

The Situation of Taiwan's Agricultural Trade and Export Strategy

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INTRODUCTION

After Taiwan (the Republic of China) joined the World Trade Organization (WTO) in 2002, Taiwan must keep the promise of the WTO to regulate to the open market and lower tariff. In the meantime, based on most developed nations, it also gave a way to the opportunity for exporting Taiwan's agricultural products. In order to expand the international market for agricultural products and ensure the sustainable development of Taiwan's agriculture in the face of global competition, the Taiwanese government successively pushed for the "plan to strengthen international agricultural marketing" in 2004, the "plan to strengthen the global distribution of agricultural products marketing" in 2007, the "plan to strengthen the deepening of global market for agricultural products" in 2010, and the "international expansion of agricultural marketing plan" in 2015, with the goals of "building a trade environment, and promoting export-oriented agriculture", "The establishment of international image of agricultural products and expansion of international marketing channels" and "assisting agricultural exports and the increase of farmers' income", the government has been actively handling the international marketing of agricultural products.

However, the export of agricultural products isn't an easy task. Not only do we have to face the change and trend of the international environment, including: 1. the negotiating pressure of lowering tariff and the WTO's new rounds of open market expansion with agricultural trade facing the trend of each country signing free trade agreements with each other to cancel tariffs; 2. the increase in requirements concerning food sanitation and safety for each nation; 3. the competitive export situation between mainland China, the Southeast Asia and Taiwan's agricultural products. Also, Taiwan faces some domestic environmental problems: 1. Taiwan always has a small farm business structure, and the quality and stability of export products still needs to be improved; 2. the improvement on the conditions of agricultural logistics and a strong marketing system are still an urgent task; 3. Export brands combining marketing and promotional effectiveness has yet to be established.

Export is an essential part of overall sales, but each different national market has its own characteristics and norms. Under the current international and domestic environment, what are the problems and opportunities for agricultural exports? What are the government's layout and strategy for agricultural exports? How much effect can it bring to Taiwan's production and farmer's income? As well as what position does agricultural exports policies have in the overall agricultural development? These issues are all worth exploring and discussing from a broader longer-term perspective.

CURRENT SITUATION AND PROBLEMS OF AGRICULTURAL TRADE

Agricultural Trade Value

The agricultural trade value in 2016 was US \$ 18.89 billion, accounting for 3.9% of the total trade value (excluding re-import and export) of US \$ 487.61 billion. The annual export of agricultural products was US \$ 4.67 billion and the import was US \$ 14.22 billion. Both import and export value declined compared with the value in the previous year. In particular,

the import value declined more, resulting in the trade deficit of US \$ 9.55 billion, which is US \$ 100 million or 1.0% less compared with the previous year. While reviewing the export structure of agricultural products, the product concentration factor fell from 23.93 in 2002 to 18.93 in 2016, and the regional concentration factor from 43.67 in 2002 to 31.77 in 2016. These fallen numbers show that Taiwan's agricultural export items and regions in a trend of scattering due to free trade, though the level of dispersion had slowed down in the last 10 years.

MAIN PRODUCT IMPORT AND EXPORT PROFILES OF MAIN PRODUCTS

Export Products:

1. Cereals and cereal products: The export value was US \$ 370 million in 2016, 3.1% more than the previous year. Despite a decrease in the exported baked pastry sector to China, which has offset partial increase, the overall export value still increased due to the export of domestic rice to Papua New Guinea and Haiti, and baked pastry to the Republic of Korea and Hong Kong.
2. Vegetables and vegetable products: The overall export volume decreased 20% due to domestic natural disasters in 2016, of which, carrots and turnips reduced the most. While the export value was US\$160 million, it was 3.6% more than the previous year, mainly because of the export of soybeans to Japan due to more reduction over there.
3. Fruits, nuts and products: The export value was US\$ 210 million in 2016, 9.8% less than the previous year. Because of natural disasters, the export volume decreased by 10%, of which, the shortage of supplies and rising cost of fresh cold mango, sweetsop, and banana were the most obvious reasons, while the export volumes decreased the most. Only the exports of fresh frozen pineapple to China increased, offsetting some of the reduction, but the overall export value was still reduced.
4. Feathers: The export value for 2016 was US \$170 million, 15.4% less compared with the previous year, due to the sharp decrease in exports to Vietnam and South Korea. The overall export value decreased even though the export to China increased, offsetting part of the reduction.
5. Leather and leather products: Accounting for 10.4% of total agricultural exports, it was Taiwan's second largest export of agricultural products, with the export value of US \$ 480 million in 2016. It was 24.8% less than the previous year due to the sharp decline of cow leather and other leather exported to Hong Kong, Vietnam and mainland China.
6. Fish and fish products: the largest export of agricultural products in Taiwan, having the cumulative export value of US \$ 1.43 billion in 2016, making up to 30.5% of the total agricultural products export. It decreased 0.4% compared to last year due to the live grouper fish industry facing market competition, the export to mainland China decrease more, although the frozen tuna exported to Japan, Thailand, etc. had significantly grown, so overall the export volume had a slight decrease.
7. Mollusk and mollusk products: the export value was reduced to US \$ 90 million in 2016, down 36.8% from the previous year, mainly due to unfavorable weather conditions of capturing of aquatic products caused by the El Niño phenomenon, resulting in a 60% decrease in the frozen squid supply.

