

Agricultural Direct Payment Policy in Taiwan

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Current policies related to Direct Payment

The Direct Payments in Taiwan are basically complied with the norm in Annex 2 of the Agreement on Agriculture of WTO. The types of direct payment are quite diverse including income direct payment, payments under environment programs, structural adjustment assistance etc. The following are the major ones:

1. Adjusting cultivated system and reactivating farmland program

The Council of Agriculture (COA) launched a four-year program that involved cultivation system adjustment and farmland reactivation in January 2013. The program applies some direct payment measures and aims to encourage fallow land rehabilitation, maintain the sustainable environment, adjust the structural of production and ensure domestic food security. The program encourages the eligible farmland which had ever participated in paddy field set-aside program or diverse production program during 1994 to 2004 to cultivate import substitute products, production of characteristic, organic crops, and products with export potential as well as only allow fallow with planting green manure plant at most one crop per year instead of allowing fallow at most 2 crops per year in 2012 and before.

The direct payment measures applied in this program are as follows:

a. Adjusting the cultivation system

- a) Adjusting the payment for fallow farmland: The payment for fallow with planting green manure plant is still NT\$ 45,000 per crop per hectare but only allow fallow with planting green manure plant at most one crop per year instead of allowing fallow at most two crops per year in 2012 and before.

If the farmland is registered on Farmland Bank website in order to rent out to other farmers before the year end of 2014, it will still allow fallow at most two crops per year but the payment for the 2nd fallow of a year is NT\$ 20,000.

If the farmland was identified improper for cultivation, it will still allow fallow at most two crops per year but the payment is NT\$ 34,000 per crop per ha.

- b) Payment for diverse production or contractual production: The program encourages the owners of farmlands to cultivate the crops again after it has been fallowed. The corps which were encouraged and which payment criteria is shown in Table 1.

Table 1. The corps encouraged by policy and its payment criteria

Unit: NTD/per crop/per ha

Corp items	payment	
Import substituted products with Contractual production		
Feed corn, non-GMO soybean	45,000	
Woods (which can be harvest with 6 year)	45,000	

Wheat, buck wheat, sesame, Job's tears, jelly herb	45,000	
Forage grass, forage maize	35,000	
Sugarcane (for refined)	30,000	
Sorghum (for making wine), Sweet potato (for feed)	24,000	
Oil Tea, Tea	45,000 22,500	1st 6 half year 7th and 8th half year
Export substitute products with Contractual production		
Vegetable soybean	35,000	
Carrot, lettuce	24,000	
Local specialty products (listed by local Government)	20,000	+ payment by local Government
Organic Crops (during the 3 transforming years)	15,000	Extra its original payment

b. The performance of the program

Payment for structural adjustment (Small landlords, large tenants): Young tenant who rents an eligible farmland from old landlords to enlarge his/her farm scale and produce the crop listed in Table 1 will get additional payment higher than those listed in Table 1 by NT\$ 10,000 per hectare per crop. The landlord who is older than age 65 and rents out his/her farmland will get payment of NT\$ 2,000 per month per ha in addition to the rent from tenant.

Since the implementation of fallow land reactivation plan in 2013, the central and local governments worked closely with farmers' associations whose joint efforts resulted in an annual decrease of 100,000 hectares of declared fallow land from 200,000 hectares in 2011 to 100,000 hectares in 2014.

Furthermore, the area of farmlands that switched to contract farming or cultivate other crops expanded 53,000 hectares compared to 2011, among which 22,500 hectares were dedicated to growing local specialty products, 20,000 to major import substitute crops such as soy bean, wheat, corn, pasture, and forage maize. Converting the estimated total harvest of 1.27 million tons by these rehabilitated farmlands into calories would raise the food self-sufficiency rate by one point compared to that of the previous year.

Moreover, the project spurred the development of related industries to a total value increase of NT\$ 18.4 billion while saving the fiscal expense of NT\$ 3.6 billion on crop rotation systems. It is safe to say that the project has achieved a remarkable result.

As of the end of 2014, there were 1,670 large tenants, with rented land totaling 15,070 hectares. Large tenants had, on average, nine hectares of land each (including self-owned land), or about eight times more than the 1.1 hectares of farmland held by the average farm household in Taiwan. This allows effective introduction of larger scale operations. The average age of the full-time farmers who have been included in the guidance program is 44,

compared to 62 for the average farm owner in Taiwan, so the effect in terms of rejuvenation is clear.

2. Payments for environmentally-friendly agriculture

a. Organic agriculture program

Organic agriculture is an industry which emphasizes production, life and ecological properties, alluding to the equally most environmentally friendly farming practice. In addition to supplying the market with safe and high-quality agricultural produce, it also brings substantial benefits in terms of lowering the impact of environmental pollution caused by agricultural production, promoting biodiversity, ensuring agricultural sustainability, safeguarding national health, and so on.

