USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 9/14/2005

GAIN Report Number: HK5026

Hong Kong

Livestock and Products

Annual

2005

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Report Highlights:
It is estimated that Hong Kong's ban on U.S. beef for the past 20 months has resulted in $136 million loss in U.S. export sales. Subsequent to the lifting of the ban in November last year, Canadian beef exports to Hong Kong have soared in the first half -year of 2005 with market share expanding to 21 percent. The market however still has a strong preference for quality U.S. beef. Canadian and Australian beef merely took up about 60 to 70 percent of the market demand. Beef imports are forecast to experience a modest rise of 5 percent in 2006 once U.S. beef is allowed entry again.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Hong Kong [HK1]
[HK]

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Situation and Outlook

Hong Kong has a domestic market of $149 million of beef products and $14.5 million of live cattle. If re-exports ($13 million) and offal trade are included, the entire market is about $304 million. (Hong Kong's total offal imports in 2004 amounted to $127 million, $64 million of which were re-exported).

The U.S. used to be the largest supplier of beef products, occupying a market share of 44 percent in 2003. Hong Kong's ban on U.S. beef since December 2003 was estimated to have resulted in $136 million loss in U.S. beef exports. The U.S. Department of Agriculture through Agricultural Trade Office in Hong Kong has been working very closely with the Hong Kong government trying to re-open the market for U.S. beef. The Hong Kong government had conducted a technical visit to the U.S. in June 2005 to review the U.S. BSE monitoring and surveillance programs, but the report has not yet be released.

Given the affluence of the Hong Kong economy and the abundance of upscale restaurants, there is always a demand for quality beef. Hong Kong's beef imports for 2006 are forecast to increase by 5 percent based on the assumption that U.S. beef will return to Hong Kong.

Canadian beef imports to Hong Kong were resumed in November 2004. Canadian beef supplies have soared since then. Its market share jumped from 2 percent in 2002 before it was banned in Hong Kong to 21 percent in the first half of 2005. Canada now become the second largest supplier of beef in terms of value. Canadian beef has taken up the largest portion of the U.S. share of the market. Australian beef, though being a popular substitute for U.S. beef, is not sufficiently abundant.

Hong Kong has a domestic market of $353 million for pork products in addition to $288 million market for live pigs. If pork re-exports ($54 million) and offal imports ($158 million) are included, the entire pork market in Hong Kong is estimated at $853 million. (Of the $158 million worth offals imported to Hong Kong in 2004, $135 million were exported.)

U.S. exported $6.4 million and $3.9 million of pork products and offals to Hong Kong respectively in the first half year of 2005. Processed pork is the biggest category of U.S. pork exports to Hong Kong (excluding offals). U.S. pork loins are regarded as expensive items and are supplied at upscale outlets.

China is the largest pork supplier for the Hong Kong market. The human Streptococcus suis infection cases in China's Sichuan province reported in Hong Kong in late July had a transient negative effect on Hong Kong's pork consumption and trade. China's frozen pork exports from Sichuan Province, a major pork exporting province, were suspended for about a month starting late July.

Hong Kong has a rather stable pork market. However, the market still fluctuates with prices. The average pork prices in the January – June 2005 rose by 21 percent. The price effects together with the Streptococcus suis incident are expected to cause pork imports in 2005 to decline to 250,000 MT.

In the coming years, it is expected that the consumption share of fresh meats will continue to decline while that of chilled/frozen meats will rise. Consumers increasingly get used to chilled/frozen products over the years. They value the convenience, hygiene and economical factors that chilled/frozen products offer.

On the production side, the Hong Kong government is gauging the response from farm operators about the introduction of a voluntary license surrender scheme. Given the pollution problems and transmission risk of the potentially deadly Japanese encephalitis virus from pigs to humans via mosquitoes, the Hong Kong government is considering to buy out the operation rights of farm licensee holders. Consequently, the local production of pigs is expected to decline in the future.