Import Products:

1. Cereals and cereal products: Being the largest imported agricultural products to Taiwan, the import value in 2016 has a cumulative total of US \$ 1.66 billion, accounting for 11.7% of the total imports of agricultural products, although down 7.4% from the

previous year. Due to the international prices of corn and wheat cereals continuing to fall, the import value from Brazil and the United States was significantly reduced. However, the imports of baked pastry from Malaysia and Japan had increased, offsetting some of the reduction. In the end, the overall value of imports still declined.

2. Seed oil and seed oil powder: The import value of 2016 was US \$ 1.09 billion, down 12.1% from the previous year, mainly due to the sharp decline of soybean oil seed imports from the United States.
3. Vegetables and vegetable products: the import value in 2016 was US \$ 440 million, 29.3% more than the previous year, due to the significant increase of fresh frozen garlic, cauliflower and onion imports.
4. Fruits, nuts and products: the import value was US \$ 1.09 billion in 2016, 8.0% more than the previous year, mainly due to the increase of imports of fresh frozen apples, grapes or kiwi and other imports.
5. Wine: the import increased to US \$ 1.15 billion, accounting for 8.1% of total imports of agricultural products in 2016, becoming Taiwan's second largest imported agricultural products, with an increase of 16.0% from the previous year, mainly due to the 1 to 3 percent increase of average price for imported French and British wine.
6. Wood and wood products: the import value was US \$ 1.12 billion in 2016, down 12.5% from the previous year, mainly due to the reduction in imports of Coniferous lumber, hardwood veneer, wood pulp and other imports.
7. Leather and leather products: the import value was US \$270 million in 2016, down 34.9% from the previous year, due to the significantly reduced imports of leather, hydrochloric acid, cow leather and other imports.

OVERVIEW OF IMPORT AND EXPORT OF MAJOR COUNTRIES

Export Overview:

Mainland China was the biggest place of export for Taiwan's agricultural products in 2016 with a value of US \$ 910 million, 19.4% of the total agricultural export value. Next was Japan with a value of US \$ 800 million, 17.1%. The United States, Vietnam, and Hong Kong respectively account for 11.0%, 8.8% and 8.3%. Compared to last year, the exports to main land China and Hong Kong decreased the most, with the deduction of US \$ 92.7 million and US \$ 89.1 million respectively (-9.3%, -18.7%), due to the reduction in cow leather, fresh grouper, and frozen squid exports. Also, due to the rise in the frozen tuna export, the export to Japan had risen US \$ 22.8 million (+2.9%).

Import Overview:

Most of the agricultural imports were from the United States in 2016, with a value of US \$ 3.36 billion, accounting for 23.6% of the total agricultural import. Next was Japan with the value of US\$1.01 billion, which accounts for 7.1%. Mainland China, Brazil and Australia respectively account for 6.9%, 6.7% and 5.5%. Compared to last year, agricultural imports from Brazil decreased the most, with a deduction of US \$ 170 million, (-15.2%), mainly due to the decrease of cereal imports. The second was the United States, with the deduction of US \$ 170 million (-4.7%), due to the reduction of soybean seed imports.

Some current problems pointed out by the Council of Agriculture concerning Taiwan's export operations of agricultural products includes: 1. export industries fighting on its own; 2. sweeping of goods and orders; 3. competitive pricing; 4. the diversification and overlapping partnership; 5. the unstable quality and quantity of supplies; 6. too focused on the Chinese market, inability to expand to new markets.

More fundamental problems are the gaps in the fresh produce export supply chain from

each of the stages: 1. production stage: small arable land, the high cost of land and labor; frequent natural disasters, difficult to ensure a stable supply and quality; an export oriented production supply chain is still to be strengthened. 2. packaging stage: product selection and grading system aren't complete; packaging efficiency still needs improvement (traffic flow and equipment etc.); post-harvest processing technique still needs improvement. 4. export and marketing stage: lacking consistent export market information, such as consumer need, market change and product positioning; the higher tariff and quarantine conditions; lacking long term and stable trade partners and export channels.

AGRICULTURAL MARKETING STRATEGY AND MEASURES

The government has three goals for promoting agricultural exports: 1. to increase farmer's income; 2. to expand the actual result of export; 3. to adjust the industry structure. Under the goals mentioned above, the council of agriculture has come up with four strategies:

Strategy 1: Promote the development of up value agricultural integration and develop export oriented agriculture and fishery industry.

