



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 7/30/1999

GAIN Report #HK9082

Hong Kong

Livestock

Livestock Annual 1999

1999

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Report Highlights:

For the first four months of 1999, Hong Kong's beef and pork imports experienced a drop of 19 and 12 percent respectively, comparing to January-April 1998. U.S. beef imports fared relatively better than pork due to less competition from New Zealand and Australian beef. Given that U.S. pork prices have been very expensive relative to pork from other suppliers, Hong Kong's import of U.S. pork declined 65 percent. Imports of beef and pork are expected to decline by 15 percent and 12 percent, respectively, in 1999. China's demand for imported pork will probably remain keen as long as prices are low and the unofficial transport channel is still open.

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

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Situation and Outlook

For the first four months of 1999, Hong Kong's beef and pork imports experienced a drop of 19 and 12 percent respectively, comparing to January-April 1998. Lower domestic consumption, resulting from the fading effect of bird flu incident, accounted for the drop in Hong Kong's red meat imports. The decline in pork imports was lower than in beef because there is still brisk demand in China for pork re-exported from Hong Kong.

U.S. beef import to Hong Kong during the four months of 1999 was able to maintain flat despite a 19 percent decline in total imports when compared with the corresponding period last year. U.S. chilled beef performed particularly well following a drop in average C.I.F. price. Its market share increased from 14 percent in 1998 to 21 percent of 1999. The good performance of U.S. beef imports was largely due to less competition from New Zealand and Australian beef, which have been in short supply and have had increased prices. Brazilian beef imports have surged because they became more price competitive following a weaker currency. However, U.S. and Brazilian beef are not competing directly as they are of different grades.

U.S. pork is not as unique as U.S. beef. Pork specifications from different suppliers are similar. Given that U.S. pork prices have been very expensive relative to pork from other suppliers, Hong Kong's import of U.S. pork declined 65 percent for January - April 1999 when compared with January - April 1998. Hong Kong's pork imports from the Netherlands have increased over the years. The rise in Dutch pork imports can be ascribed to abundant supply at competitive prices.

Hong Kong's overall economic performance remained weak in the first quarter of 1999. While sentiment has turned better resulting from a more stable financial situation and improved bank liquidity, consumer spending is still slack. Restaurant operators will continue to control costs by sourcing more economical products if possible, regardless of country of origin. Hong Kong being a mature market for beef and pork, the 1999 import level will return to normal since the bird flu crisis for poultry in 1998 boosted red meat imports temporarily. As such, imports of beef and pork are expected to decline by 15 percent and 12 percent respectively in 1999. China's demand for imported pork will probably remain keen as long as prices are low and the unofficial transport channel is still open.

On policy front, pre-packaged deep-frozen food and pre-packaged food which can reasonably be expected to retain its specific properties for more than 18 months are required to label the "best before" date effective June 1, 1999.

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	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		00/0000
Slaughter (Reference)	0	65	0	63	0	62
Beginning Stocks	0	0	0	0	0	0
Production	14	19	14	18	0	18
Intra EC Imports	0	0	0	0	0	0
Other Imports	56	61	60	52	0	53
TOTAL Imports	56	61	60	52	0	53
TOTAL SUPPLY	70	80	74	70	0	71
Intra EC Exports	0	0	0	0	0	0
Other Exports	4	5	4	4	0	4
TOTAL Exports	4	5	4	4	0	4
Human Dom. Consumption	66	75	70	66	0	67
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	66	75	70	66	0	67
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	70	80	74	70	0	71
Calendar Yr. Imp. from U.S.	0	15	0	15	0	15
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. PS&D import and export numbers are in carcass-weight-equivalent (CWE) using a 1.36 conversion factor.

Sources : Hong Kong Agriculture and Fisheries Department
Hong Kong Census & Statistics Department

Trade Matrices

Import Trade Matrix				
Country	Hong Kong		Units:	MT
Commodity	Meat, Beef and Veal		Partial Begin	January
			Partial End	April
Imports for:	1997	1998	1998	1999
	Full	Full	Partial	Partial
U.S.	8295	10756	3166	3171
Others				
Australia	3375	5970	1847	991
New Zealand	5874	7198	3031	1481
China	12126	13391	5153	3637
Argentina	1595	1014	212	473
Brazil	2812	4113	897	1851
Japan	78	77	19	20
Canada	622	886	342	316
Netherlands	337	565	208	107
Total for Others	26819	33214	11709	8876
Others not Listed	1574	1146	404	405
Grand Total	36688	45116	15279	12452

Source : Hong Kong Census & Statistics Department

Export Trade Matrix				
Country	Hong Kong		Units:	MT
Commodity	Meat, Beef and Veal		Partial Begin	January
			Partial End	April
Exports for:	1997	1998	1998	1999
	Full	Full	Partial	Partial
U.S.	0	0	0	0
Others				
China	1368	2300	710	676
Macau	658	893	283	195
Total for Others	2026	3193	993	871
Others not Listed	935	245	109	32
Grand Total	2961	3438	1102	903