Statistical Tables – Meat, Beef and Veal

PS & D Table

Hong Kong Commodity Meat, Beef and Veal (1000 MT CWE)(1000 HEAD)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Slaughter (Reference)	0	0	0	0	0	0	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	14	14	14	14	0	14	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	81	81	80	81	0	85	(1000 MT CWE)
TOTAL Imports	81	81	80	81	0	85	(1000 MT CWE)
TOTAL SUPPLY	95	95	94	95	0	99	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	95	95	94	95	0	99	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	95	95	94	95	0	99	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	95	95	94	95	0	99	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	1	1	1	3	0	13	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Note: PS&D production figures include local and imported live cattle for slaughter. Import and export numbers are in carcass-weight-equivalent using 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 (head)

	2000	2001	2002	2003	2004
Local Supply	120	148	138	79	118
Imports	56,856	50,651	47,912	45,333	47,539
Total	56,976	50,799	48,050	45,352	47,657

Source : Hong Kong Agriculture, Fisheries and Conservation Department

Table 2: Average Retail Prices of Beef Relative to Pork and Poultry (Freshly Slaughtered)

US$/kg	2000	2001	2002	2003	2004	2005 Jan – May
Chicken (top grade)	$4.49	$4.60	$4.58	$4.22	$5.60	$5.65
Beef (best quality)	$7.17	$7.20	$7.15	$7.2	$7.17	$8.68
Beef (belly flesh)	$5.34	$5.36	$5.35	$5.45	$5.47	$5.47
Pork (best cut)	$4.87	$4.54	$4.26	$4.10	$4.03	$4.25
Pork Chop	$5.92	$5.58	$5.18	$4.89	$4.82	$5.05

Source: Hong Kong Census & Statistics Department
Exchange Rate: US$ 1 = HK$7.75

Table 3: Average Retail Prices of Beef Relative to Pork and Chicken (Frozen)

Product Categories	Weight	HK$(US$ = HK$7.75)
Boneless mid-joint wings (Brazil)	2 lb	22
Wing tips (Brazil)	3 lb	10
Whole broiler legs (USA)	2 lb	21
Boneless thigh meat (Brazil)	2 lb	21
Mid-joint wings (Brazil)	2 lb	33
Bone-in ribeye (US)		115/lb
Short ribs (US)	2 lb	66
Sirloin (US)		48/lb
Rib-finger (Brazil)	3.3 lb	59
Heel muscle (Brazil)	2 lb	27
Tendon (Brazil)	2.5 lb	16
Bacon (Canada)	½ lb	10
Knuckle (Canada)	2 lb	18
Bone-in pork chop	2 lb	36
Tenderloin	1 lb	10.5
Sparerib	2 lb	23

Source : Retailer

Table 4: Average Wholesale Prices of Live Cattle

US$/MT	2000	2001	2002	2003	2004	Jan – May 2005
Live Cattle	2,373	2,356	2,360	2,449	2,402	2,593

Source : Hong Kong Census & Statistics Department

Table 5: Hong Kong Beef Imports in Value by Suppliers, Jan – Jun

Millions of US Dollars				% Share			% Change
Country	2003	2004	2005	2003	2004	2005	- 05/04 -
--The World--	71.83	73.28	75.59	100	100	100	3.15
Brazil	13.23	23.58	20.14	18.42	32.17	26.65	-14.56
Canada	0.54	1.86	16.19	0.75	2.54	21.42	770.57
China	12.30	13.41	12.59	17.12	18.29	16.66	-6.04
Australia	4.88	9.21	11.51	6.79	12.56	15.23	25.04
New Zealand	8.37	9.64	6.67	11.65	13.15	8.83	-30.77
Argentina	3.27	7.62	4.35	4.56	10.4	5.75	-42.97
United States	**26.39**	**4.36**	**0.26**	**36.74**	**5.95**	**0.34**	**-94.03**

Table 6: Hong Kong Beef Imports in Quantity by Suppliers, Jan – Jun

				% Change
Country	MT 2003	MT 2004	MT 2005	- 05/04 -
--The World--	30,324	30,735	29,516	-3.97
Brazil	8,629	11,961	10,390	-13.13
China	7,263	7,854	6,683	-14.92
Canada	89	868	5,172	495.57
Argentina	2,473	4,262	2,657	-37.65
Australia	900	1,095	1,153	5.31
India	504	245	1,143	365.8
New Zealand	1,968	1,651	1,080	-34.57
United States	**6,671**	**923**	**41**	**-95.57**