In order to promote organic agriculture, the Council of Agriculture (COA) has been zealously counselling farmers to engage in organic production. Apart from working in conformity to fallow land adjustment policies, the COA also assists farmers to lease farmlands by means of matchmaking and provide a wide variety of incentives and counseling measures, including subsidies for organic certification and inspection expenses, assistance for organic farmers to improve cultivation equipment (facilities), and access to preferential loans. With respect to expanding marketing channels, the COA helps to establish organic farmers' market, set up organic products E-shops and franchised retail counters, organize exhibitions and sales activities for organic products, develop diversified marketing channels to promote organic agricultural products, match organic product suppliers with retailers for the contract production, cooperate with the county and city governments to promote organic vegetables in school catering service with a view to expand the market while building the foundation of a healthy lifestyle using organic products.

By the end of December 2014, the COA has accredited 11 organic agricultural products certification bodies; with certified organic crops area totalling 6,071 hectares being farmed by 3,038 certified organic farmers, including 1,929 hectares of rice, 2,133 of vegetables, 925 of fruits, 454 of tea and 630 of other crops; certified operators of organic crop processed products are 369 in total.

b. A Testament to Water Terrace Paddy Field Rehabilitation Project

In order to conserve wetland ecosystem and its endemic species, the Forestry Bureau of COA and some associations began counseling farmers in some Districts to work on the environment with traditional technology and ideology that coexist with nature.

At the water terrace, in recent years, the project has proven that farmlands not only produce food but also sustain biodiversity, regulate water resources, and support marine production. The entire project has been gathering support and exchanges from the public for local conservation through the Conservation Partner program, friendly agro-product purchase, and participation in educational trip packages such as the Hoe-Hoe Tour and the Hoe-Hoe Deep Breath. Furthermore, the Field-side Farmhouse has just been inaugurated by officials of the Forestry Bureau and farmers of the production unit as they ceremonially rammed the patch of original earth floor. All of these efforts aim to gather more support and raise awareness for environmental conservation.

The project marks the beginning of cooperation with privately owned farmlands in the name of ecological service and special habitat conservation. The Forestry Bureau and the

civic associations have discovered life networks which connect water terraces to forests and river mouths. After the effort of encouraging locals to employ traditional farming methods, now more than 500 species enjoy and share a habitat which has become a safe haven for 16 threatened species. The habitat has also contributed as an ecological corridor for migratory organisms dwelling in the area, and expanded the water conserving area of the terraces.

This pilot project implemented in 4 townships and totally 78.5 ha. The payment amounted to NT\$ 4 million.

The prospect of direct payment policy

In reference to Japan, Korea, EU and USA etc. which had adjusted its agricultural policies from market support or price subsidy to payments and drafting strategic goals such as increasing efficiency or environment sustainability in order to respond to the impact of climate change, food insecurity, and trade liberalization, the prospective direct payment policy in Taiwan will be:

1. Continue to review and adjust “the Adjusting cultivated system and reactivating farmland program”

The payments of the program did adjust the cultivated system and reactivate fallow farmlands. The Government is going to adjust the program according to the food security situation and the progress of adjusting the Rice Purchase program. The major adjustments situation:

- a. The strength of the payment will be on the unique variety of rice and import substituted crops:
 - a) Facilitate and encourage to cultivate coarse grain or environmentally-friendly agriculture in the area that is not suited for rice planting or low productivity, within “Golden Corridor” (an area to develop water-saving types of cultivation), or lack of irrigation.
 - b) Upgrading the production of the products which are encouraged to be of high quality, with good branding and are considered efficient.
- b. Adjusting gradually the Rice purchase program to measure applying direct payment

Currently, the rice is the only product that has price support program. In response to the coming free trade agreement such as TPP, the Rice Purchase program must be adjusted eventually.

- a) Reducing the plant area and increasing the quality of rice through the use of regular eligible varieties of rice for purchase program and changing some governing measures for rice.
 - b) Planning a direct payment program to substitute the Rice Purchase program: A direct payment program which can maintain the rice farmer’ income, keep the rice industry, and increase the farm scale and production efficiency is being planned to eventually substitute the Rice Purchase program.
2. Applying direct payment to environmentally-friendly agriculture and ecological preservation

Enhancing the direct payment on environmentally-friendly agriculture and ecological preservation to maintain the income of rice farms instead of price support.

a. Expanding the organic agriculture

In order to construct the industry's chain of organic agriculture, which is supposed to include industry, livelihood, and ecology, there are 3 dimensions that will be improved:

- a) Increasing the support by consumers: measures such as promoting the labelling system, enhancing communication with consumers, increasing the connection between consumers and the farmer/the rural area of organic agriculture.
- b) Constructing the marketing channels of organic products: measures such as developing organic specialty stores, direct delivery to consumers, internet business, and so on.
- c) Expanding the supply of organic products: measures such as assisting the production skill and technology, direct payment, and helping the contracting between the farmers and the marketing enterprises.

There is a vision of making Taiwan an organic LOHAS Island. There are some specific goals such as increasing the current 12,000 hectares of planted area, constructing 20 organic villages, and the certificated organic process firms will be 400 by 2020.

b. Expanding environmentally-friendly agriculture

In order to preserve agro-ecology and agricultural resources, the Government will cooperate with non-government organizations to promote water terrace paddy field (WTPF) rehabilitation, research and develop relative skills and technologies, create WTPF value chain and brand, help to market products. Furthermore, the direct payment will be extended to maintain production environment or village, increase bio-variety, providing service for ecological system, conducting good practice for sustainable agriculture, etc.

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