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Global Agricultural Information Network

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Taiwan Drought and Updated Rice Supply and Demand Estimate

Report Categories:

Grain and Feed

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Report Highlights:

Water rationing measures in Taiwan will impact 2015 rice production by approximately 10%, or 110 TMT. However, sufficient stocks from over harvests in recent years realize minimal trade impact. U.S. rice exports to Taiwan are not likely to expand beyond the amount allotted through the Country Specific Quota, or 56 TMT.

Overview:

On December 26, Taiwan's Ministry of Economic Affairs (MOEA) announced implementation of the first (of three potential) water rationing measures, in response to extended drought. The first phase, implemented immediately, halted farmland irrigation to approximately 44,000 hectares (approximately 101,000 acres). This decision will effectively fallow approximately 5% of Taiwan's cultivated land, impacting primarily rice production. A 10%, or 110 TMT, reduction in Taiwan's 2015 rice production is anticipated. Such cutbacks offset recent over-harvests. As a result, neither an increase in rice imports nor an adjustment to the 2015 country specific quota (CSQ) tender schedules is anticipated.

General information:

Taiwan Drought – Limited Rainfall Lowers Reservoirs

Limited rain fall in the second half of 2014 continues through today with Taiwan reservoirs at near record lows. On December 26, Taiwan's Ministry of Economic Affairs (MOEA) announced implementation of the first (of three potential) water rationing measures, in response to the drought. The first phase, implemented immediately, halted farmland irrigation to approximately 44,000 hectares (approximately 101,000 acres), following the first (of two) annual rice crop. Agriculture in Taiwan accounts for approximately 70% of water use, with industry and households accounting for ten and 20%, respectively.

Farmers will receive [additional] subsidies to offset losses. (Agriculture in Taiwan is heavily subsidized, rice farmers in particular.) The amount of compensation varies depending on land use, but for rice farmers averages approximately NTD \$80,000/hectare, equivalent to USD \$1,025/acre, to fallow crops. Funding will be sourced from MOEA, the Council of Agriculture (COA) and other Taiwan Ministries/agencies. Rice farmers also have to option to shift production to other crops, but with lower compensation. The COA implemented additional measures to support farmers including loan repayment assistance, labor contract assistance, and technical outreach/support.

Rice – Production and Supply; Sufficient Stores Balance Lower Production

Approximately 23,000 hectares of the 44,000 fallowed hectares are under rice production. Total rice production estimates for 2015 are therefore revised downward to 1,100 TMT, a 10%, or 110 TMT, decrease from last year's 248,000 hectares. The drought impact on other crops is minimal because most do not require high moisture soil or draw water from rivers or streams, not reservoirs.

Substantial government support means Taiwan-origin rice is not price competitive in the global market. Therefore, domestic production is primarily for local consumption, accounting for approximately 90% of the rice consumed in Taiwan; the remaining 10% is met by imported rice under the World Trade Organization (WTO) tariff rate quota (TRQ). According to Taiwan's WTO accession agreement, Taiwan's rice TRQ is 126 TMT (milled). The U.S. country specific quota (CSQ) allocation is 56 TMT.

After their 2002 WTO accession, Taiwan's COA targeted production at 1,130 TMT from 260,000 hectares. Taiwan was not immune from the 2007/08 global food price spikes which raised food security

concerns; Taiwan is only about 30% self-sufficient in food production. To encourage production, Taiwan authorities upwardly adjusted domestic rice purchase prices by 13% in 2011, enticing farmers to expand rice production beyond the COA targets. Since 2011, there has been a steady 10% annual increase in rice harvest area, now at 270,000 hectares. This surplus allowed Taiwan to expand rice stocks. Given sufficient domestic stocks, the estimated 10% reduction just offsets production targets and leaves no need for supplementary imports. Also, adjustments to the TRQ rice tender schedules are not anticipated as the 2014 U.S. rice CSQ tender was contracted with later delivery terms due to the West Coast port situation.

Taiwan Rice, Production, Supply, Demand – Post Estimates

Rice, Milled Taiwan	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		Market Year Begin: Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	270	271	260	248		270
Beginning Stocks	363	363	301	385		315
Milled Production	1,113	1,217	1,131	1,100		1,200
Rough Production	1,590	1,722	1,616	1,571		1,714
Milling Rate (.9999)	7,000	7,067	7,000	7,000		7,000
MY Imports	135	104	125	134		126
TY Imports	135	104	125	134		126
TY Imp. from U.S.	0	45	0	53		56
Total Supply	1,611	1,684	1,557	1,619		1,641
MY Exports	10	19	10	19		19
TY Exports	10	19	10	19		19
Consumption and Residual	1,300	1,280	1,300	1,285		1,285
Ending Stocks	301	385	247	315		337
Total Distribution	1,611	1,684	1,557	1,619		1,641
Yield (Rough)	6.	6.3542	6.	6.3347		6.3481
TS=TD		0		0		0

Fruit and Vegetable Production Outside Fallowed Area

Based on COA’s Agriculture and Food Agency (AFA) internal evaluation, the drought’s impact on Taiwan’s fruit and vegetable production is limited as Taiwan’s fruit and vegetable production is primarily outside the fallowed area. Fruit and vegetable growers are not subsidized and authorities therefore exhibit less control over the production chain, especially as compared to rice. Less than 6,000 hectares out of the fallowed farmland are for fruit, melon, and bean production, for example. Taiwan grows sugar apples, honey peaches, candied jujubes, tangerines, and oranges primarily in the mountain areas. Other fruits and vegetables including taro, sweet potatoes, sugarcane etc. are grown drawing

water from rivers or streams, independent of reservoirs.

Agriculture in the Economy

In Taiwan, just 800,000 hectares (1.9 million acres), or 22% of total land area, is under cultivation by 777,000 households – an average of 1.1 hectares, or 2.7 acres, per household. Only 17 percent of total farmers are full-time farmers while non-farm income accounted for 84 percent of the income of a farm family in 2012. Farmers' per capita annual income in 2012 was NT\$280,463 (US\$9,420), less than 77 percent of what their non-farm counterparts made. A fragmented production base, high input costs, and heavily protected domestic production result in an agricultural sector that produces less than two percent (1.69% in 2013) of Taiwan's total GDP and employs only 4.9% of the national workforce. In 2012, Taiwan's agricultural production totaled about US\$16.1 billion, with field crops accounting for 47 percent of the total, livestock - 31 percent, fishery products - 22 percent, and forestry products - less than one percent. Rice production occupies the greatest land area.