Source : Hong Kong Census & Statistics Department

Table 1 : Supply & Consumption of Live Cattle (head)

	1995	1996	1997	1998
Local Supply	190	269	51	101
Imports	108,610	80,631	58,899	64,700
Total	108,800	80,900	58,950	64,801

Source : Hong Kong Agriculture & Fisheries Department

Table 2 : Average Retail Prices of Beef Relative to Pork and Poultry

US\$/kg	1996	1997	1998	1999 (Jan-Mar)
Chicken (top grade)	\$5.02	\$4.70	\$5.28	\$5.06
Duck (top grade)	\$3.18	\$3.30	\$3.57	\$3.32
Beef (best quality)	\$7.10	\$7.11	\$7.20	\$7.18
Beef (belly flesh)	\$5.23	\$5.30	\$5.48	\$5.44
Pork (best cut)	\$5.34	\$5.53	\$5.62	\$5.45
Pork Chop	\$6.52	\$6.67	\$6.76	\$6.59

Source: Hong Kong Census and Statistics Department

Table 3 : Average Wholesale Prices of Live Cattle

US\$/MT	1996	1997	1998	1999 (Jan - Mar)
Live Cattle	\$2,755	\$2,749	\$2,760	\$2,715

Source : Hong Kong Agriculture & Fisheries Department

Table 4 : Average C.I.F. Prices of Beef Imports

US\$/kg	1997	1998	1999 (Jan-Apr Average)
Fresh/Chilled Beef	\$9.00	\$7.80	\$7.51
Frozen Beef	\$3.10	\$2.72	\$2.72
Total Beef	\$3.30	\$2.90	\$2.90

Source: Hong Kong Census and Statistics Department

Table 5 : Average C.I.F. Prices & Market Share of Chilled Beef by Major Suppliers

US\$/kg	1997	1998	1999 Jan-April Avg.	Market Share '98	Market Share '99
U.S.	17	16.07	12.44	14%	21%
Australia	5.93	5.15	5.23	43%	40%
New Zealand	6.36	5.64	5.50	37%	33%
Japan	63.25	61.4	51.96	1%	1%
All countries	9.03	7.81	7.51	100%	100%

Source: Hong Kong Census and Statistics Department

Table 6 : Average C.I.F. Prices & Market Share of Frozen Beef by Major Suppliers

US\$/kg	1997	1998	1999 Jan-Apr Avg.	Market Share '98	Market Share '99
U.S.	4.58	3.52	3.51	26%	28%
Australia	2.89	2.56	2.50	13%	7%
New Zealand	3.28	2.85	3.25	17%	12%
Brazil	2.46	2.38	2.20	10%	18%
China	1.97	1.93	1.97	27%	24%
All countries	3.10	2.72	2.72	100%	100%

Source : Hong Kong Census & Statistics Department

Table 7 : Hong Kong Beef Imports by Categories

	MT, 1997	MT, 1998	% change over 1997	1997 US\$'000	1998 US\$'000	% change over 1997
Fresh/chilled beef	1,934	1,871	-3%	17,460	14,605	-16%
Frozen beef	30,298	38,766	28%	93,872	105,275	12%
Beef, salted/dried/smoked	11	9	-18%	127	92	-28%
Prepared/preserved beef	4,447	4,470	1%	9,700	10,006	3%
Total	36,688	45,116	23%	121,159	129,979	7%

Source: Hong Kong Census and Statistics Department

Table 8 : Beef Import Value by Major Suppliers

US\$ '000	1997	1998	% change over preceding year	1998 Jan- April	1999 Jan-April	% change over preceding year
USA	42,269	41,177	-3%	14,637	12,263	-16%
Australia	12,207	17,437	43%	5,780	3,185	-45%
New Zealand	21,256	22,433	6%	9,649	5,285	-45%
China	23,276	25,742	11%	9,833	6,943	-29%
Argentina	4,158	2,358	-43%	539	885	64%
Brazil	6,864	9,898	44%	2,189	4,102	87%
Japan	2,130	2,347	10%	882	698	-21%
Canada	2,036	2,493	22%	1,003	827	-18%
Others	6,963	6,094	-12%	2,228	1,872	-16%
Total	121,159	129,979	7%	46,740	36,060	-23%

Source: Hong Kong Census and Statistics Department

Table 9: Imports of Chilled Beef by Major Suppliers, in MT

	1997	1998	% change over preceding year	1998 Jan - April	1999 Jan- April	% change over preceding year
USA	381	271	-29%	95	134	41%
Australia	788	813	3%	254	258	2%
New Zealand	630	693	10%	281	212	-25%
All countries	1,934	1,871	-3%	661	644	-3%

