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## **Hong Kong**

### **Livestock and Products**

### **Livestock Semi-Annual**

## **2000**

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#### **Report Highlights:**

Increase in domestic consumption and China's demand for Hong Kong's re-exports caused Hong Kong's beef import to increase 9 percent in 1999. Hong Kong's beef imports from the U.S., Brazil and China performed very well. However, U.S. suppliers are not direct competitors with suppliers from the other two countries as they have different market segments. The Hong Kong pork market is mature with no conspicuous rise in either imports or consumption. This pattern is expected to continue into 2000. Hong Kong's imports of bovine hides witnessed a conspicuous jump of 36 percent during Jan-Nov 1999 compared with the same period last year. The main reason was the increased demand for leather manufactured products in overseas markets like the U.S. and Europe.

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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**

Increase in domestic consumption and China's demand for Hong Kong's re-exports caused Hong Kong's beef import to increase 9 percent in 1999. The increase in domestic consumption can be ascribed to the recovering economy which resulted in the increased demand for chilled beef. Also, Chinese restaurants are increasingly receptive to utilizing frozen cuts like belly, brisket, and chuck for Chinese dishes. Coupled with the growing popularity of frozen meats among general consumers, Hong Kong's domestic consumption witnessed positive growth last year. On the re-export front, China's demand for U.S. short plate has been so intense that New Zealand suppliers have begun to explore this product market by imitating the U.S. cuts and supplying Chinese clients through Hong Kong traders.

Hong Kong's beef imports from the U.S., Brazil and China performed very well in 1999. However, U.S. suppliers are not direct competitors with suppliers from the other two countries as they have different market segments. The U.S. sells upscale beef products while the other two suppliers focus on wet markets and general restaurants. Beef imports from Australia and New Zealand declined last year because of short supply.

Beef trade for 2000 is expected to grow modestly at around 5 percent. A gradual recovered economy, the local consumption pattern favouring chilled/frozen beef, and continual absorption of Hong Kong's beef re-export by China are reasons contributing to the sustained growth of Hong Kong's beef imports in 2000.

The Hong Kong pork market is mature with no conspicuous rise in either imports or consumption. This pattern is expected to continue into 2000. In 1997 and 1998, pork re-exports to China increased tremendously, however they declined 5 percent in 1999. The main reason was the oversupply of imported poultry products at very low prices. Inevitably, pork consumption was replaced with consumption of cheap poultry products like leg quarters. Since the supply of cheap leg quarters is expected to continue, pork re-exports to China in 2000 are unlikely to rise. Given the maturity of the Hong Kong pork market, Hong Kong's pork imports will remain flat in 2000. The Hong Kong pork market is dominated by pork from China and Brazil. Since U.S. pork prices are comparatively high, U.S. pork occupies a very insignificant market share.

Hong Kong's imports of bovine hides witnessed a conspicuous jump of 36 percent during Jan-Nov 1999 compared with the same period last year. The main reason was the increased demand for leather manufactured products in overseas markets like the U.S. and Europe. The U.S. remains as the largest supplier of top quality full-grain bovine hides for the Hong Kong market.

## 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		01/2000
Slaughter (Reference)	0	65	0	61	0	60
Beginning Stocks	0	0	0	0	0	0
Production	19	19	18	19	18	18
Intra EC Imports	0	0	0	0	0	0
Other Imports	61	61	52	66	53	69
TOTAL Imports	61	61	52	66	53	69
TOTAL SUPPLY	80	80	70	85	71	87
Intra EC Exports	0	0	0	0	0	0
Other Exports	5	5	4	4	4	5
TOTAL Exports	5	5	4	4	4	5
Human Dom. Consumption	75	75	66	81	67	82
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	75	75	66	81	67	82
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	80	80	70	85	71	87
Calendar Yr. Imp. from U.S.	15	15	15	15	15	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.