Table 7 : Hong Kong Beef Re-exports

	Millions of US Dollars			% Change				% Change
Country	2003	2004	2005	- 05/04 -	MT 2003	MT 2004	MT 2005	- 05/04 -
--The World--	9.05	4.73	6.50	37.34	4,842	2,343	3,280	40
Macau	0.96	2.08	3.20	53.66	294	753	818	8.59
Taiwan	0.00	0.00	1.71	0	0	0	1,111	0
China	7.96	2.36	0.80	-66.33	4,533	1,428	654	-54.17
Vietnam	0.00	0.07	0.79	952.69	0	67	694	932.07

Table 8: Average Import Prices & Market Share, Jan – Jun

Country	-/ KG - 2003	-/ KG - 2004	-/ KG - 2005 -	% Change 05/04 -	Maket Share 2003	2004	2005
--The World--	2.37	2.38	2.56	7.56	100%	100%	100%
Brazil	1.53	1.97	1.94	-1.52	28%	39%	35%
China	1.69	1.71	1.88	9.94	24%	26%	23%
Canada	6.09	2.14	3.13	46.26	0%	3%	18%
Argentina	1.32	1.79	1.64	-8.38	8%	14%	9%
Australia	5.42	8.41	9.99	18.79	3%	4%	4%
India	1.06	1.21	1.26	4.13	2%	1%	4%
New Zealand	4.25	5.84	6.18	5.82	6%	5%	4%
United States	3.95	4.72	6.36	34.75	22%	3%	0%

Table 9: Hong Kong Beef Imports by Categories, , Jan – June

Millions of U.S. Dollars	2003	2004	2005 -	% Change 05/04 -
Beef	**71.83**	**73.28**	**75.59**	**3.15**
chilled beef	10.43	11.78	15.54	32
frozen beef	52.32	53.99	47.67	-11.7
processed beef	9.07	7.51	12.37	64.74

Table 10 : Hong Kong Beef Re-exports by Categories, , Jan – Jun

Millions of U.S. Dollars	2003	2004	2005 -	% Change 05/04 -
Beef	**9.05**	**4.73**	**6.50**	**37.34**
chilled beef	0.13	0.12	0.49	299.86
frozen beef	7.78	3.86	5.12	32.71
processed beef	1.14	0.75	0.89	18.29

Table 11: Hong Kong Retained Imports of Beef by Categories, , Jan – Jun

Millions of U.S. Dollars	2003	2004	2005 -	% Change 05/04 -
Beef	**62.78**	**68.55**	**69.10**	**1%**
chilled beef	10.30	11.65	15.05	29%
frozen beef	44.55	50.14	42.56	-15%
processed beef	7.93	6.76	11.48	70%

Table 12 : Hong Kong's Beef Offal Imports by Major Suppliers, Jan – June

Millions of U.S. Dollars				% Share			% Change
Country	2003	2004	2005	2003	2004	2005 -	05/04 -
--The World--	58	64	65	100	100	100	1.25
Brazil	28	38	42	48.39	59.88	65.14	10.14
Argentina	7	14	14	12	21.84	21.08	-2.25
Australia	3	3	4	5.42	4.39	5.52	27.33
Uruguay	2	3	3	3.59	5.21	4.55	-11.58
New Zealand	1	2	1	1.76	2.68	1.12	-57.69
Canada	2	0	0	2.83	0.19	0.55	193.47
United States	13	2	0	22.37	2.47	0.03	-98.62

Table 13: Hong Kong's Beef Offal Re-exports, Jan – June

Millions of U.S. Dollars				% Share			% Change
Country	2003	2004	2005	2003	2004	2005 -	05/04 -
--The World--	53.53	36.01	11.17	100	100	100	-68.98
Taiwan	0.09	0.00	6.01	0.17	0	53.81	0
China	53.15	22.43	4.25	99.3	62.28	38.06	-81.04
Macau	0.26	0.65	0.77	0.48	1.81	6.86	17.91
Indonesia	0.02	0.12	0.07	0.04	0.32	0.66	-36.87
Vietnam	0.00	3.17	0.05	0	8.79	0.45	-98.41