Source: Hong Kong Census and Statistics Department

Table 10 : Export Value of Beef by Major Destinations, in US\$ '000

	1997	1998	% change over 1998		1999	% change over
			preceding year	Jan - Apr	Jan - Apr	preceding year
China	4,339	5,989	38%	2331	1642	-30%
Macau	2,332	2,563	10%	903	624	-31%
Philippines	871	394	-55%	148	85	-43%
Others	1,227	0	-100%	71	17	-76%
Total	8,769	9,101	4%	3453	2368	-31%

Source: Hong Kong Census and Statistics Department

Table 11 : Imports of Beef Offal by Major Suppliers, in MT

	1997	1998	% change over 1997	1998 Jan-April	1999 Jan- Apr	% change over 1998
USA	11,807	10,406	-12%	3,356	3,541	6%
Australia	5,999	7,153	19%	2,054	2,476	21%
New Zealand	1,794	3,029	69%	1,320	606	-54%
Argentina	12,912	11,998	-7%	3,834	3,903	2%
Brazil	14,596	15,813	8%	5,246	5,041	-4%
Others	3,813	3,292	-14%	1,175	1,197	2%
Total	50,921	51,691	2%	16,985	16,764	-1%

Source: Hong Kong Census and Statistics Department

Table 12 : Exports of Beef Offal, in MT

	1997	1998	% change over 1997	1998 Jan - Apr	1999 Jan - Apr	% change over 1998
China	21,987	23,419	7%	8,593	9,230	7%
Others	1,103	859	-22%	342	147	-57%
Total	23,090	24,278	5%	8,935	9,377	5%

Source : Hong Kong Census & Statistics Department

Statistical Tables - Meat, Swine

PS&D Table

PSD Table						
Country	Hong Kong					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Slaughter (Reference)	0	2364	0	2316	0	2270
Beginning Stocks	0	0	0	0	0	0
Production	166	161	158	157	0	154
Intra EC Imports	0	0	0	0	0	0
Other Imports	244	252	280	221	0	235
TOTAL Imports	244	252	280	221	0	235
TOTAL SUPPLY	410	413	438	378	0	389
Intra EC Exports	0	0	0	0	0	0
Other Exports	31	45	47	63	0	77
TOTAL Exports	31	45	47	63	0	77
Human Dom. Consumption	379	368	391	315	0	312
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	379	368	391	315	0	312
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	410	413	438	378	0	389
Calendar Yr. Imp. from U.S.	0	15	0	10	0	13
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.

Sources : Hong Kong Agriculture and Fisheries Department
Hong Kong Census & Statistics Department

Trade Matrices

Import Trade Matrix				
Country	Hong Kong		Units:	MT
Commodity	Meat, Swine		Partial Begin	January
			Partial End	April
Imports for:	1997	1998	1998	1999
	Full	Full	Partial	Partial
U.S.	8728	10063	4247	1505
Others				
China	59588	55161	19161	13863
Brazil	27017	36609	11074	8193
Thailand	935	3998	614	248
Canada	6997	11652	3397	4110
Netherlands	6346	18428	4599	6889
Denmark	3928	6657	1701	2510
UK	2939	4929	1159	1434
Total for Others	107750	137434	41705	37247
Others not Listed	8222	19098	5210	6167
Grand Total	124700	166595	51162	44919

Source : Hong Kong Census & Statistics Department

Export Trade Matrix				
Country	Hong Kong		Units:	MT
Commodity	Meat, Swine		Partial Begin	January
			Partial End	April
Exports for:	1997	1998	1998	1999
	Full	Full	Partial	Partial
U.S.	136	134	0	9
Others				
China	7711	25880	6395	9850
Malaysia	956	656	115	239
Macau	1796	2466	714	723
Total for Others	10463	29002	7224	10812
Others not Listed	1093	490	94	253
Grand Total	11692	29626	7318	11074

Source : Hong Kong Census & Statistics Department

Table 13 : Supply and Consumption of Live Pigs (head)

	1995	1996	1997	1998
Local Supply	207,570	288,300	305,600	355,100
Imports	2,388,887	2,249,744	2,118,751	2,009,200
Total	2,596,457	2,538,044	2,424,351	2,364,300

Source : Hong Kong Agriculture & Fisheries Department

Table 14 : Average Wholesale Prices of Live Pigs

US\$/MT	1995	1996	1997	1998
Live pigs	US\$2,059	US\$2,264	US\$2,335	US\$2,312

Source : Hong Kong Agriculture & Fisheries Department

Table 15 : Average C.I.F. Prices of Pork by Major Suppliers

US\$/kg	1997	1998	1999 Jan-Apr	Market Share 97	Market Share 98	Market Share 99
US	\$2.36	\$1.73	\$2.15	7%	6%	3%
China	\$1.93	\$1.98	\$1.94	48%	33%	31%
Brazil	\$2.34	\$2.23	\$1.86	22%	22%	18%
Netherlands	\$1.88	\$1.07	\$0.81	5%	11%	15%
All countries	\$2.04	\$1.80	\$1.49	100%	100%	100%

