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# A REVIEW OF AGRICULTURAL EXPORTS FROM TAIWAN

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## I. General Description

Agricultural products, including processed agricultural products, rank foremost in importance among the commodities exported from Taiwan, as evidenced by the fact that the aggregate value of agricultural products exported during the last few years has accounted for around 90% of that of Taiwan's exports.

In 1957, the foreign exchange earnings of Free China derived from the export of agricultural products totalled US\$155.4 million among which sugar took the first place with an earning of US\$110.7m., with rice running second with US\$21.3m. Other export items were tea (US\$5.7m.), canned pineapple (US\$4.3m.), citronella oil (US\$3.6m.), banana (US\$3.8m.) and other agricultural products (US\$5.7m.).

## II. Sugar

The entire output of Taiwan white sugar is produced by the Taiwan Sugar Corporation (TSC), which is a government enterprise. The Corporation currently operates twenty seven sugar mills established in sugarcane growing areas of southern and central parts of Taiwan Province. The annual output of Taiwan sugar now approaches 900,000 m.t. of which about 100,000 m.t. are provided for domestic consumption, making around 800,000 m.t. available for export. Importing countries of Taiwan sugar scattered throughout Asia, Far East, Middle East and Africa, but the biggest buyers are Japan, Iran and Singapore.

Taiwan sugar industry did remarkably well in 1951 and 1952 when the world sugar price once hit the highest of US\$200 per metric ton. The good price of sugar provided an incentive for the expansion of planting acreage of sugarcane in Taiwan. However, as Taiwan's sugar production showed a big increase in 1953, the annual average sugar export price dropped to US\$103 per m.t. from US\$152 in 1952. In order to stabilize production and its export, our Government has taken several essential measures designed to keep up the production of local sugar industry. These measures can be described as the following:

- (1) To join the International Sugar Conference: Free China joined the International Sugar Conference in 1954 and has obtained the annual export quota of sugar from the Conference's annual session. Since then, although the world sugar market situation fluctuated greatly from year to year, the actual export quota (the final quota) for Taiwan sugar has kept increasing. The export amount of Taiwan white sugar jumped from about 513,000 m.t. in 1954 to about 583,000 m.t. in 1955, about 687,000 m.t. in 1956 and 830,000 m.t. in 1957.
- (2) To give a reasonable guaranteed price to sugarcane growers: Taiwan Sugar Corporation's sugarcane plantations constitute about 30% of the total planted acreage while the remaining 70% are contracted private farms. Under the con-

tract signed between the cane growers and TSC, the former are required to surrender the harvested cane to the sugar mills of TSC, and receive in return refined sugar on the basis of 50-50 division. The growers may dispose their share of sugar by selling either on the market for domestic consumption or to TSC for export. In the latter case, the purchasing price paid by TSC is set according to the average export price of sugar in the preceding three months. If the price thus figured falls too low, TSC will pay according to a guaranteed price.

Before 1953, the sugarcane guaranteed price was calculated in link with the price of rice, at the ratio of 1:1 between white sugar and milled rice. In 1953, the domestic rice price soared while the world sugar price dropped sharply. The government was forced to pay a heavy subsidy to the cane growers in that year. The government subsequently decided in May of 1954 to lay down a formula for computing farmers' sugar price based up the production cost of sugarcane and other competing crops. The principle is that the guaranteed price should be so fixed that the net returns to the cane growers from each hectare of land should not be lower than the net returns from the same piece of land if other competitive crops are planted. This system in combination with other incentive methods such as to give the cane growers a sufficient amount of production loan and to promote long term contractual sugarcane farming, etc. has contributed toward stabilizing sugar planting acreage at around 90,000 ha. per year and its production.

(3) To reduce the cost of sugar production: Principal means for achieving this end is through increasing the yield of sugar per hectare per month. In 1947, a new variety of sugarcane NCO: 310 was introduced from South Africa. This variety has been widely extended in planting in recent years with the result that its acreage reached 91.5% of the total sugar cane acreage in the last crop year. It gave a yield 30% more than the old varieties and is suitable for ratooning which helps to shorten the average growing period of sugarcane from 18 months to 15 months. Another way for reducing the sugar production cost is the improved utilization of sugar's by-products, i.e. molasses and bagasse. Molasses had been used for quite a long time in Taiwan only making alcohol, while bagasse had only been used as fuel. Now, a yeast plant has been established using molasses as the raw material to turn out yeast feeds. A wall board plant has also been built using bagasse as the main raw material.

Taiwan also produces annually 20,000-30,000 m.t. of brown sugar, of which 70% is for export to Japan and South-east Asia earning around US\$2 million of foreign exchange per year. There are 40 private-owned sugar mills engaged in the production of brown sugar which are located mostly in the hilly regions.