Statistical Table – Meat, Swine

PS&D Table

Hong Kong Commodity Meat, Swine (1000 MT CWE)(1000 HEAD)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USI Offic [Olc	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Slaughter (Reference)	0	0	0	0	0	0	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	152	194	150	175	0	175	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	332	332	335	250	0	270	(1000 MT CWE)
TOTAL Imports	332	332	335	250	0	270	(1000 MT CWE)
TOTAL SUPPLY	484	526	485	425	0	445	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	484	526	485	425	0	445	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	484	526	485	425	0	445	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	484	526	485	425	0	445	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	3	3	3	3	0	3	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

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 14: Supply and Consumption of Live Pigs (head)

	2001	2002	2003	2004
Local Supply	465,000	444,300	390,900	380,850
Imports	1,840,454	1,733,020	1,767,538	1,870,365
Total	2,305,454	2,177,320	2,158,438	2,251,215

Source : Hong Kong Agriculture, Fisheries and Conservation Department

Table 15: Average Wholesale Prices of Live Pigs (head)

US$/MT	2001	2002	2003	2004	2005 (Jan – May)
Live Pigs	1,643	1,628	1,620	1,712	1,778

Exchange Rate: US$1.00 – HK$7.75
Source: Hong Kong Census & Statistics Department

Table 16: Hong Kong Pork Imports in Value by Suppliers, Jan - June

Millions of U.S. Dollars				% Share			% Change
Country	2003	2004	2005	2003	2004	2005 -	05/04 -
--The World--	155.14	195.75	201.03	100	100	100	2.7
China	77.43	96.93	94.17	49.91	49.52	46.84	-2.85
Brazil	32.45	35.42	46.68	20.91	18.09	23.22	31.81
Vietnam	4.73	12.70	13.72	3.05	6.49	6.82	8.07
Thailand	13.00	6.59	8.88	8.38	3.36	4.42	34.84
Netherlands	5.73	9.23	6.80	3.69	4.72	3.38	-26.34
United States	4.89	7.21	6.40	3.15	3.68	3.19	-11.14

Table 17: Hong Kong Pork Imports in Quantity by Suppliers, Jan – June

				% Change
Country	- MT - 2003	- MT - 2004	- MT - 2005	- 05/04 -
--The World--	117,588	144,255	121,793	-15.57
China	50,867	63,665	54,551	-14.32
Brazil	26,196	23,930	24,041	0.47
Netherlands	5,422	9,373	6,438	-31.32
Vietnam	3,098	8,017	6,309	-21.31
Germany	10,383	12,472	6,285	-49.6
Spain	1,432	2,435	5,389	121.3
Belgium	263	972	3,509	261.03
Canada	6,268	5,632	3,294	-41.51
Thailand	5,112	2,468	3,240	31.29
United States	2,144	3,718	2,640	-29

Table 18: Hong Kong Pork Re-exports by Destination, Jan – June

Country	Millions of US Dollars 2003	2004	2005	% Change - 05/04 -	MT, 2003	MT, 2004	MT, 2005	% Change - 05/04 -
The World	16.16	30.48	15.19	-50.16	22,678	37,179	14,639	-60.63
Taiwan	0.00	0.00	6.55	0	0	0	8,492	0
Macau	2.27	3.56	4.52	26.7	20,605	34,853	3,018	-91.34
China	13.49	26.76	2.70	-89.9	1,837	2,270	2,316	2.02

Table 19: Average Pork Prices

Country	-/ KG - 2003	-/ KG - 2004	-/ KG - 2005	% Change - 05/04 -
--The World--	1.32	1.36	1.65	21.32
China	1.52	1.52	1.73	13.82
Brazil	1.24	1.48	1.94	31.08
Netherlands	1.06	0.99	1.06	7.07
Vietnam	1.53	1.58	2.17	37.34
Germany	0.56	0.64	0.68	6.25
Spain	0.65	0.88	0.81	-7.95
Belgium	0.89	0.92	0.99	7.61
Canada	0.66	0.91	1.04	14.29
Thailand	2.54	2.67	2.74	2.62
United States	2.28	1.94	2.43	25.26

Table 20 : Hong Kong Pork Imports by Categories, Jan – June

Millions of US Dollars	2003	2004	2005	% Change - 05/04 -
Pork	**155**	**196**	**201**	**2.7**
chilled pork	12	5	7	49.67
frozen pork	104	138	136	-1.33
processed pork	40	54	58	8.95