Source : Hong Kong Census & Statistics Department

Table 16 : Hong Kong Pork Imports by Categories, Jan - Sept

	MT 1997	MT 1998	% change over 1997	1997 US\$'000	1998 US\$'000	% change over 1997
fresh/chilled pork	1,173	7,545	543%	1,131	13,228	1070%
frozen pork	82,817	120,063	45%	168,007	197,295	17%
pork, salted/dried	5,305	5,105	-4%	19,022	17,396	-9%
preserved pork	35,405	33,882	-4%	73,237	71,557	-2%
total	124,700	166,595	34%	261,397	299,476	15%

Source : Hong Kong Census & Statistics Department

Table 17 : Pork Import Value by Major Suppliers

In US\$'000	1997	1998	% change over 1997	1998 Jan- April	1999 Jan - April	% change over 1998
USA	19,317	17,457	-10%	7,110	3,242	-54%
China	117,372	109,477	-7%	38,404	26,852	-30%
Brazil	70,178	81,818	17%	25,764	15,276	-41%
Canada	9,779	11,859	21%	3,682	2,652	-28%
Netherlands	9,736	19,630	102%	5,697	5,578	-2%
Denmark	3,711	5,030	36%	1,532	1,468	-4%
UK	5,575	6,871	23%	2,004	1,490	-26%
Thailand	3,244	12,823	295%	1,518	942	-38%
Others	22,485	34,511	53%	11,416	9,468	-17%
Total	261,397	299,476	15%	97,127	66,968	-31%

Source : Hong Kong Census & Statistics Department

Table 18 : Pork Export Value by Major Destinations

In US\$'000	1997	1998	% change over 1997	1998 Jan - Apr	1999 Jan - Apr	% change over 1998
USA	601	617	3%	0	46	0%
China	9,671	28,229	192%	6,999	6,395	-9%
Macau	3,749	4,477	19%	1,315	1,044	-21%
Others	4,211	2,210	-48%	441	2,483	463%
Total	18,232	35,533	95%	8,755	9,968	14%

Source : Hong Kong Census & Statistics Department

Table 19 : Hong Kong Pig Offal Import by Major Suppliers

	MT, 1997	MT, 1998	% change over 1997	MT, 1998 Jan - April	MT, 1999 Jan - April	% change over 1997
USA	40,054	49,770	24%	17,782	14,498	-18%
China	804	1,107	38%	687	132	-81%
Brazil	6,486	6,973	8%	2,527	2,159	-15%
Canada	20,351	21,824	7%	6,959	7,292	5%
Netherlands	39,659	49,780	26%	17,011	13,205	-22%
Denmark	23,681	26,355	11%	11,407	8,643	-24%
UK	12,686	20,216	59%	6,953	4,973	-28%
Others	14,471	26,831	85%	7,100	8,684	22%
Total	158,192	202,856	28%	70,426	59,586	-15%

Source : Hong Kong Census & Statistics Department

Table 20 : Export of Pig Offal

	MT, 1997	MT, 1998	% change over 1997	MT, 1998 Jan - April	MT, 1999 Jan - April	% change over 1997
China	88,742	127,139	43%	42,972	43,852	2%
Others	2,265	1,570	-31%	1,112	217	-80%
Total	91,007	128,709	41%	44,084	44,069	-0%

Source : Hong Kong Census & Statistics Department

Statistical Tables - Hides & Skins, Bovine

PS&D Table

PSD Table						
Country	Hong Kong					
Commodity	Hides & Skins, Bovine				(1000 MT)	(1000 PCS)
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	0	0	0	0	0	0
Production In MT	0	2	0	2	0	2
Production In Pieces	0	65	0	63	0	62
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	71	0	74	0	76
TOTAL Imports	0	71	0	74	0	76
TOTAL SUPPLY	0	73	0	76	0	78
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	69	0	74	0	76
TOTAL Exports	0	69	0	74	0	76
Domestic Consumption	0	4	0	2	0	2
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	73	0	76	0	78
Calendar Yr. Imp. from U.S.	0	16	0	16	0	17
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Note : Production figures in the PS&D table are estimated at 10 percent of carcass weight.

Sources : Hong Kong Agriculture and Fisheries Department
Hong Kong Census & Statistics Department

Trade Matrices

Import Trade Matrix			
Country	Hong Kong		
Commodity	Hides & Skins, Bovine		
Time period	Jan - April	Units:	MT
Imports for:	1998		1999
U.S.	5595	U.S.	5226
Others		Others	
Canada	875	Canada	235
Italy	5467	Italy	5046
Netherlands	736	Netherlands	1177
UK	690	UK	391
Australia	868	Australia	20
China	277	China	145
Kenya	2448	Kenya	3774
Tanzania	895	Tanzania	1401
Total for Others	12256		12189
Others not Listed	7870		9387
Grand Total	25721		26802

