks	5	5	1	21		20
Production	367	300	376	295		320
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	372	305	377	316		340
MY Exports	26	26	14	26		26
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	15	15	15	15		15
Food Use Dom. Cons.	330	243	345	255		275
Feed Waste Dom. Cons.	0	0	0	0		0
-	0	0	0	0		0
Total Dom. Cons.	345	258	360	270		290
Ending Stocks	1	21	3	20		24
Total Distribution	372	305	377	316		340
CY Imports	0	0	4	0		0
CY Imp. from U.S.	0	0	0	0		0
CY Exports	26	26	14	26		26
CY Exp. to U.S.	0	0	0	0		0
TS=TD		0		0		0

Oil Situation and Outlook

General

Taiwan's demand for soybean oil is primarily met by local crushing of imported soybeans with limited soybean oil trade. Total soybean oil imports in MY2012/13 was nil, while exports of locally crushed oil, mainly to Japan or within the region, totaled 26 TMT, with a 10 TMT increase from a year earlier. For 2014/2015, Taiwan will likely continue exporting 26 TMT to neighboring countries to balance reduced domestic demand.

Domestic demand seems to be negatively impacted by consumers' concern over trans-fats, GE products, and impure or blended (mis-labeled) products. Taiwan's total vegetable oil consumption estimate for 2013 is 509 TMT, down 11 TMT from the previous year. The decrease was mainly from lower demand for soy oil.

Increasing health consciousness has pushed Taiwan authorities to amend food production and food safety related regulations. New regulations specifically target labeling of trans-fats and GE-origin products. A proposed amendment from Taiwan's Food and Drug Administration (TFDA) requires all food products include a trans-fat content label, with a 0.3% labeling threshold. Only food products containing less than one gram of fat and oil per 100 grams will be exempt. The amendment of trans-fat labeling on vegetable oils will take effect on July 1, 2015 on a production date basis. Taiwan crushers plan to lower oil refining temperatures or use higher quality raw material (fewer split beans) to control

soybean oil quality. The proposed TFDA amendment may further dampen soy oil's competitiveness relative to other vegetable cooking oils. Reportedly, locally refined soybean oil contains higher levels of trans-fats than oil refined in the United States and Japan. Technical trade servicing to address trans-fat content in locally crushed and refined soybean oil is highly recommended.

Oil Scandal

A variety of local cooking oil scandals may have dampened consumer demand. In October 2013, a domestic vegetable oil manufacturer was discovered to have been blending lower-quality, cheaper vegetable oils, such as cottonseed and soybean, but marketing the product as higher-end olive oil. Moreover, the food color additive copper chlorophyll was illegally blended into these domestically produced oils. Finally, a sensationalistic media report detailed the alleged dangers of consuming (unrefined) cottonseed oil. Starting on November 1, 2013, all imported food products which list cottonseed oil as an ingredient are required to provide a statement confirming that the product is made from refined cottonseed oil.

No soy oil is used for B100 biodiesel production. Taiwan uses recycled cooking oils for B100 biodiesel production to meet Taiwan's B2 biodiesel mandate, which was implemented in June 2010 with an estimated demand of 100 million liters of B100. Taiwan has approximately 130 million liters of local B100 biodiesel production capacity using recycled cooking oil.

Competition among Oils in MY2012/13 (refer to Statistical Tables 6, 7, 8)

The Taiwan vegetable oil market is divided into the following three segments.

- The market leaders were soybean oil and palm oil, with soybean oil holding a 54% majority market share, a drop of about 3% from previous year. Palm oil has a 35% share, a 6% increase from the prior year. Despite competitive prices in MY2012/13, palm oil may also benefit from trans-fats and GE consumer concerns.
- Relatively new-to-market oils, such as olive, canola, corn, sunflower, safflower and grape seeds oils, had a combined 8% market share, a 3% drop due mainly to less competitive prices.
- Traditional Chinese oils: peanut, sesame and other oils have a combined 3% market share, remained the same percentage point from a year earlier. However, traditional tea seed oil expressed directly from roasted tea seed has potential to increase due to increase health consciousness. Tea seed oil is recognized as the Chinese equivalent of olive oil with similar health benefits and oil characteristics.

Despite post-WTO accession tariff reductions for new-to-market oils, 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. In addition, despite the relatively high prices for new-to-market oils, there is now significant growth potential due to increased health concerns about trans-fats.

Table 6 - Tariff Rates for Oilseeds and Edible Oils

HS Code	Seed/Oil	Tariff before WTO accession	Current Tariff
1201.00	Soybeans	0	0
1507	Soybean Oil	6	5
1513.21.10 & 1513.29.10	Palm Kernel Oil	1.25	0
1511	Palm Oil	2.5	0
1513.11 & 1513.19	Coconut Oil	3	0
1509 & 1510	Olive Oil	5	0
1205.00.10	Rapeseed	3.5	0
1514	Rapeseed (Canola) Oil	6	4
1515.21 & 1515.29	Corn Oil	7.5	5
1207.60.00	Safflower Seed	9	0
1512.11.20 & 1512.19.20	Safflower Oil	12.5	5
1206.00.00	Sunflower Seed	11	0
1512.11.10 & 1512.19.10	Sunflower Oil	15	5

Source: Taiwan Customs Tariff Schedule

Table 7 - Oil Prices, CIF Taiwan, US\$/KG

Type of Edible Oil	MY 2010/11	MY 2011/12	MY 2012/13
Palm Oil (HS1511)	\$1.131	\$1.099	\$0.895
Canola Oil (HS1514)	\$1.246	\$1.270	\$1.283
Sunflower Oil, Crude (HS1512.1110)	\$1.405	\$1.302	\$1.300
Soybean Oil (HS150710, Crude)	\$1.345	\$1.357	N.A.

Table 8 –Vegetable Oil Consumption, estimated by Net Oil Imports & Production, TMT

Type of Edible Oil	MY 2011/12	MY 2012/13
Palm Oil (HS1511)	152.4 (imports 158.4-exports 6.0)	177.1 (imports 182.7-exports 5.6)
Coconut Oil & Palm Kernel Oil (HS1513)	9.9	9.8
Olive Oil (HS1509)	3.4	4.8
Canola Oil (HS1514)	25.0	16.0
Sunflower Oil (HS1512)	16.9	11.3
Corn and Other Veg. Oils (HS1515)	-1.3	-0.6
Total Non-Soy Imports	206.3	218.4
Soybean Oil Net Exports (HS1507)	- 16.0	- 26.5
Domestic Soybean Oil Production	316.0 (net 300)	300.0 (net 273.5)

Chinese traditional oil: Peanut Oil (Domestic crush - CY)	6.7	7.0
Chinese traditional oil: Sesame Oil (domestic crush - CY)	5.5	6.0
Other Veg. Oils (domestic crush - CY)	3.3	3.3
Est. consumption/ total supply	521.8 = (206.3 + 300 + 15.5)	508.2 = (218.4 + 273.5 + 16.3)