



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 1/31/2003

GAIN Report #HK3003

## Hong Kong

## Livestock and Products

## Semi-Annual

## 2003

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### Report Highlights:

Due to the anticipated increase in the price of U.S. beef, exports to Hong Kong are expected to remain flat. Re-exports to Mainland China have continually increased thanks to the rising affluence in many major Chinese cities. Although retained pork imports from all sources will remain high, and probably increase, Thailand will be Hong Kong's major supplier of chilled pork due to lower prices than similar products of U.S. origin. Demand for offals will remain strong, however increased domestic production in China will lower import demand. All meat re-exports to Mainland China will be negatively affected by China's much stricter enforcement of new labeling and permit requirements.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Semi-Annual Report  
Hong Kong [HK1], HK

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## **Situation and Outlook**

Given the maturity of the local market, Hong Kong's beef imports from all sources are forecast to reach 70,000 MT (carcass weight) in 2003, comparable to the 2002 level. US beef exports to Hong Kong are not expected to grow since U.S. beef prices are expected to increase. The 2003 US export volume to Hong Kong's domestic market is likely to remain at 12,000 MT, as in 2002. The drought in Australia will result in less beef supply from this source.

In Jan - Nov 2002, Hong Kong's retained imports of US beef reached 7,682 MT, rising 8% compared to the same period in 2001. US beef did exceptionally well considering that the domestic market for all beef imports has dropped 6% as indicated by overall retained beef imports. Last year, the BSE scare in Japan weakened beef demand there. Consequently, more US beef exports have been made available for the Hong Kong market. US beef prices were relatively low, leading to the increase in exports to Hong Kong. The growth primarily focused on frozen beef while the demand for chilled beef remained stable. US prime cuts occupy a very unique upscale market in Hong Kong. It has been very difficult to expand our market share in this sector as the Hong Kong economy has remained flat. This trend is expected to continue into 2003. Industry contacts have informed us that several more international restaurants which feature US beef will be going out of business in the coming months. Nonetheless, US beef has been very successful in penetrating the low and middle market segments in recent years by providing cuts like short plate and chuck to wet markets and Chinese restaurants.

Hong Kong's beef re-exports to China have been increasing and the trend is expected to continue to 2003. Between Jan - Nov 2001 and Jan - Nov 2002, Hong Kong's overall re-exports of beef rose 110%, and re-exports of US beef jumped 103%. Many major Chinese cities are getting more affluent creating demand for quality beef. US beef is highly sought after. Unfortunately, the problem of counterfeit US products prevails. due to lack of familiarity and education, many consumers and caterers cannot differentiate between US products and those from other countries.

Hong Kong's pork imports, excluding re-exports, are forecast to increase to 280,000 MT in 2003 rising modestly by 2%. As in previous years, Thailand will continue to supply chilled pork to Hong Kong at more favorably prices creating the momentum of growth in Hong Kong's demand for chilled pork. China will continue to be the leading pork supplier for the Hong Kong market. Effective January 2002, China implemented a new policy by eliminating the need to have its meat exports to Hong Kong handled by a sole agent. Thus, the prices of Chinese pork became lower and the export volume increased. The market share of China's frozen pork expanded from 33% in 2001 to 39% in 2002. Hong Kong's pork trade in 2003 will continue to feel the impact of Thai meat and China's frozen pork. There is a high demand here for cheap pork supplies for fast food chains and restaurants. As always, price is the most crucial consideration in Hong Kong.

Though the demand for offals in China remains strong, trade will face mounting challenges in 2003. China has increased its pork production implying that supplies of offals will rise correspondingly. The demand for imported offals will then be reduced. Second, China has implemented new labeling requirements for meat imports. These new requirements have impeded trade considerably. Though Hong Kong's re-exports can still have access to the China market through transport companies, transport fees have increased and fluctuated.