Source : Hong Kong Census & Statistics Department

Export Trade Matrix			
Country	Hong Kong		
Commodity	Hides & Skins, Bovine		
Time period	Jan-April	Units:	MT
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
China	22831	China	25936
Thailand	1166	Thailand	660
Total for Others	23997		26596
Others not Listed	0		87
Grand Total	23997		26683

Source : Hong Kong Census & Statistics Department

Table 21 : Import of Bovine Hides

	MT 1997	MT 1998	% change over 1997	1997 US'000	1998 US'000	% change over 1997
USA	11,581	15,617	35%	21,505	22,401	4%
Canada	1,484	2,250	52%	1,760	2,703	54%
Italy	11,568	15,142	31%	4,887	5,763	18%
Netherlands	5,064	3,345	-34%	5,192	3,091	-40%
UK	1,795	2,148	20%	1,356	2,318	71%
Australia	4,931	1,258	-74%	8,848	1,940	-78%
China	4,078	425	-90%	3,080	277	-91%
Kenya	4,867	7,468	53%	5,791	6,878	19%
Tanzania	2,145	2,609	22%	1,792	2,389	33%
Others	16,342	21,101	29%	13,193	14,403	9%
Total	63,855	71,363	12%	67,404	62,163	-8%

Source : Hong Kong Census & Statistics Department

Table 22 : Export of Bovine Hides

	MT, 1997	MT, 1998	% change over 1997	1997 US'000	1998 US'000	% change over 1997
US	0	0	0%	0	0	0%
China	53,479	67,001	25%	45,002	49,094	9%
Thailand	6,743	1,953	-71%	6,348	1,402	-78%
Others	110	109	-1%	20	0	-100%
Total	60,332	69,063	14%	51,489	50,621	-2%

Source : Hong Kong Census & Statistics Department

Table 23 : Average C.I.F. Price and Market Share of Bovine Hides Import

US\$'000/MT	1997	1998	1999 Jan-Apr avg	Market Share '97	Market Share '98	Market Share '99
USA	1.86	1.43	1.33	18%	22%	19%
Canada	1.19	1.20	1.33	2%	3%	1%
Italy	0.42	0.38	0.36	18%	21%	19%
Netherlands	1.03	0.92	1.05	8%	5%	4%
UK	0.76	1.08	0.86	3%	3%	1%
Australia	1.79	1.54	1.90	8%	2%	0%
China	0.76	0.65	0.64	6%	1%	1%
Kenya	1.19	0.92	0.71	8%	10%	14%
Tanzania	0.84	0.92	0.61	3%	4%	5%
Total	1.06	0.87	0.73	100%	100%	100%

Source : Hong Kong Census & Statistics Department

Background Narrative on Supply & Demand, Policy, and Marketing

Production

There are no significant changes in beef or pork production since the last report. The supply of live cattle and pigs relies mostly on China, particularly for cattle. The 1998 self sufficiency ratio for cattle and pigs was 0.2 and 15 percent respectively.

The Hong Kong beef market was disrupted several years ago by the BSE and E-coli scares. It showed recovery starting in 1998. The bird flu incident which reduced chicken consumption also contributed to a rise in red meat consumption. Therefore, the 1998 production of live cattle rose 10 percent, reaching 64,801 head.

The Hong Kong government started a clenbuterol surveillance program on pigs in August 1998 in wake of clenbuterol contamination found in pig offals. This drug is banned for use in animal feed in Hong Kong as well as China. It is believed that farmers used this drug to promote leaner meat thus obtaining higher prices. During the first half of 1999, samples taken from about 200 lots of pigs sent to the slaughter house were found to have been fed with this banned drug. Most of them came from local farms. Because of existing loopholes in the legislation, it is difficult to have sufficient proof to prosecute rearers supplying clenbuterol-fed pigs. The government is considering tightening up the legislation, for example, to suspend the license of pig farms repeatedly found to have sold clenbuterol-fed pigs. This legislation revision process will probably take years.

However, clenbuterol-fed pigs did not catch too much attention of Hong Kong consumers and did not affect consumption, allowing the pig production level in 1998 to remain flat.

Although foot-and-mouth disease infected pigs and cattle in three China's provinces, namely, Hainan, Fujin and Tibet in early 1999, China's livestock supply to Hong Kong was not affected. The Hong Kong Agriculture and Fisheries Department (AFD) contacted the Chinese authorities to enquire about the situation of livestock infected by foot-and-mouth disease in China. The Chinese authorities informed AFD that they had already slaughtered livestock which were infected or suspected of carrying the disease. They prohibited animals from being moved away from the infected areas and carried out vaccination of livestock to prevent further spreading of the disease. Additionally, AFD has set up a mechanism with the State Administration for Entry-Exit Inspection and Quarantine to prevent infected livestock entering Hong Kong from China. Under this mechanism, AFD requires all pigs and cattle entering Hong Kong to have a health certificate to prove that they are not infected by the foot-and-mouth disease or other infectious disease. When these animals arrive in Hong Kong, AFD will conduct inspection and verify their health certificates. If infected livestock are found, AFD will slaughter the infected livestock to prevent spreading of the disease.

