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Taiwan

Oilseeds and Products Annual

Taiwan Oilseed Annual Report 2019

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Report Highlights:

MY2018/19 and MY2019/2020 soybean imports are forecast at 2.7 million tons on continued strong demand. An important change in the livestock industry was Taiwan's ban on feeding non-heat treated food scraps to pigs in order to prevent the spread of African Swine Fever (ASF). This is helping to stabilize demand for soybeans and commercial animal feed despite downward pressure on animal herds. U.S. soybean market share in Taiwan jumped 31 percent in CY2018 to 86 percent due to trade tensions with China and the shifting trade flows that have resulted.

Soybeans

Production

MY2019/20 production is forecast to increase to 1,000 metric tons to 6,000 tons on expanded acreage and average yields. The Council of Agriculture (COA) has offered subsidies for planting import-dependent crops as a rotation crop on rice fields since 2013. COA had set a target of increasing soybean production to 6,000 tons in 2018. However, farmers have been slow to increase soybean acreage due to low soybean yields and price competition from imports. MY2017/18 and MY2018/19 soybean production is lowered to 5,000 tons each year based on preliminary COA production statistics and production trends.

Consumption

MY2019/20 soybean consumption is forecast to remain strong at 2.7 million tons, unchanged from MY2018/19. While soybean crushing is revised downwards, this decrease is mostly compensated for by higher estimated direct feed use. Food use is also revised up slightly to 318,000 tons based on COA consumption statistics.

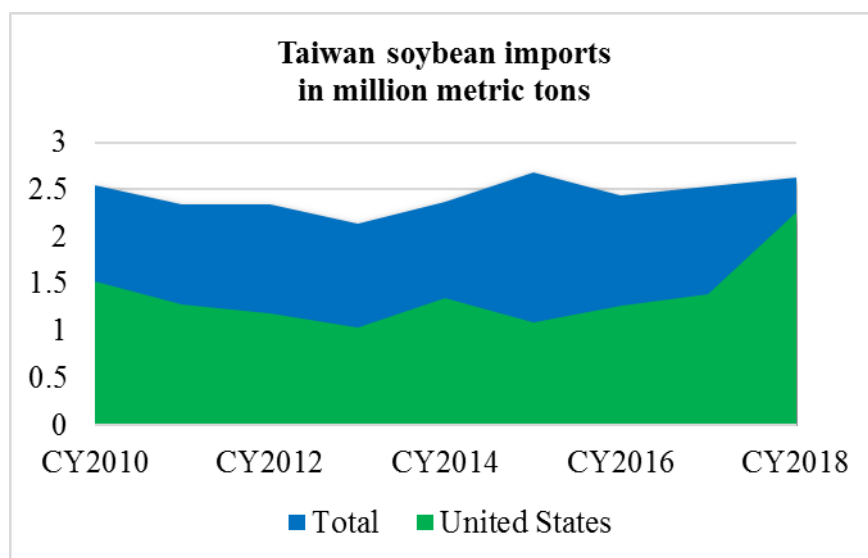
MY2019/20 soybean crush is forecast to remain stable at two million tons based on flat demand. MY2018/19 and MY2017/18 soybean crush is lowered to two million tons based on Ministry of Economic Affairs soybean oil production statistics. Flat demand soybean oil has made it unprofitable for crushers to increase production. Crushers have consolidated and there are now two large and three smaller crushing plants, with daily crushing capacity 9,050 tons combined. The average capacity utilization rate is around 66 percent.

Based on multiple industry sources, the remaining animal feed demand is being met by higher use of full fat meal. As a result, feed waste and domestic consumption is now forecast to reach 400,000 tons in MY2019/2020 and MY2018/19. MY2017/18 feed waste and domestic consumption is raised to 312,000 tons.

Additionally, COA has implemented restrictions on feeding food scraps to pigs in order to prevent the spread of African Swine Flu (ASF). This has helped increase demand for soybean meal, including full fat meal. See the soybean meal section for more details.

Trade

Taiwan relies on imports to meet almost all of its soybean demand. MY2019/2020 soybean imports are forecast to remain stable at 2.7 million tons on continued consistent demand. MY2018/19 imports are lowered slightly to 2.7 million tons based on projected crushing and animal feed demand, as well as import pace. U.S. market share in Taiwan increased 31 percent in CY2018, to 86 percent, as trade tensions pushed down the price of U.S. soybeans relative to South American soy and South American shippers sent more shipments to China. U.S. exports also benefited from the additional, off-cycle Taiwan Goodwill Agricultural Mission soybean buying team in fall 2018 that encouraged some further displacement.