Table 21 : Hong Kong Pork Re-exports by Categories, Jan – June

Millions of US Dollars	2003	2004	2005	% Share 2003	2004	2005	% Change - 05/04 -
Pork	**16.16**	**30.48**	**15.19**	**100**	**100**	**100**	**-50.16**
frozen pork	12.38	17.72	9.95	76.63	58.14	65.47	-43.87
processed pork	3.47	9.64	5.22	21.48	31.64	34.38	-45.84
chilled pork	0.31	3.12	0.02	1.9	10.23	0.15	-99.28

Table 22 : Hong Kong Pork Offal Imports by Major Suppliers, Jan – June

Millions of US Dollars				% Share			% Change - 05/04 -
Country	2003	2004	2005	2003	2004	2005	
--The World--	58.77	94.57	63.06	100	100	100	-33.32
Netherlands	5.96	12.92	13.65	10.14	13.67	21.65	5.63
Germany	12.68	9.96	12.72	21.58	10.53	20.17	27.76
Denmark	10.43	21.84	11.18	17.74	23.09	17.73	-48.8
Brazil	3.38	4.49	6.49	5.75	4.74	10.3	44.77
United States	14.46	21.99	3.85	24.61	23.25	6.1	-82.51

Table 23: Hong Kong Pork Offal Re-exports by Major Destinations, Jan – June

Millions of US Dollars				% Share			% Change - 05/04 -
Country	2003	2004	2005	2003	2004	2005	
--The World--	58.30	83.74	15.78	100	100	100	-81.16
China	58.03	83.48	8.51	99.53	99.69	53.91	-89.81
Taiwan	0.02	0.00	6.36	0.04	0	40.34	0
Macau	0.25	0.17	0.74	0.43	0.21	4.67	327.86

Table 24: U.S. Pork Exports to Hong Kong, Jan – June

Millions of US Dollars				% Share			% Change
	2003	2004	2005	2003	2004	2005 -	05/04 -
Pork	4.89	7.21	6.40	100	100	100	-11.14
processed pork	3.78	4.82	4.51	77.42	66.91	70.44	-6.45
frozen pork	1.07	2.25	1.81	21.84	31.27	28.21	-19.83
chilled pork	0.04	0.13	0.09	0.74	1.82	1.35	-34.23

Narrative on Supply and Demand, Policy & Marketing

Production

In the wake of the high mortality rate of human Streptococcus suis cases in China's Sichuan province, China suspended supplies of frozen pork from Sichuan to Hong Kong starting July 28 (Gain report #5023). As a precautionary measure, the Hong Kong government suspended imports of frozen pork from Shenzhen and Henan on August 15 following Shenzhen's recall of meats from Henan province. Reportedly, Sichuan and Henan account for about 20 percent and 16 percent of China's frozen pork exports to Hong Kong respectively. Imports were resumed on August 24 after Hong Kong inspectors had completed checks on the pig farms and processing plants in the three areas and confirmed they have met Hong Kong standards.

An immediate effect of the Streptococcus suis cases in China is that the Hong Kong government tightened controls over farm icensing policy and threatened to withdraw pig farmers' licenses if they did not pack carcasses properly before disposal. The government also stepped up inspection of local farms and the ante-mortem and post-mortem inspection of pigs in slaughterhouses.

In addition, the Hong Kong government listed Streptococcus suis as a statutory notifiable disease so as to facilitate the monitoring the spread of the disease in Hong Kong. As at August 26, there are 11 Streptococcus suis infection cases in Hong Kong in 2005.

In order to reduce the risk of the environmental problems caused by pigs farms and to stop transmission of the potentially deadly Japanese encephalitis virus to humans via mosquitoes, the Hong Kong government has been considering to end pig farming in Hong Kong by introducing a voluntary license surrender scheme. Reportedly, the Hong Kong government had meetings with pig associations to gauge the initial response of farmers. The government is considering to pay about HK$1,800 (US$232) for each pig. Those farmers who choose to continue operating will work on a demerit scheme. A farmer will have his license cancelled if a maximum mark limit has been deducted as a result of his violating farming regulations.

The pig association is counter proposing about HK$2,500 (US$323) per pig as the condition to surrender farming licenses. Pig farmers understand that the future of pig farming in Hong Kong does not look prosperous given the imminent import of chilled pork from China and the ever increasingly stringent farming conditions. They are however bargaining for the best prices for government's compensation. Presently, there are about 280 pig farms in Hong Kong. All the issued licenses allow a maximum pig population of 430,000 head.