China is currently suffering from flooding in places along the Yangtze River. The Chinese government has already assured that food supplies to Hong Kong will not be interrupted. In retrospect, China's food supplies to Hong Kong have never been affected in past few decades, regardless of political turmoil or natural disasters. As such, it can be expected China's livestock imports to Hong Kong will continue as normal.

A new slaughter house occupying an area of 58,000 square meters will start operation in August 1999. The Hong Kong government states the new slaughter house will be the most advanced in all Southeast Asia with daily slaughter capacity at 5,000 head of pigs, 400 cattle and 300 sheep. Three existing slaughter houses will close when the new operation commences.

Consumption

Consumption of beef and pork has been rather stable in Hong Kong in recent years because it is a rather mature market. However, 1998 beef consumption rose 23 and pork consumption 7 percent mainly because the bird flu crisis forced consumers to substitute poultry with red meats in their diet for awhile. The rise in beef consumption was high in 1998 because consumption had dropped significantly in 1997 due to BSE and E-coli scare. The rise in 1998 only offset part of the loss suffered in 1996 and 1997.

Given the fading effect of bird flu crisis and the maturity of the market, 1999 beef and pork consumption will probably drop to 66 KMT and 315 KMT respectively. With respect to the consumption trend, there are several points worth mentioning.

First, Hong Kongers have become increasingly receptive to frozen meats, at the expense of fresh meat sold in wet markets. Not only supermarkets and department stores sell frozen meats. New stores selling a variety of chilled and frozen meats and seafood are appearing in the market, reflecting the change of consumption trend.

Second, realizing the demand for prepared meals, supermarkets and department stores have made prepared meals available. The food has been seasoned. It can be served only after being heated up in the microwave. Hong Kong is picking up this global trend but at a slower pace. The increasing popularity of convenience meals will have a positive effect on the consumption of frozen meats. Operators tend to use frozen meats instead of fresh meats because of price, hygiene and convenience for stock control.

The EU ban on U.S. hormone beef was reported in Hong Kong's media. In general, Hong Kong consumers regarded this as a trade issue between the U.S. and EU. Beef consumption was not affected. However, the quality control department of one of the major supermarket chains was very concerned and tried to explore the possibility to import hormone-free beef from the U.S. In the end, they found out it was not feasible to buy hormone-free beef from the U.S. because their current turnover could not support buying whole carcasses. Their existing practice is to buy certain side cuts. Having conducted some preliminary research, the buying department concluded that Hong Kong consumers are not concerned whether the beef are hormone free or not. Therefore, the department store finally did not further pursue the idea of buying hormone free beef (HFB). However, all their Australian beef imports are hormone free already since Australia has been selling beef to EU, which only accepts HFB.

Presently, there is very little demand for organic beef in Hong Kong, however, some organic beef from New Zealand is available in the market.

Trade

Beef

Beef imports in 1998 increased 23 percent in terms of volume, amounting to 45,116 MT. The increase in domestic consumption and re-exports to China spelled the rise. As explained in HK9008, the improved distribution channels to inland China cities allowed China to absorb more Hong Kong meat re-exports, boosting import demand in Hong Kong. There has been an increase in demand for less expensive items such as short plate and beef navel as well, the demand for which usually fell in winter months.

Beef trade for 1999 experienced some changes. Beef imports for the first four months of 1999 amounted to 12,452 MT, representing a 19 percent decline from the same period 1998. Lower domestic consumption, resulting from the fading effect of bird flu incident and declining re-export of beef to China, accounted for the drop in Hong Kong's beef import.

U.S. Beef

Hong Kong's import of U.S. beef remained flat for January-April 1999 compared with January-April 1998, despite an overall drop in Hong Kong's total beef imports. The market share of U.S. chilled beef increased from 14 percent in 1998 to 21 percent in 1999 following a drop in average C.I.F. prices (table 5). Industry sources revealed that U.S. beef market prices have also gone up but major Hong Kong customers are not very much affected since their purchasing contracts have already fixed the price. The contract is usually made in January and September when prices are the lowest. Currently, the wholesale price of top grade US tenderloin is as high as HK\$180/kg (US\$1.00 = HK\$7.75). Some restaurants cannot afford these prices and tend to shift to other U.S. brands offering lower prices. Since U.S. beef is highly regarded in the Hong Kong market and is considered to have a market segment different from New Zealand and Australian beef, upscale restaurants will continue to buy U.S. beef regardless of rising prices. Yet, general restaurants' primary concern is price, regardless of country of origin.

In 1998, when New Zealand and Australian beef was available in the market at very competitive prices, their import market share was 16 and 13 percent respectively. However in 1999, New Zealand has suffered a short supply of beef. Prices of beef from New Zealand and Australia are not as competitive as in past years. Their market share dropped inevitably. The 1999 market shares of New Zealand and Australian beef are 12 percent and 8 percent respectively.