## Statistical Tables - Meat, Beef and Veal

### PS&D Table

PSD Table						
Country	Hong Kong					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	0	51	0	48	0	45
Beginning Stocks	0	0	0	0	0	0
Production	15	15	14	14	13	13
Intra EC Imports	0	0	0	0	0	0
Other Imports	72	71	65	70	70	70
TOTAL Imports	72	71	65	70	70	70
TOTAL SUPPLY	87	86	79	84	83	83
Intra EC Exports	0	0	0	0	0	0
Other Exports	1	0	0	0	0	0
TOTAL Exports	1	0	0	0	0	0
Human Dom. Consumption	86	86	79	84	83	83
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	86	86	79	84	83	83
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	87	86	79	84	83	83
Calendar Yr. Imp. from U.S.	16	11	16	12	16	12
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Note : PS&D production figures include local and imported live cattle for slaughter. Import and export numbers are in carcass-weight-equivalent using a 1.36 conversion factor for all fresh/chilled and frozen beef and 1.79 for processed beef. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.

**Table 1 : Supply and Consumption of Live Cattle**

	1998	1999	2000	2001	2002 (provision)
Local Supply	101	36	120	148	138
Imports	64,700	61,210	56,856	50,651	47,728
Total	64,801	61,246	56,976	50,799	47,866

Source : Hong Kong Agriculture, Fisheries and Conservation Department

**Table 2 : Average Retail Prices of Beef Relative to Pork and Poultry (freshly slaughtered)**

US\$/kg	1997	1998	1999	2000	2001	2002
Chicken (top grade)	\$4.70	\$5.28	\$4.73	\$4.49	\$4.60	\$4.58
Duck (top grade)	\$3.30	\$3.57	\$3.18	\$2.89	\$2.80	\$2.71
Beef (best quality)	\$7.11	\$7.20	\$7.19	\$7.17	\$7.20	\$7.15
Beef (belly flesh)	\$5.30	\$5.48	\$5.42	\$5.34	\$5.36	\$5.35
Pork (best cut)	\$5.53	\$5.62	\$5.32	\$4.87	\$4.54	\$4.26
Pork Chop	\$6.67	\$6.76	\$6.42	\$5.92	\$5.58	\$5.18

**Table 3 : Average Retail Prices of Beef to Pork and Chicken (frozen)**

Product Categories	Weight	HK\$ (US\$1 = HK\$7.78)
whole chicken wings (Brazil)	5 lbs	26
mid-joint wings (Chile)	2 lbs	19
whole broiler legs (USA)	2 lbs	9.9
broiler drumsticks (USA)	2 lbs	13
boneless thigh meat (USA)	2 lbs	18
whole chicken (Denmark)	3.3 lbs	23
chicken paws (Canada)	2 lbs	13
wing tip (USA)	2 lbs	7
mid-joint wings (USA)	5 lbs	38
boneless skinless breast meat (Chile)	12 oz	15
pork chop (Brazil)	2 lbs	25
boneless pork chop (Brazil)	1 lb	14
chuck (Brazil)	1 lb	17
knuckle (Brazil)	1 lb	14
fore shank (Brazil)	2 lb	23
short loin (Brazil)	1 lb	32
US Prime Ribeye	1 lb	78

short ribs (US)	2 lbs	52
rib fingers (US)	2.2 lbs	38

**Table 4 : Average Wholesale Prices of Live Cattle**

US\$/MT	1998	1999	2000	2001	2002 (Jan - Oct)
Live Cattle	2,760	2,551	2,373	2,356	2,343

Source : Hong Kong Census & Statistics Department

Exchange Rate : US\$1 = HK\$7.75

**Table 5 : Hong Kong Beef Imports by Categories ( Jan - Nov)**

	- MT - 2000	- MT - 2001	- MT - 2002	- 02/01 -
chilled beef	2,675	2,384	2,908	22%
frozen beef	42,601	41,082	42,549	4%
processed beef	6,272	7,795	8,398	8%
total	51,548	51,261	53,855	5%
beef offal	72,597	75,282	84,596	12%

**Table 6 : Hong Kong Beef Exports by Categories (Jan - Nov)**

	- MT - 2000	- MT - 2001	- MT - 2002	- 02/01 -
chilled beef	34	32	86	170%
frozen beef	4,357	4,228	7,521	78%
processed beef	160	497	2,377	378%
total	4,551	4,757	9,984	110%
beef offal	44,766	49,256	65,115	32%