Imports of non-genetically engineered (GE) soybeans had been steadily increasing due to consumer preferences for non-GE soy foods. However, this trend reversed in MY2017/18, when imports of non-GE soybeans dropped to 79,000 tons, down 3,000 tons from the year before. The decrease was due to sharply higher premiums for non-GE soybeans as trade tensions with China drove down the price of U.S. GE soybeans. Canada had a 63 percent import market share for non-GE soybeans in MY2017/18, up three percent from the year before. The United States was in second place with a 34 percent share, up one percent from the year before. Taiwan started requiring that GE and non-GE soybean shipments enter under separate HS codes in November 2014.

On December 24, 2018, COA announced the Amendment to “[Regulations for Import Feed and Additive](#),” creating separate HS codes for food and feed use soybeans. The Bureau of Foreign Trade will likely announce the new additional HS codes in May 2019. After this happens, soybeans will be subject to inspections for food use or feed use depending on the declared import code. Soybeans declared for food use will be eligible for use in food or feed. Soybeans declared for feed can only be used for feed. However, the pesticide maximum residue limits, mycotoxin tolerances, sanitary, and other requirements will remain identical for food and feed soybeans. According to trade contacts, most importers plan to declare soybeans under the food HS code.

Stocks

Ending stocks are forecast to dip slightly to 386,000 tons in MY2019/2020. MY2018/19 stocks are lowered 16,000 tons to 398,000 tons based on import pace and forecast consumption. Importers use container shipments to help manage supply and keep stocks low. According to industry sources, 53 percent of soybeans were imported via containerized shipments in 2018, up 11 percent from the previous year despite new road transportation regulations that require the use of smaller containers.

Trade sources anticipate lower containerized shipments in MY 2018/19 based on the current volume of forward contracts.

Meal, Soybean

Production

MY2019/20 meal production from crushing is forecast to stay flat at 1.575 million tons. Flat demand for soybean oil has discouraged soybean crushers from increasing production. According to industry sources, the remaining animal feed demand is being met by direct feeding and full fat meal.

MY2018/19 soybean meal production is lowered 192,000 tons to 1.575 million tons based on Ministry of Economic Affairs soybean oil production statistics, and production and consumption trends.

Consumption

MY2019/20 soybean meal consumption is forecast to remain flat at 1.585 million tons. The remaining animal feed demand is forecast to be met by direct feeding and full fat meal. MY2018/19 consumption is lowered to 1.585 based on forecasted production and limited imports.

Soybean meal consumption closely tracks total feed production in Taiwan. Total feed production is expected to remain flat in CY2019 and 2020. The small decline in pork production is expected to be offset by the increased use of commercial feed that replaces the use of food scraps for animal feed. Feed production in 2018 is estimated at 7.65 million tons based on COA preliminary hog production and poultry production numbers. According to COA 2017 statistics, poultry feed accounts for 48 percent of feed production, followed by hog feed at 42 percent. Dairy cows and aquaculture account for most of the remaining 10 percent.

Feed Production (million tons)

	2014	2015	2016	2017	2018*	2019*
Total Feed	7.46	7.38	7.52	7.62	7.65	7.65
Hog Feed	3.17	3.26	3.26	3.21	3.23	3.23
Poultry Feed	3.44	3.29	3.48	3.66	3.67	3.67
Others	0.85	0.83	0.78	0.75	0.75	0.75

Sources: Council of Agriculture (2014-2017). * Post estimates (2018-2019)

Poultry production increased by 11 million birds in 2018 according to COA preliminary poultry production estimates. Fried chicken is increasingly popular, particularly Korean style fried chicken. COA 2019 target production remains at the same level (389 million birds) as the 2018 preliminary. Growth in poultry production is expected to slow in 2019 and poultry feed demand is expected to remain generally flat in 2019/2020.

COA has set a target of stabilizing hog production at 8.05 million head in 2019. However, actual production will likely be lower. COA has taken measures to prevent the spread of ASF to Taiwan, including enhanced biosecurity rules and a new requirement that only farms with heating facilities can use the treated food scraps as pig feed. Some smaller pork producers are ill equipped to make the necessary changes or are reluctant to shoulder the increased costs. COA is offering subsidies to farmers to close down their operations if they are unable or unwilling to make the necessary changes. A National Animal Industry Foundation survey published in January 2019 found a record number of pig farms are considering stopping production. The preliminary estimate is one percent decrease in total number of pigs slaughtered each year.