Hong Kong's import of Brazilian beef surged from 897 MT in January - April 1998 to 1,851 MT in January - April 1999. There are several reasons for the conspicuous rise. First, beef from Australia and New Zealand are in short supply and are no longer price competitive. Importers commented that beef from Australia, New Zealand and Brazil are of comparable quality, so they are substitutable. Much of the market share loss of Australian and New Zealand beef has been taken up by Brazilian beef. Second, Brazilian beef is very price attractive given a weaker currency. Meanwhile, Hong Kong's currency remained pegged to the U.S. dollar at a rate of 7.78. The average C.I.F. price of Brazilian frozen beef in 1998 was \$2.38, capturing an import market share of 10 percent. In 1999, the average price dropped to \$2.20 and expanded the market share to 18 percent accordingly. Third, Hong Kong importers find Brazilian beef packing very good. They are available in 10, 12, 15, 18, 20 and 22 kg. Packing of 12, 15 and 18 kg are the most popular here. Hong Kong importers also favor the strong and moisture-resistant packing of Brazilian beef. In short, Hong Kong importers prefer strong cartons and measurements in kg instead of pounds.

Pork

Hong Kong pork imports for the first four months of 1999 dropped 12 percent compared with the corresponding period in 1998. As beef, lower domestic consumption accounted for the decline in pork imports. The decline was lower than beef (19 percent) because there is still brisk demand in China for pork re-exported from Hong Kong.

U.S. pork is not as unique as U.S. beef. Pork specifications from different suppliers are similar. Hong Kong mainly buys U.S. pork loins for the domestic market and U.S. bellies and offals for re-export to China. Importers' purchasing decisions depend largely on price. Given that U.S. pork prices have been very expensive relative to pork from other suppliers, Hong Kong's pork import of U.S. pork declined 65 percent for January - April 1999 when compared with

January -April 1998. Table 15 showed that the average C.I.F. pork prices of major suppliers including China, Brazil and Netherlands dropped, except for the U.S.

Hong Kong's pork imports from the Netherlands have increased over the years. The rise in Dutch pork imports can be ascribed to abundant supply at competitive prices. In 1997, Dutch pork belly sold at a price of HK\$8-10/kg whereas the current wholesale price has decreased to HK\$3-5 /kg.

Forecast

Hong Kong's overall economic performance remained weak in the first quarter of 1999. The Hong Kong government estimated that the Gross Domestic Product declined by around 3.5 percent in real terms in the first quarter of 1999 from a year earlier. Yet this was much smaller than the declines of 6.9 percent in the third quarter and 5.7 percent in the fourth quarter of 1998. Sentiment has turned better more recently, upon a more stable financial situation, improved bank liquidity along with successive cuts in nominal interest rates, higher share prices, and resumed pick-up in the residential property market. Tourism has also gradually recovered from the ebb. In May 1999, the number of tourists totaled 853,617, representing 9.6 percent increase over May 1998. Yet consumer spending is still slack. Importers, who usually buy with forward contracts, said they are still very reserved in making future orders.

Restaurants continue to offer special promotional prices in order to attract customers. Under this situation, profit margins are being severely squeezed. Restaurant operators will continue to control costs by sourcing more economical products if possible, regardless of country of origin.

Hong Kong is already a mature market for beef and pork. It has become a matter of market share among different suppliers, which depends very much on price and supplies. Regarding total imports, the 1999 import level will return to normal since the bird flu crisis for poultry in 1998 boosted red meat imports temporarily. As such, imports of beef and pork are expected to decline by 15 percent and 12 percent respectively in 1999.

China's demand for Hong Kong's re-export is always a significant factor in the context of Hong Kong meat trade. About 8 percent of Hong Kong's beef import and 18 percent of pork imports were re-exported in 1998. The largest export market is China. China's demand for offals and pork is always keen. But the Chinese government has stepped up its anti-smuggling campaign since July 1998. Anti-smuggling measures has been continually tightened. The inevitable result is increased transportation cost, which jumped from RMB1700/MT in 1998 to the current price of RMB3000/MT. The change in transportation price reflects the seriousness of the anti-smuggling campaign.

China will continue to import pork only when prices are low. The current world prices of pork are low, allowing pork imports to China despite a higher transportation cost. Assuming that world prices of pork continue to be low and the unofficial transport channel for meat trade from Hong Kong to China is still open and at an affordable level, Hong Kong pork exports may be able to rise 40 percent in 1999.

Trade issues

In response to dioxin contamination in the food chain originating in Belgium, the Hong Kong government implemented some precautionary measures (HK9058 & HK9068) on pork and beef products from four European countries, namely Belgium, France, Germany and the Netherlands in early June. The ban on sales of products from France, Germany and

the Netherlands was lifted on June 29. Presently, the sales ban on beef and pork from Belgium is still in place.