**Table 7 : Hong Kong's Retained Beef Imports (Jan - Nov)**

	- MT - 2000	- MT - 2001	- MT - 2002	- 02/01 -
chilled beef	2,642	2,352	2,822	20%
frozen beef	38,244	36,854	35,029	-5%
processed beef	6,112	7,297	6,020	-18%
total	46,998	46,503	43,871	-6%
beef offal	27,831	26,026	19,481	-25%

**Table 8 : US Beef Exports to Hong Kong by Categories (Jan - Nov)**

	MT 2000	MT 2001	MT 2002	- 02/01 -
chilled	337	289	350	21%
frozen beef	11,590	9,386	12,747	36%
processed beef	283	261	290	11%
total	12,209	9,936	13,387	35%

**Table 9 : US Beef Exports to Hong Kong being Re-exported ( Jan - Nov)**

	MT 2000	MT 2001	MT 2002	- 02/01 -
chilled	27	11	72	554%
frozen beef	2,585	2,785	5,624	102%
processed beef	22	20	10	-53%
total	2,633	2,816	5,705	103%
beef offal	9,111	8,750	13,204	51%

**Table 10 : Hong Kong's Retained Imports of US Beef Products ( Jan - Nov)**

	MT 2000	MT 2001	MT 2002	- 02/01 -
chilled	311	278	278	-0%
frozen beef	9,005	6,601	7,123	8%
processed beef	261	240	280	17%
total	9,576	7,119	7,682	8%

**Table 11 :Hong Kong's Beef Offal Imports by Major Suppliers, ( Jan - Nov)**

	MT 2000	MT 2001	MT 2002	- 02/01 -	01 Market share	02Market share
--The World--	72,597	75,282	84,596	12%	100%	100%
Brazil	29,378	34,156	42,011	23%	45%	50%
Argentina	15,804	13,740	14,537	6%	18%	17%
United States	10,248	9,567	11,604	21%	13%	14%
Australia	9,293	8,414	6,783	-19%	11%	8%

## Statistical Table - Meat, Swine

### PS&D Table

PSD Table						
Country	Hong Kong					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	0	2300	0	2168	0	2180
Beginning Stocks	0	0	0	0	0	0
Production	165	165	163	147	161	148
Intra EC Imports	0	0	0	0	0	0
Other Imports	260	260	285	274	300	280
TOTAL Imports	260	260	285	274	300	280
TOTAL SUPPLY	425	425	448	421	461	428
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	425	425	448	421	461	428
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	425	425	448	421	461	428
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	425	425	448	421	461	428
Calendar Yr. Imp. from U.S.	11	7	8	3	6	5
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Note : PS&D production figures include local and imported pigs slaughtered in Hong Kong. All numbers used in the PS&D table are in carcass-weight-equivalent (CWE), using a conversion factor of 1.51. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.



**Table 12 : Supply and Consumption of Live Pigs (head)**

	1,998	1,999	2,000	2,001	2002 (provision)
Local Supply	355,100	415,400	445,900	465,000	444,300
Imports	2,009,200	1,853,950	1,858,862	1,870,564	1,723,399
Total	2,364,300	2,269,350	2,304,762	2,335,564	2,167,699

Source : Hong Kong Agriculture, Fisheries and Conservation Department

**Table 13 : Average Wholesale Prices of Live Pigs (head)**

US\$/MT	1998	1999	2000	2001	2002
Live pigs	US\$2,312	US\$1,818	US\$1,672	US\$1,643	US\$1,628

Source : Hong Kong Census & Statistics Department

**Table 14 : Hong Kong Pork Imports by Categories, Jan - Nov**

	MT, 2000	MT, 2001	MT, 2002	- 02/01 -
chilled pork	6,391	8,431	10,737	27%
frozen pork	142,334	150,633	153,492	2%
processed pork	35,165	37,056	37,863	2%
total	183,890	196,119	202,092	3%
pork offal	192,702	157,240	174,872	11%

**Table 15 : Hong Kong Pork Re-exports, Jan - Nov**

	MT, 2000	MT, 2001	MT, 2002	- 02/01 -
chilled pork	198	347	138	-60%
frozen pork	29,986	33,561	30,995	-8%
processed pork	2,549	2,613	4,581	75%
total	32,734	36,521	35,714	-2%
pork offal	145,040	130,231	157,491	21%