Hog feed demand is forecast to remain stable in 2019 and 2020 despite lower total pork production. The National Animal Industry Foundation estimates that 10 percent of black pig operations have switched to commercial feed due to new heat treatment rules for food scraps. Black pigs account for 12 percent of the total hog population (5.44 million heads) based on the November 2018 COA hog consensus. Most black pigs have traditionally been raised on food scraps. The island generated 550,000 tons of food waste in 2018 according to Taiwan's Environmental Protection Agency; government sources report that two-thirds of that total was fed to black pigs. The preliminary forecast is that the increase in the share of pigs raised using commercial feed will balance out any near term negative impact on soybean meal demand from declining herd sizes. As a result, soy meal consumption is forecast to remain stable in MY2019/2020.

New COA biosecurity rules include the above-mentioned requirement for heat-treating food scraps, increasing biosecurity at commercial and backyard pig operations, and plans for GPS tracking of vehicles transporting live pigs and carcasses. The enhanced ASF prevention biosecurity rules will also likely help Taiwan's foot and mouth disease (FMD) eradication program. Taiwan formally prohibited FMD vaccinations on July 1, 2018 as part of a comprehensive program to regain World Organization for Animal Health (OIE) recognized FMD-free status without vaccination. OIE recognition would help ongoing Taiwan efforts to reopen export markets for locally produced pork and pork products. Japan, for example, was a major export destination for Taiwan pork prior to the detection of FMD on the Island.

Pork and Poultry Production (Animals Slaughtered)

Year	Pork (1,000 head)	Poultry (million birds)
2013	8,720	347
2014	8,067	370
2015	8,200	357
2016	8,144	379
2017 (revised)	7,947	376
2018 (preliminary)	8,070	387
2019 (target)	8,050	389

Source: Council of Agriculture

Trade

Most soybean meal in Taiwan is produced and consumed domestically. MY2019/20 imports and exports are forecast to remain flat. MY2018/19 imports are lowered to 20,000 tons based on sufficient domestic production and current import pace. According to industry contacts, most of the exported soybean meal is high nutrition fermented meal. Soybean meal is traded according to Taiwan's Chinese National Standards (CNS), which incorporates a 43 percent crude protein (CP) national standard for soybean meal. Locally crushed soybean meal faces only minor competition from other imported high protein meals.

Imports of Soybean Meal Substitutes (in 1,000 tons)

Meal/HS Code	MY2016/17	MY2017/18	MY2017/18 (Oct-	MY2018/19 (Oct-
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			Jan)	Jan)
2301.20: Fish meal	139	147	48	50
<i>SME (x1.445)</i>	201	212	69	72
2305: Peanut meal	3	3	1	2
<i>SME (x1.124)</i>	3	3	1	2
2306.50 Copra meal	12	11	3	3
<i>SME (x0.4515)</i>	5	5	1	1
2306.49 Rapeseed meal	9	10	3	3
<i>SME (x0.7115)</i>	6	7	1	1
2306.60 Palm kernel meal	16	0	0.2	--
<i>SME (x0.3557)</i>	6	0	-	-
Total in SME	231	227	72	76

Source: Taiwan Customs Statistics

Stocks

MY2017/18 stocks are predicted to be lowered to 39,000 tons based on MOEA statistics. Soybean crushers report soybean meal and oil stocks to the government, but do not report stocks of uncrushed soybeans. MY2018/19 stocks are also lowered to 39,000 tons, as soybean meal stocks are expected to remain relatively stable.

Oil, Soybean

Production

MY2019/20 soybean oil production is forecast at 360,000 tons based on flat demand. MY2018/19 oil production is lowered to 360,000 tons on stable demand. MY2017/18 soybean oil production reached a record 365,000 tons, according to Ministry of Economic Affairs (MOEA) statistics. This was up 12,000 tons from a year earlier. Any further increase in oil production from local crush will be at the expense of crushing margins, as domestic demand is flat and there are limited export opportunities. The oil crushing rate is derived from MOEA oil production statistics and the Taiwan Vegetable Oil Manufacturers' Association's (TVOA) soybean number for crushing.