The Hong Kong government has announced a year ago that Hong Kong was about to allow imports of chilled pork from China. However, chilled pork from China is not yet allowed into Hong Kong. It is expected that chilled pork will be a threat to the business of fresh pork because of price differences. Also there are temptations for retailers to sell chilled pork as fresh pork so as to earn greater profit margins. To prevent such malpractices, the trade is pressing the government to allow shops to sell either chilled or fresh pork but not two types in the same shop under one license.

On average, local production supplies around 1000 pigs daily while imports from China amount to 5100 head. The self-sufficiency ratio was 20.3 percent. The supplies of live pigs to Hong Kong in the first half of 2005 decreased about 10 percent compared to the same period last year. The supplies of live pigs in Hong Kong is monopolized by a company called Ng Fung Hong, which is the only company in Hong Kong having sole right in supplying pigs and cattle from China to Hong Kong. The wholesale prices of live pigs in 2005 rose about 4 percent compared to last year. Increased feed prices and reduced supplies from China were the key factors causing increased wholesale prices.

As for live cattle, Hong Kong relies entirely on supplies from China too. Traders complained that daily supplies of live cattle has been reduced in recent months from 140 head to 70 head. They pressed Ng Fung Hong to increase supply. Both wholesale prices of live cattle and retail prices of fresh beef have risen.

Consumption

The consumption of fresh pork was adversely affected when the human Streptococcus suis infection cases in China were reported in Hong Kong in late July and early August. Supplies of frozen pork from the provinces of Henan and Sichuan and Shenzhen city were suspended for a while. Retail sales of fresh pork at one point were slashed by 30 percent. However, there was not much increase in retail sales of frozen pork from other countries including the U.S. U.S. pork are very expensive and the market is very different from Chinese frozen pork. Frozen pork from China is widely used in stores selling roast pork while U.S. pork is used in upscale restaurants and sold in high-end supermarkets. Brazilian pork did not benefit because their cuts are different from those supplied by China except for spareribs. The decreased consumption in pork was counterbalanced by the increased consumption in chicken and beef products.

Nonetheless, the consumption of fresh pork has now recovered to normal. However, Hong Kong was then affected by another food scare associated with freshwater fish. China supplies over 90 percent of the freshwater fish for the Hong Kong market, and many import samples were found to contain cancer chemical called malachite green. Out of the 54 samples tested, 13 were confirmed positive as at August 24. Imports of freshwater fish dropped by 80 percent.

U.S. beef is still not allowed in Hong Kong resulting from the BSE cases in the U.S. Canadian beef has become the first substitute of U.S. beef. Australian beef, due to short supplies, has not been able to take up the market as much as Canadian beef. Australian beef, however, does exceptionally well in primal cuts.

Hong Kong is a mature market. The consumption of beef and pork is rather stable but is still vulnerable to price fluctuations. Both beef and pork consumption for 2006 is forecast to rise moderately by 4 to 5 percent.

The consumption share of fresh meats in the future is expected to continue to decline while that of chilled/frozen meats will rise. Consumers increasingly get used to chilled/frozen products over the years. They value the convenience, hygiene and economical factors that chilled/frozen products offer. These products are usually sold at supermarkets with refrigerating facilities. Supermarkets in the past few years have successfully diverted much business from wet markets.

The change of consumption pattern of various meat products and fish is given below.

Pork Consumption Pattern

	MT, 2000	% share	MT, 2001	% share	MT, 2002	% share	MT, 2003	% share	MT, 2004	% share
Live pigs	**203,160**	**45%**	**205,750**	**44%**	**185,680**	**40%**	**178,650**	**37%**	**194,187**	**37%**
Local	38,790	9%	40,510	9%	38,250	8%	33,650	7%	32,753	6%
From China	164,370	37%	165,240	35%	147,430	32%	145,000	30%	161,434	31%
Retained Pork	**246,560**	**55%**	**260,028**	**56%**	**275,350**	**60%**	**302,332**	**63%**	**331,617**	**63%**
Chilled Pork	10,084	2%	13,744	3%	17,156	4%	11,491	2%	-2,900	-1%
Frozen Pork	182,902	41%	189,199	41%	202,527	44%	225,003	47%	253,797	48%
Processed Pork	53,575	12%	57,084	12%	55,667	12%	65,838	14%	80,720	15%
Total	**449,720**	**100%**	**465,778**	**100%**	**461,030**	**100%**	**480,982**	**100%**	**525,804**	**100%**

Pork figures are calculated in carcass-weight-equivalent (CWE), using a conversion factor of 1.51.