**Table 16 : Hong Kong Pork Retained Imports, Jan - Nov**

	MT, 2000	MT, 2001	MT, 2002	- 02/01 -
chilled pork	6,193	8,084	10,599	31%
frozen pork	112,348	117,071	122,497	5%
processed pork	32,616	34,443	33,283	-3%
total	151,156	159,598	166,378	4%
pork offal	47,662	27,009	17,381	-36%

**Table 17 : US's Pork Exports to Hong Kong, Jan - Nov**

	MT, 2000	MT, 2001	MT, 2002	- 02/01 -
chilled pork	17	17	15	-15%
frozen pork	3,086	3,932	1,716	-56%
processed pork	2,871	2,897	2,870	-1%
total	5,975	6,846	4,601	-33%
pork offal	36,677	27,410	31,603	15%

**Table 18 : Hong Kong's Pork Offal by Major Suppliers**

	MT, 2000	MT, 2001	MT, 2002	- 02/01 -	01, mk share	02, mk share
--The World--	192,702	157,240	174,872	11%	100%	100%
Denmark	25,681	28,382	32,859	16%	18%	19%
United States	36,677	27,410	31,603	15%	17%	18%
Germany	13,078	23,982	27,673	15%	15%	16%
Netherlands	51,119	22,656	21,361	-6%	14%	12%
Canada	22,938	18,946	19,270	2%	12%	11%
Belgium	1,061	9,419	11,909	26%	6%	7%
Luxembourg						
Brazil	7,086	7,971	9,381	18%	5%	5%

Source: Hong Kong Census & Statistics Department

## Production

There has not been any significant changes since the last report.

No foot-and-mouth disease cases were reported between July and September 2002. Pigs are routinely vaccinated against Type O foot-and-mouth disease. Some farmers also vaccinate their pigs against classical swine fever.

The number of pig farms in Hong Kong remains around 300. The total pig production for 2002 declined by 11%. The influx of chilled pork from Thailand is the primary cause. Chilled meat is brought in by air and sold as fresh pork. In view of this malpractice, the Hong Kong government amended the condition for granting a retail licence by requiring that all chilled meats have to be displayed in refrigerators. Farmers complained that some retailers do not observe the new regulation and continue to sell Thai chilled meat as fresh pork. They said that the government has not effectively enforced the regulation causing losses for farmers.

When demand for fresh pork slackens, wholesale prices of pigs drop correspondingly. Wholesale prices of live pigs have declined 30% since 1998. Farmers have therefore tended to lower production. A representative of a local livestock association said that the wholesale prices of pigs have stabilized recently. If the condition continues, the production for 2003 may arrest the declining trend and stay at the 2002 level. Given the high operation cost of farming in Hong Kong, it is very unlikely that the number of farms or local production will increase in the future.

Hong Kong's self-sufficiency ratios for live pigs and cattle remain at 26% and 0.3% respectively. Hong Kong does not raise cattle. Supplies rely entirely on imports mostly from China.

## Consumption

Subsequent to the May 2001 price war over fresh pork launched between two major food retailers, Wellcome and Parknshop, the market share of fresh meat between traditional wet markets and supermarkets has experienced significant changes. According to a survey, Parknshop's market share of fresh-meat sales rose from 7% in the first quarter of 2002 to 13.8% in the third quarter. Wellcome, too, increased from a 3.7% to 5.7% share in the same period. Accordingly, wet markets saw their combined share in the fresh-meat category falling from 87.1% to 78.5%.

Consumption of both beef and pork in Hong Kong is generally stable. In 2002, beef and pork consumption declined slightly by 2% and 1% respectively. For 2003, both beef and pork face strong competition from China's chilled chicken products. China started to supply chilled chicken products to Hong Kong starting December 2002. Supermarkets offer these products at very attractive prices. They are sold at around HK\$27 (US\$3.40) per whole chicken. Compared to pork and chicken, beef is not as popular for Chinese dishes. Thus, 2003 beef consumption is expected to drop 1% to 83,000 MT, while pork consumption may grow modestly by 2% to 428,000 MT.

Another expected trend for 2003 consumption is that consumption of chilled/frozen products will increase relative to consumption of fresh meats. This change in consumption pattern has been evolving over several years and is expected to continue. This phenomenon is particularly noticeable for pork. In 2002, the consumption of fresh meat declined 11% while that of chilled/frozen meat increased 5%.