Consumption

MY2019/20 soybean oil consumption is forecast to remain stable at 350,000 tons. The lack of population growth and an aging population leaves little space for demand growth. MY2018/19 consumption is lowered to 350,000 tons based on consumption trends and lower estimated for MY2017/18 consumption. MY2017/18 consumption is lowered 25,000 tons to 340,000 tons based on COA and MOEA statistics. According to COA statistics, food consumption of soybean oil was 320,000 in CY2017. Taiwan does not use soybean oil for biodiesel or other transportation fuels. The largest alternative to soybean oil is imported palm oil.

Table for Others Vegetable Oils than Soybean, Peanut and Sesame oil in 1,000 MT

Type of Edible Oil	MY2015/16	MY 2016/17	MY 2017/18
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Palm Oil (HS1511)	196	229	219
Coconut Oil & Palm Kernel Oil (HS1513)	7	7	7
Olive Oil (HS1509; HS1510)	7	8	8
Canola (Rapeseed) Oil (HS1514)	32	32	32
Sunflower Oil (HS1512)	14	20	19
Corn and Other Veg. Oils (HS1515)	2	4	3
Total Non-Soy Oil Imports	258	300	288

Sources: Bureau of Foreign Trade, MOEA

Trade

Taiwan exports a small amount of surplus production. MY2019/20 exports are forecast to drop back to 10,000 tons, close to the average export volume over the past five years. MY2018/19 exports were unusually high (17,000 tons) and MY2017/18 exports were unusually low due to the timing of shipments. Domestically crushed soybean oil remains competitive over imports.

Stocks

MY2017/18 ending stocks are raised to 25,000 tons based on MOEA statistics. Soybean crushers report oil stocks to the government, providing a good estimate of total stocks. MY2018/19 and MY2019/20 stocks are forecast to drop back to 18,000 tons, consistent with historical stock levels.

Palm Oil

Summary on Production, Trade, Consumption and Stocks

MY 2019/20 palm oil consumption is forecast at 225,000 tons based on average import levels over the past three years. Taiwan does not produce palm trees for oil. Malaysia is the major import supplier. According to COA data, approximately three quarters (170,000 tons) of imported palm oil is used for food processing.

Oilseed, Soybean Market Begin Year Taiwan	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	3	0	4	0	4
Area Harvested	5	3	5	3	0	4
Beginning Stocks	372	372	416	411	0	398
Production	8	5	8	5	0	6
MY Imports	2666	2666	2730	2700	0	2700
Total Supply	3046	3043	3154	3116	0	3104
MY Exports	0	0	0	0	0	0
Crush	2150	2002	2250	2000	0	2000
Food Use Dom. Cons.	300	318	310	318	0	318

Feed Waste Dom. Cons.	180	312	180	400	0	400
Total Dom. Cons.	2630	2632	2740	2718	0	2718
Ending Stocks	416	411	414	398	0	386
Total Distribution	3046	3043	3154	3116	0	3104
CY Imports	2540	2631	2600	2700	0	2700
CY Exports	0	0	0	0	0	0
Yield	1.6	1.6667	1.6	1.6667	0	1.5
(1000 HA) ,(1000 MT) ,(MT/HA)						

Meal, Soybean Market Begin Year Taiwan	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2150	2002	2250	2000	0	2000
Extr. Rate, 999,9999	0.7851	0.7867	0.7853	0.7875	0	0.7875
Beginning Stocks	36	36	62	39	0	39
Production	1688	1575	1767	1575	0	1575
MY Imports	24	24	25	20	0	20
Total Supply	1748	1635	1854	1634	0	1634
MY Exports	11	11	10	10	0	10
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1675	1585	1775	1585	0	1585
Total Dom. Cons.	1675	1585	1775	1585	0	1585
Ending Stocks	62	39	69	39	0	39
Total Distribution	1748	1635	1854	1634	0	1634
(1000 MT) ,(PERCENT)						

Oil, Soybean Market Begin Year Taiwan	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2150	2002	2250	2000	0	2000
Extr. Rate, 999,9999	0.1781	0.1823	0.1782	0.18	0	0.18
Beginning Stocks	7	7	18	25	0	18
Production	383	365	401	360	0	360
MY Imports	0	0	0	0	0	0
Total Supply	390	372	419	385	0	378
MY Exports	7	7	17	17	0	10
Industrial Dom. Cons.	20	20	21	20	0	20

(1000 MT) ,(PERCENT)(1000 HA) ,(1000 TREES) ,(1000 MT) ,(MT/HA)