The Netherlands is one of the major pork supplying countries to the Hong Kong market. Sources revealed that some importers were able to make Dutch suppliers agree to take up the warehouse rental costs incurred by the sale suspension. However, this agreement did not apply to products which had already arrived in Hong Kong before the sale suspension announcement by the Hong Kong government, i.e. June 4 for pork products. When the ban was lifted on June 29, a large volume of Dutch pork had been stuck in the market. Consequently, the prices of Dutch pork and offals had been pushed down in the Hong Kong market.

With regard to animal feed, the Hong Kong government advised farmers not to use animal feeds originating from Belgium until further notice. They are not banned. Nonetheless, Hong Kong farmers mostly use feeds imported from China. Belgium feeds are too expensive for Hong Kong market. Animal feed from Germany and Netherlands was similarly handled at the beginning of the incident until June 29, when the government issued another notice advising that animal feed from these two countries could be resumed.

(HK9014) On February 26, 1999, the Hong Kong government announced that pre-packaged deep-frozen food and pre-packaged food which can reasonably be expected to retain its specific properties for more than 18 months will have to bear the "best before" date effective June 1, 1999. In fact, the Hong Kong government first announced in February 1996 its intention to make such food subject to the "Best before" date labeling requirement and effective date was then set for June 1, 1999. The advance notification appeared to have given sufficient time for the food trade to adjust to the new labeling requirement.

On January 25, 1999, the Hong Kong government announced to importers that beef imports from Northern Ireland could be resumed effective February 1, 1999 on the grounds that the possible health threat related to BSE in cattle in the Northern Ireland has been adequately addressed by the competent health authority. Hong Kong has suspended the import of British frozen/chilled beef since June 1996.

Marketing

For the first half of 1999, ATO organized a variety of marketing activities promoting U.S. products include U.S. beef and pork. The activities range from month long store promotion in chain department stores to menu promotion in prestige hotels. In May, ATO participated in HOFEX, a large food exhibition which takes place in Hong Kong biannually. USMEF also made use of this significant trade show to showcase U.S. beef cuts. Realizing Hong Kong consumers' favorable perception of U.S. products, USMEF promotes country-of-origin identification at both retail and food service outlets. For example, USMEF stickers are attached on U.S. beef packages at retail level for easy identification.

In the next half of 1999, ATO will continue to stage menu and in-store promotions. In addition, it will help organize buying missions to the U.S. for local supermarkets. This project aims to bring more U.S. products to Hong Kong consumers. The Great American Barbecue, an established event in local food trade, is scheduled for November this year.

Hides & Skin, Bovine

Given the tightening of Hong Kong's pollution laws and expensive land costs, there are only one or two tanneries left here. Yet the bovine hides trade is vibrant, as indicated by the 71,363 MT of imports in 1998 with a total value of \$62 million. Since there are only a few tanneries left in Hong Kong, 99 percent of bovine hides imports are re-exported. For January - April 1999, 26,802 MT of bovine hides were imported but total exports amounted to 26,683 were exported, 97 percent of which ended up in China.

Following a 12 percent increase in 1998, bovine hide imports in early 1999 slowed down but still attained 4 percent growth for the first four months compared with the corresponding period last year. The demand for raw hides depends very much on that for leather manufactured goods. In 1998, American and European orders for leather goods shifted from South East Asia to Hong Kong and China because of fear that factories in these other countries could not deliver products on time. Meanwhile, the economies in these countries have gradually recovered since late 1998 and currency devaluations have helped boost exports. In other words, demand for Hong Kong's and China's leather goods in 1999 has been adversely affected. (The exchange rate of both Hong Kong currency and RMB has remained unchanged, making Hong Kong and China's exports become more expensive relatively). As such, Hong Kong's import of bovine hides in 1999 will not likely experience a similar remarkable rise as in 1998. A 4 percent increase in imports is forecast.

Hong Kong's bovine hides imports are largely exported to tanneries in China owned by Hong Kong companies for further processing. These companies typically control import rights for hides and skins. When Hong Kong businessmen set up tanneries in China, they must include this import right provision in their negotiation with the Chinese authorities. China does not have an adequate supply of bovine hides. Demand always exists for imported hides, particularly for quality ones. But local mainland tanneries which do not have import rights are not allowed to import hides. Instead, they buy imported hides from tanneries in China which are owned by Hong Kong people. Since these tanneries usually have import rights, they import hides which may not be for their own use but simply sell to mainland tanneries.

Bovine hides from the U.S. and Italy have been competing neck and neck. The market shares in terms of quantity of both countries have been very close to one another. However, the two suppliers are competing in different product categories. The U.S. provides mainly the good quality full grain hide, while Italy supplies the lower-priced split layer. Therefore, the unit price of American hides is far more expensive than that of Italian hides. The U.S. is the largest supplier of bovine hides, in terms of value, to the Hong Kong market. In 1998, it occupied a market share of 36 percent. The U.S. domination of Hong Kong's full grain hides supply will probably be maintained in the foreseeable future because of its renowned quality.