## Trade

### Beef

#### Retained imports:

Hong Kong's overall beef imports from all sources in 2003, excluding re-exports, is forecast to remain at the 2002 level, i.e. 70,000 MT (carcass-weight). Hong Kong's beef market is very stable with no significant fluctuation. Because of the weak economy, Hong Kong's demand for chilled beef products will primarily focus on lower cost supplies from Australia and New Zealand. US chilled beef continues to occupy a very upscale and unique market sector. Demand for US chilled beef is expected to be stable.

#### Total imports including re-exports to China:

However, Hong Kong's overall beef imports from all sources, including re-exports, will probably experience a rise in 2003 because of rising demand in China. The 2003 growth rate will be lower than 2002 since beef prices are expected to rise and the drought in Australia will probably lower beef supply. The economy in big cities is getting increasingly affluent with more western restaurants, and demand for prime cuts and short ribs are increasing steadily. US beef products are highly sought after. Unfortunately, not many consumers or caterers can differentiate US products from lower quality supplies originating from other supplying countries. Traders supplying US beef products in China complain that very often Brazilian or Chinese products are labeled and sold as US products. The profit margin for selling counterfeit US products is very high. For example, traders sell genuine US beef cuts to HRI at RMB190/kg while counterfeit US cuts sell at a lower price of RMB183/kg. But the cost of counterfeit US products is only about one third of the genuine product. The high profit margin has tempted many traders to sell counterfeit US beef products.

Between Jan - Nov 2001 and Jan - Nov 2002, Hong Kong total beef imports rose 5% reaching 53,855 MT. The growth was spearheaded by re-exports (110%) rather than by domestic demand, which dropped 6%.

The US remains as the leading supplier of beef to Hong Kong with its market share expanded from 19% in 2001 to 25% in 2002. In Jan - Nov 2002, beef imports rose 35% reaching 13,387 MT. Hong Kong's retained imports of US beef, which amounted to 7,682 MT, increased 8% compared to the same period in 2001. The tremendous growth of US beef exports to Hong Kong last year was largely caused by the weakened demand for US beef in Japan. The BSE scare there has disrupted trade. More US beef was made available for the Hong Kong and China markets at prices lower than normal. The average price of US frozen beef stood at \$3.96/kg and \$3.06/kg in 2001 and 2002 respectively, declining 23%. Thus, Hong Kong's import of US beef jumped significantly last year.

The growth primarily focused on frozen meats, while demand for US chilled meats remained stable as a result of the sluggish economy. In recent years, US beef has been very successful in penetrating the middle to low-end market by selling to wet markets and Chinese restaurants. Popular parts include short plates, which are used extensively for hot pot in winter, and chuck. US beef re-exports to China through Hong Kong jumped 105% indicating the growing demand in China. This trend is expected to continue in 2003.

### Pork

Hong Kong's overall pork imports from all sources in 2003 are forecast to rise modestly by 2% reaching 280,000 MT.

(The forecast is based on the assumption that chilled meats from China will not yet be available in Hong Kong next year. If an inspection protocol is reached, the import level may be higher because many consumers are very likely to replace fresh pork with chilled pork from China due to price differences -- see Policy section.) Pork is a popular staple meat variety for Chinese, and Hong Kong is a mature market for many products including pork. A surge in pork demand is very unlikely.

In recent years, chilled pork from Thailand has affected the retail sales of fresh pork. In the first 11 months of 2002, Thai chilled pork imports jumped 28%, following a 48% surge from 2000 to 2001. Chilled pork from Thailand will continue to rise in 2003 provided that chilled pork from China is not yet available in the market.

For frozen pork, China is the leading supplier for the Hong Kong market. Its market share has expanded from 33% in 2001 to 39% in 2002. Following the elimination of Ng Fung Hong as the sole agent of China's frozen meat exports to Hong Kong, Hong Kong's imports of China's frozen pork rose 20%. Hong Kong importers had to pay a 3% handling fee to Ng Fung Hong in order to bring in China's frozen meat products. This fee has now been eliminated. With the new policy effective January 2002, China's pork products have become more price competitive and exports to Hong Kong have risen accordingly. In Jan - Nov 2002, the average price of China's frozen pork exports declined 15% compared to the same period in 2001. The average price of China frozen pork in 2001 and 2002 stood at \$1.72/kg to \$1.47/kg respectively. China's frozen pork exports are forecast to rise in 2003 as Hong Kong's fast food chains and restaurants continue to create a high demand for price competitive cuts. Popular cuts from China include fillet, loin and butt.