### III. Rice

Although Taiwan's population has increased rapidly in the last few years, food production has kept up with the growing demand. The present policy of our Government is to produce enough rice primarily for meeting domestic consumption and secondarily for export. However, our Government's rice policy also recognizes the need for export of rice to earn foreign exchange for purchasing chemical fertilizer and other commodities essential to the achievement of rice production program.

During the period from 1950 to 1956, about 624,000 m.t. of polished rice, averag-

ing 90,000 m.t. a year, were exported to Japan from Taiwan. The actual export of rice to Japan reached 144,480 m.t. last year and 143,000 m.t. in the first half of this year. The price of exported rice to Japan in the last two years was US\$147 per m.t. according to the Trade Agreement signed by the two governments.

The export of rice is handled solely by Taiwan Provincial Food Bureau. The export rice comes mainly from the stock received by bartering fertilizer with rice from farmers. The ratio of exchange between paddy and fertilizers is fixed at 1 kg. of ammonium sulfate to 1 kg. of Ponlai paddy.

In order to improve the quality of rice for export, plans are underway to expand the planting acreage of Ponlai rice varieties, for seed renewal and for elimination of inferior and adulterated rice seed.

#### IV. Pineapple

A phenomenal upsurge in the export of Taiwan canned pineapple has been noted in the last few years. Its export volume jumped from 263,000 cases in 1952 to 987,000 cases in 1956. It underwent a recession in 1957 as only 780,000 cases were exported in the year. The situation has now improved and it appears that the export volume of canned pineapple may reach an all time high of about 1.2 million cases this year.

The turning point of pineapple industry from last year's recession to this year's recovery is stimulated by many effective measures taken by our Government. One of the measures is the streamlining of pineapple industry for export. A Government order announced last year called for a progressive raising of the standard of the pineapple canneries. It was announced that all pineapple canneries not meeting certain standards at end of May 1957 would not be allowed to export their products, and that by December 1957, all canneries must meet another set of more strict standards, failing which they would not be allowed to export their products. At present, the number of canneries qualified for producing canned pineapple for export is only 22 against about 50 last year.

By a ruling recently promulgated by our Government, hereafter any new cannery, to be qualified for the manufacture of export canned pineapple must, in addition to the establishment of a plant with equipment meeting the minimum set standard, operate a fruit plantation or plantations of not less than 100 ha. to supply at least 30% of its own raw fruit requirement, with contract fruit growers providing an additional 40%.

A program designed for stabilizing the farm production of the canneries is also under study. It is proposed that hereafter not only the newly established canneries shall be required to operate their own fruit plantations, but also those existing canneries which have been regarded as qualified but do not operate their own plantations shall be given assistance and encouraged to do so. This program, when implemented, will stabilize the fruit supply to canneries, reduced their production cost and improved fruit quality.

#### V. Tea

Tea has been one of the main export items of Taiwan for many years. The greater portion of Taiwan tea is produced in the North-western part of the Province.

Tea plantations cover a total area of over 46,000 hectares, most of which are on hill slopes or terraced land.

Under the Four-Year Plan, the tea planting acreage will be enlarged to a considerable extent, with high priority given to the cultivation of Assam tea. The four kinds of exportable refined tea are Oolong, Pouchong, Black and Green Tea, each of which is further classified into different grades according to the accepted international standard. However, because of the keen competition from other tea producing countries, Taiwan tea export has encountered increasing difficulties.

Taiwan tea has not been able to establish itself in foreign market. Local tea producers are mostly engaged in speculation on market demand, making black, green or any other kind of tea which they figure would yield them the greatest profit in the season. When the demand is higher than what they have on hand, there will be a rush to buy up raw tea from the growers through the crude tea factories, sometimes at the expense of quality. When the market is dull, the price for raw leaves is unfavorably affected. A system for setting up guaranteed price for raw tea leaves is yet to be established to assure tea growers of reasonable returns.

Three years ago, the exporters found that they could gain handsome profit from the export of inferior grade tea under the prevailing complex foreign exchange rate and export floor price control system. The situation became very serious as the tea producers were tempted to produce tea out of old and overgrown leaves. The picking of the old leaves resulted in the impairment of the vigor of the trees and reduction of the flush in the succeeding season.

Some measures have been taken since then to remedy the situation. These include simplifying the export floor price, strengthening export inspection, modernizing the equipment of tea factories and improving the management of tea plantations. Plans for stabilizing farm price of tea and extention of low interest loans to tea growers are also under study.