Beef Consumption Pattern

	MT, 2000	% share	MT, 2001	% share	MT, 2002	% share	MT, 2003	% share	MT, 2004	% share
Live Cattle	**16,930**	**19%**	**15,030**	**18%**	**14,273**	**17%**	**13,490**	**14%**	**14,135**	**15%**
Retained Beef	**70,889**	**81%**	**70,458**	**82%**	**70,895**	**83%**	**79,792**	**86%**	**80,216**	**85%**
Chilled Beef	3,776	4%	3,458	4%	4,243	5%	4,886	5%	3,089	3%
Frozen Beef	55,976	64%	53,511	63%	55,714	65%	60,080	64%	59,264	63%
Processed Beef	11,137	13%	13,490	16%	10,938	13%	14,825	16%	17,863	19%
Total	**87,819**	**100%**	**85,488**	**100%**	**85,168**	**100%**	**93,282**	**100%**	**94,351**	**100%**

Beef figures are calculated in carcass-weight-equivalent (CWE), using a conversion factor of 1.36 conversion factor for all chilled/frozen beef and 1.70 for processed beef.

Chicken Consumption Pattern (excluding feet)

	MT, 2000	% share	MT, 2001	% share	MT, 2002	% share	MT, 2003	% share	MT, 2004	% share
Live Chickens	64,870	28%	59,130	24%	60,910	27%	58,310	27%	28,973	11%
Retained chicken meat	167,615	72%	183,460	76%	163,820	73%	154,061	73%	244,000	89%
Total	232,485	100%	242,590	100%	224,730	100%	212,371	100%	272,973	100%

Source: Hong Kong Census & Statistics Department

Fish Consumption Pattern

(MT)	2000	% share	2001	% share	2002	% share	2003	% share	2004	% share
Freshwater Fish	46,370	28%	44,880	29%	49,300	32%	36,474	25%	41,340	26%
Marine Fish	119,080	72%	112,050	71%	107,140	68%	107,843	75%	117,752	74%
Total	165,450	100%	156,930	100%	156,440	100%	144,317	100%	159,092	100%

Source: Agriculture, Fisheries and Conservation Department

Per Capita Consumption of Various Meat Products and Fish
Note: Retained Pork and Retained Beef are based on Carcass-weight-equivalent

	MT, 2000	Kg, Per capita	MT, 2001	Kg, Per capita	MT, 2002	Kg, Per capita	MT, 2003	% share	MT, 2004	Kg, Per capita
Live pigs	203,160	30	205,750	30	185,680	27	178,650	26	194,187	28
Retained Pork	246,560	37	260,028	38	275,350	41	302,332	44	331,617	48
Total	**449,720**	**67**	**465,778**	**69**	**461,030**	**68**	**480,982**	**70**	**525,804**	**76**
Live Cattle	16,930	3	15,030	2	14,273	2	13,490	2	14,135	2
Retained Beef	70,889	11	70,458	10	70,895	10	79,792	12	80,216	12
Total	**87,819**	**13**	**85,488**	**13**	**85,168**	**13**	**93,282**	**14**	**94,351**	**14**
Live Chickens	64,870	10	59,130	9	60,910	9	58,310	9	28,973	4
Retained chicken meat	167,615	25	183,460	27	163,820	24	154,061	23	244,000	35
Total	**232,485**	**35**	**242,590**	**36**	**224,730**	**33**	**212,371**	**31**	**272,973**	**39**
Freshwater Fish	46,370	7	44,880	7	49,300	7	36,474	5	41,340	6
Marine Fish	119,080	18	112,050	17	107,140	16	107,843	16	117,752	17
Total	**165,450**	**25**	**156,930**	**23**	**156,440**	**23**	**144,317**	**21**	**159,092**	**23**

Trade

U.S. beef is not allowed entry into Hong Kong since December 24, 2003 following a BSE case in the U.S. According to the U.S. statistics, the U.S. exported $82 million worth of beef products, including offals, to Hong Kong in 2003. Hong Kong was the 5th largest export market of U.S. beef, in terms of value. Based on 2003 statistics, Hong Kong's ban on U.S. beef is translated to approximately a loss of $6.8 million export value each month. The estimated loss for the past 20 months amounted to $136 million.