US pork occupied a small and unique market segment in Hong Kong due to its expensive price. US pork loins are supplied to very top-end restaurants in hotels. The average price of US pork increased 15% from \$1.92/kg in 2001 to \$2.20/kg in 2002. Hence, US pork exports to Hong Kong's dropped 33% to 4,601 MT for the first 11 months in 2002. US pork imports to Hong Kong depend very much on price competitiveness.

#### Re-export to China

Hong Kong's pork re-exports to China include mainly hocks, brisket bone, neckbone, front and hind feet, etc. Imported US loins are too expensive for the China market. Pork offals including ear, tongue, stomach, and kidney are major re-export pork items to China. The U.S. continues to be the leading supplier of pork offals to China.

The demand for offals in 2003 is expected to be strong, but very likely to be less than in 2002 because China has been increasing its pork production so the domestic supply for offals will increase correspondingly. China has had more processing plants established with imported equipment, which are capable to produce cuts similar to imported ones. Traders commented that China's demand for imported offals will continue to be strong but the growth rate will be less significant in the long run as a result of increased domestic supply. With regard to supplying countries, buyers in China do not really care since price is the dominating factor in all procurement decisions.

China's implementation of new administrative measures on meat imports has severely impeded Hong Kong's re-export trade to China. In the second half of 2002, China started to implement two new administrative measures on imports. First, the Chinese government requires the permit to include consignee's name, plant number and product name. Second, each consignment has to carry bilingual labels on the cartons specifying product name, plant number, etc.

According to traders, the new measures have hurt their business. Companies shipping consignments to northern

destinations such as Shanghai through official channels have to comply with the regulations. It is difficult to obtain a permit, and even when one is obtained, they cannot switch to another buyer because the plant number has been stated on the permit. In connection with the bilingual labeling, not every exporter is willing or able to do so. Consequently, Hong Kong traders find it difficult to ship US products directly to ports in the northern part of China.

The new administrative measures indirectly encourage Hong Kong traders to move their products to the southern part of China through transport companies. Transport companies try to have a number of permits in hand first and will change the packaging of consignments accordingly to match the plant number being stated on the issued permits at an additional cost of RMB200 to RMB300/MT. Similarly, packaging can be changed to provide bilingual labeling to comply with import regulations. In general, US exports still have access to China through services provided by transport companies.

Nonetheless, the new import regulations have negatively affected trade. According to the new regulations, a permit must state clearly the cuts, for example, tongue or kidney, versus in the past, a permit simply stated offals. The scarcity or unavailability of the "right" permits has made trade very uncertain, resulting in significantly reduced trade volume.

Also, traders find it difficult to estimate operating costs. Transport fees fluctuate greatly, depending on the availability of permits. The cost could be lower if an available permit already matches the plant number of the consignment. If no permits with the right plant number are available and the trader prefers to wait for a permit instead of changing the packaging, he may need to pay expensive storage cost in Hong Kong. Sometimes, there are no permits available at all even if traders are willing to pay expensive transport fees. Consignments simply sit in Hong Kong warehouses indefinitely. The transport fee for offals can vary by RMB1000/MT when the average cost is about RMB3000/MT. Traders can miscalculate the situation and suffer big losses. With such high risks, traders tend to be very conservative in making orders.

## **Policy**

There has not been any significant change since the last report.

At present, China has not yet started to supply chilled beef and pork to Hong Kong, pending an inspection protocol between the Hong Kong and Chinese governments. Considering the lower prices of chilled products from China once a protocol is reached, many consumers are likely to opt for the more economical chilled pork from China. The government has not set a timetable as to when chilled products from China will start to move into Hong Kong. Apart from considering the technical issues concerning the inspection protocol, it also takes into account the interests of the local industry. When chilled products from China are allowed to sell in Hong Kong, the demand for local fresh pork will be adversely impacted. The livelihood of the local swine farming industry will be at stake.