

## Rice Procurement Policy

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In Taiwan, the government has had a program for purchasing rice at guaranteed prices since 1974. However, Taiwan's rice procurement policy underwent adjustments over the years. The unlimited rice procurements in the early years were replaced by limited quantities per hectare in 1997, while normal purchase prices were also revised several times. Purchases of rice at guaranteed prices are based on a three-tiered system: the guaranteed purchase program, the supplementary purchase, and additional purchase. Historically, the guaranteed purchase and supplementary purchases have co-existed for a long time. The additional purchase appeared in 2003 to prevent market prices from falling below the average costs of production. It reinforced the determination of the government to support farmers' incomes. Since guaranteed prices have a major impact on incomes, there is generally pressure to raise these. The latest example was in 2011, when guaranteed prices in the three-tiered government purchase system were all raised by NT\$ 3 per kg. It had a positive impact on food security stocks; supporting farmers' income and the market price. The current rice procurement in quantities and prices are shown as follows:

Rice Price Support Program in Taiwan

Program	guaranteed purchase		supplementary purchase		additional purchase	
	price	quantity	price	quantity	price	quantity
units	NT\$/kg	kg	NT\$/kg	kg	NT\$/kg	kg
1st crop	26.00	2,000	23.00	1,200	21.60	3,000
2nd crop	26.00	1,500	23.00	800	21.60	2,400

Currently, if a farmer were to sell the maximum per-hectare quantities allowable under the authorities' three procurement program: the guaranteed purchase program, supplementary purchase program, and additional purchase program – the sum of quantity sold would equal total production. Rice farmers consider the difference between guaranteed price and the market price in deciding whether to sell rice to the government. In 2010, the government purchased total quantity of paddy rice about 191,050 Mt, sharing 13% of total domestic rice production, including 173,883 Mt from guaranteed purchase, 17,571 Mt from supplementary purchase, and 596 Mt from additional purchase. Since the government absorbs production at the margin, this has the effect of supporting market prices. Consequently, the market price is usually located around the supplementary purchase and guaranteed price level.

The quantity from these purchases was put into the central stocks maintained for food security purposes in accordance with Taiwan's Food Administration Law. Central stocks of new-crop rice can be auctioned and then released in the domestic market when retail prices exceed preset limits. In addition, stocks are managed by selling new crop rice to schools, the army, and prisons, while old-crops are sold to food processors, feedmills, or for export. Food aid is also an option.

The nominal pre-established prices under these three purchase programs have been revised during last five years. Despite policy adjustment, the authorities have paid a substantial price to protect the rice sector. These rice operation programs, in general, required authorities to buy high and sell low. In particular rice for export or feeds would cost the authorities the

difference between the farm procurement price and the world market price.

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