The second BSE case in the U.S. confirmed in June 2005 was reported in Hong Kong, yet the reports did not create any safety concern for consuming beef or U.S. beef.

The Hong Kong government led a high level delegation to the U.S. for a technical visit to review the BSE surveillance and monitoring program in June. The trip result has not yet been released.

The Hong Kong market has been re-opened to Canadian beef since late November 2004. Canadian beef exports to Hong Kong increased tremendously since then. Presently, 12 Canadian plants are eligible to export products to Hong Kong. The market share of Canadian beef has risen from 2 percent in 2002 to 21 percent in 2005. (Canadian beef was banned to Hong Kong between May 2003 and November 2004.) Canada became the second largest supplier of beef to Hong Kong in terms of value. Canadian beef has taken up much of the market previously occupied by U.S. beef. Given the short supplies of Australian beef for the Hong Kong market, Australian beef merely accounted for 15 percent of the market share. Industry representatives indicated that Canada and Australia only can fill up about 60 to 70 percent of the void left by U.S. beef.

Beef imports in 2006 are expected to rise by 5 percent based on the assumption that U.S. beef is allowed in Hong Kong. U.S. beef has established a strong foothold in the market. While other suppliers have successfully expanded their market share when the ban on U.S. beef is in place, upscale catering institutions are expected to switch back to U.S. beef when the ban is lifted. However, it could be a challenge for U.S. beef to completely regain its market share because buyers have established some new business relationships and their ultimate procurement decision will depend on the quality and price of the products.

There are two reasons that pork imports for 2005 was revised to 250,000 MT, which was lower than the initial estimate of 335,000 MT. First, the initial estimate was based on the assumption that China's chilled pork supplies are allowed entry to Hong Kong. However, Hong Kong has not yet allowed chilled pork supplies from China. Given the recent food scares concerning food supplies from China, the Hong Kong government probably will be very thorough in conducting their plant inspections in China before reaching a protocol in allowing chilled pork imports to Hong Kong. Once chilled pork is allowed in Hong Kong, it is expected that imports of chilled pork will soar because it will be far more price competitive than fresh pork.

Second, as indicated in table 19, average pork prices rose tremendously by 21 percent, traders become more prudent in placing orders. Pork imports already dropped 16 percent in the first six months of 2005.

China continues to be the largest supplier of pork to Hong Kong. The pork cuts from China are different from Brazilian supplies. Chinese pork cuts such as pork loin, belly, pork shoulder sell largely to Chinese restaurants or to retail stores to be processed to roast pork. Brazilian pork are mainly supplied to restaurants and fast food chains.

Hong Kong imported $6.4 million of pork products from the U.S. in the first half year of 2005. Processed pork constitutes the largest portion (70 percent), followed by frozen pork (28 percent) and chilled pork (2 percent). U.S. pork occupies a very niche market and sell to upscale supermarkets and restaurants.

Re-exports to China

It is forecast that the role of Hong Kong as a re-export center for meat products to China will diminish in the future. As tables 13 and 23 indicated Hong Kong's re-export of offals to China declined tremendously in 2005 compared to last year. Beef offal and pork offal declined by 81 percent and 90 percent respectively. There are increasingly more and more direct shipments to China given the expensive terminal costs in Hong Kong and the charges (HK$4000/container) incurred by the compulsory pre-inspection requirement conducted by China Inspection Co. in Hong Kong. (Effective November 1, 2004, all meat re-exports to China through Hong Kong have to be pre-inspected by China Inspection Co. in Hong Kong.) Traders revealed that if they have all the necessary permits and supporting documents, they will opt to ship products directly from the U.S. to ports in China. Traders said that many liners already have direct shipping routes linking ports from North America to major ones in China. However, products from South America still are re-exported to China through Hong Kong because of the lack of direct shipping between ports in South America and China. A company indicated that about 50 percent of its products to China are of direct shipments already. Another said the percentage was as high as 80 percent.