- Market research survey, comparing and screening of main export products and potential products of target markets.
- Set up production zones and large scale export collection zones to develop export oriented agriculture industry.
- Quarantine negotiation consultation, the adjustment of pesticide residue standards and place of origin consultation.

Strategy 2: Develop international brand, strengthen personnel training and increase international competitiveness.

- Export agricultural products brand
- Agricultural trade personnel training

Strategy 3: Proactively expand overseas access for agricultural and fishery products.

- Set up long term exhibition locations for agricultural products.
- Work together with overseas business to promote and expand access for agricultural products to foreign markets.

Strategy 4: Strengthen international promotion, shoot for business opportunities.

- Strengthen agricultural cooperation with different countries, and participate in international food shows and trade shows.
- Integrate export industries to build a common international marketing strategy.

In the meantime, there are five specific measures to strengthen:

1. Improve the fresh agricultural export products supply chain as soon as possible.
 - A. Discuss with authorities from each industry (Agriculture and Food Agency, Fishery Agency and Livestock Agency) about setting up an export supply chain with a stable quality, price, and supply.
 - B. Inquire with large channels of main markets like Japan, mainland China and Southeast Asia to set up a cross-border direct marketing system.
 - C. Join forces from government labs and college labs to focus research on enhancing the preservation and storage technology (standardized post-processing, packaging, storage and transportation quality control and quality monitoring etc.) of pineapples, guava, mangos, candied dates and small tomatoes etc.
2. Strengthen the food processing supply system as soon as possible.
 - A. Recruit elite food processing companies with distinctive features and export potentials.
 - B. Guide the above mentioned elite companies to increase marketing in the Southeast

- Asian and Middle East Halal markets.
3. Expand into the Halal food market
 - A. Encourage domestic agricultural food manufacturers to certify for the Halal certification, in order to compete for the Muslim population's recognition of Taiwan's product.
 - B. Assist domestic manufacturers to strengthen the overseas market channels by participating in the Muslim market exhibitions and holding long term promotions.
 - C. Invite experts in the Muslim markets to share their knowledge and experience with Taiwan companies, actively participate in international meetings, and help Taiwan issued Halal certificate to be more widely accepted and recognized by other countries.
 4. Construct an export elite product database.
 - A. Construct a suitable database that has export potential food processing producers and products.
 5. Improve the fresh agricultural product supply chain as soon as possible.
 - A. Set a stable quality, price and supplies with industry agencies.
 - B. Inquire with large channels of main markets like Japan, mainland China and Southeast Asia to set up a cross-border direct marketing system.

CONCLUSION

To be frank, there are still a lot of problems concerning the exports of Taiwan's agricultural products waiting to be solved. For example, the lack of information and statistic data of international agricultural market, the lack of a complete agricultural product export supply chain and support system, the export expansion of agricultural products were too focused on specific products and markets, the lack of integration mechanism and economic benefits assessment from participating in international exhibition, branding related to Taiwan agricultural products still needs to be strengthened, most agricultural exports focuses on the form of primary products, and ignoring other input factors like, processing, intellectual property etc.

Although the government had pushed for the "plan to strengthen international agricultural marketing" in 2004, and selected a couple of flagship products, but the agricultural export value has always stayed around US \$30 billion. It wasn't until 2010 that the export value increased to US \$ 50 billion, but the import value has been also increasing. It is around US \$ 150 billion right now, with the agricultural product deficit increasing to around US \$ 100 billion. Faced with the trend of free trade, from joining WTO to TPP or RCEP, the government's agricultural policy has only stayed on the mindset of reducing the impact of imports, but using the opportunity to increase export has been seldom touched on.

Japan's Abe government has drafted a new agricultural policy, the "aggressive agriculture", an export-oriented agriculture. With Japan's high cost, polar and temperate climate, this policy can turn defense into offense, while Taiwan should have better conditions.

But we all know agricultural export isn't an easy task, a lot of organizations, public and private alike had tried, with little to no success. In order to tackle the difficult task of agricultural export, the new government has set up Taiwan Agricultural Development Company, but whether it can solve the many problems of agricultural export, expand agricultural export, upgrade and transform Taiwan's agriculture, increase farmer's income and rise Taiwan's agriculture value, is something to look forward to.

When the government selects agricultural export as the focus point of agricultural development, it must draft a more specific vision and goal, and invest more resources. For

example, the vision of agricultural export is to increase agricultural competitiveness and rise farmer's income. The goal is to double the agricultural export value in 8 years and rise farmer's income to NT \$ 1.5 million. In contrast, the Council of Agriculture should invest at least 5% of its budget to international marketing, and set up export zones of at least 1000 hectares. Thus, it can show the importance of the policy and the government's determination. In the meantime, we hope that the Taiwan Agricultural Development Company can effectively promote the integration of agriculture and trade, take advantage of economies of scale and negotiation advantages, and step onto a new milestone for Taiwan's agricultural development.

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