## VI. Citronella Oil

The climate in Taiwan is particularly suitable for growing citronella grass, and the oil extracted from the grass for export made up about 60% of the total volume of citronella oil transaction in world market. However, the citronella oil industry of Taiwan has seen many ups and downs in the past years. Better price and strong world demand for citronella oil during the past years have induced farmers to expand production, thus causing over-production and drastic drop in price. Furthermore, a rapid rise of local citronella oil price provided incentives for the grass farmers who even resorted to indiscriminate logging of forests and conversion of forest lands into citronella fields. This has often resulted in soil erosion, caused damage to irrigation facilities and adversely affected agriculture in general.

Since local citronella oil has established itself in the international market, and has become one of the major exportable farm products of Taiwan, measures have been undertaken to regulate its production. This year our Government imposed a quota on citronella oil export by limiting its annual export volume to four million pounds. It was also decided by our Government that the export floor price for the oil should be kept at last year's level in order to prevent the exporters from dumping the oil into the world market.

## **VII. Banana**

The principal market for Taiwan banana is Japan. Due to the imposition of import quota of banana by the Japanese Government in the last several years, local banana export has been limited to around 600,000 baskets in volume or around US\$ 4.5 million in value. This limitation means a setback for local banana export as compared with prewar days. The situation was not changed until this year when our Government offered a lower export floor price for banana and the Japanese agreed to enlarge its import quota of US\$4.5 million for last year to US\$5.5 million for the current year. Since there is a good harvest of local banana this year, efforts have been made to expand the market to South Korea, Ryukyu and other areas.

The exported banana are all supplied by local Fruit Production and Transaction Cooperatives. Always, there are many disputes between the Cooperatives and exporters to be settled by government agencies. Last year, the agricultural agencies concerned in conjunction with the Agricultural College of Taiwan University recommended several measures to improve the packing of banana for export to minimize the damage sustained during ocean transportation.

## **VIII. Other Agricultural Products**

In recent years, the agricultural agencies concerned spared no efforts to promote the export of agricultural products. They have tried hard again and again to open up a market for Taiwan's citrus fruits in Canada and Manila. Starting August 1955, hogs have regularly been exported from Taiwan to Hongkong in response to the demands from overseas Chinese there. Export of peppermint oil to European countries has grown in recent years. Other promising exportable items are pig's bristles and "Tapioca" which is a kind of refined starch derived from "Cassava". In addition, there is a rather long list of miscellaneous agricultural products being exported from Taiwan including feathers, flax, hemp, kapok, grass mat, bamboo pole, bamboo shoot, garlic, Irish potato, vegetables, etc.

Appendix: Value of Agricultural Products Exported from Taiwan  
 1952—1st. half of 1958

Unit: US\$1,000

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Items	1952	1953	1954	1955	1956	1957	1st half of 1958
Sugar	69,684	90,256	58,636	67,920	76,060	110,784	46,960
White sugar	(449,023MT)	(845,859MT)	(513,298MT)	(583,526MT)	(687,006MT)	(830,358MT)	
Brown sugar	(6,877MT)	(20,002MT)	(19,102MT)	(14,271MT)	(13,473MT)	(16,939MT)	
Rice	23,240	11,354	7,844	32,764	12,837	21,329	21,051
	(107,615MT)	(49,550MT)	(36,810MT)	(189,999MT)	(86,100MT)	(144,480MT)	
Tea	5,745	6,840	9,441	5,594	5,051	5,762	2,482
	(9,479MT)	(10,421MT)	(14,868MT)	(7,877MT)	(10,445MT)	(11,778MT)	
Canned pineapple	1,995	2,611	3,953	5,563	6,109	4,352	3,388
	(263,621C S)	(459,355C S)	(622,019C S)	(882,351C S)	(987,417C S)	(780,578C S)	
Citronella oil	2,454	2,209	2,712	3,548	5,107	3,648	1,657
	(2,281MT)	(2,375MT)	(1,747MT)	(1,175MT)	(2,051MT)	(1,821MT)	
Banana	6,634	3,411	4,731	3,991	3,146	3,827	3,402
	(879,700B S)	(465,507B S)	(630,673B S)	(532,893B S)	(422,228B S)	(532,711B S)	
Other agri. prod.	4,410	4,261	3,319	4,665	6,253	5,735	3,048
Total of exports of agri. products	114,162 (95.5%)	120,942 (93.2%)	90,646 (92.7%)	124,045 (93.0%)	114,563 (88.1%)	155,437 (92.2%)	81,988 (93.6%)
Export of non-agri. products	5,365 (4.5%)	8,850 (6.8%)	7,110 (7.3%)	9,396 (7.0%)	15,497 (11.9%)	13,069 (7.8%)	5,604 (6.4%)
Overall value of exports	119,527 (100.0%)	129,792 (100.0%)	97,756 (100.0%)	133,441 (100.0%)	130,060 (100.0%)	168,506 (100.0%)	87,592 (100.0%)

Source of data: "Statistics of Export Exchange", Bank of Taiwan