Source : Hong Kong Agriculture, Fisheries, and Conservation Department

**Trade Matrices**

Import Trade Matrix				
Country	Hong Kong		Units:	MT
Commodity	Meat, Beef and Veal		Partial Begin	January
			Partial End	November
Imports from:	1997	1998	1998	1999
	Full	Full	Partial	Partial
U.S.	8295	10756	9503	10146
Others				
Australia	3375	5970	5428	3188
New Zealand	5874	7198	6789	4176
China	12126	13391	12419	13230
Argentina	1595	1014	831	1081
Brazil	2812	4113	3596	10168
Japan	78	77	67	49
Canada	622	886	826	1111
Netherlands	337	565	496	360
Total for Others	26819	33214	30452	33363
Others not Listed	1574	1146	1042	1248
Grand Total	36688	45116	40997	44757

Source : Hong Kong Census &amp; Statistics Department

Export Trade Matrix				
Country	Hong Kong		Units:	MT
Commodity	Meat, Beef and Veal		Partial Begin	January
			Partial End	November
Exports for:	1997	1998	1998	1999
	Full	Full	Partial	Partial
U.S.	0	0	0	0
Others				
China	1368	2300	2065	2164
Macau	658	893	855	553
Total for Others	2026	3193	2920	2717
Others not Listed	935	245	219	164
Grand Total	2961	3438	3139	2881

Source : Hong Kong Census & Statistics Department

**Table 1 : Supply and Consumption of Live Cattle (head)**

	1995	1996	1997	1998	1999
Local Supply	190	269	51	101	36
Imports	108,610	80,631	58,899	64,700	61,440
Total	108,800	80,900	58,950	64,801	61,476

Source : Hong Kong Agriculture, Fisheries and Conservation Department

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

US\$/kg	1996	1997	1998	1999 (Jan-Nov)
Chicken (top grade)	\$5.02	\$4.70	\$5.28	\$4.74
Duck (top grade)	\$3.18	\$3.30	\$3.57	\$3.20
Beef (best quality)	\$7.10	\$7.11	\$7.20	\$7.20
Beef (belly flesh)	\$5.23	\$5.30	\$5.48	\$5.43
Pork (best cut)	\$5.34	\$5.53	\$5.62	\$5.34

Pork Chop	\$6.52	\$6.67	\$6.76	\$6.46
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**Table 3 : Average Wholesale Prices of Live Cattle**

US\$/MT	1996	1997	1998	1999 (Jan - Nov)
Live Cattle	\$2,755	\$2,749	\$2,760	\$2,564

Source : Hong Kong Census &amp; Statistics Department

**Table 4 : Average C.I.F. Prices & Market Share of Total Beef Imports by Major Suppliers**

	1997	1998	1999	1997	1998	1999
			Jan-Nov Avg.			Jan-Nov Avg.
US\$/kg	US\$/kg	US\$/kg	US\$/kg	Market Share	Market Share	Market Share
USA	5.10	3.83	4.26	23%	24%	23%
Australia	3.62	2.92	3.79	9%	13%	7%
New Zealand	3.62	3.12	3.93	16%	16%	9%
China	1.92	1.92	1.87	33%	30%	30%
Argentina	2.61	2.33	1.94	4%	2%	2%
Brazil	2.44	2.41	2.29	8%	9%	23%
Japan	27.31	30.48	46.29	0%	0%	0%
Canada	3.27	2.81	2.85	2%	2%	2%
Others	3.64	3.56	3.25	5%	4%	4%
Total	3.30	2.88	2.96	100%	100%	100%

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

	1997	1998	1999	1997	1998	1999
			Jan-Nov Age.			Jan-Nov
	(US\$/KG)	(US\$/KG)	(US\$/KG)	Market Share	Market Share	Market Share
USA	17.03	16.08	14.37	20%	14%	14%
Australia	5.93	5.15	5.61	41%	43%	50%
New Zealand	6.36	5.64	6.21	33%	37%	30%
Japan	64.22	59.71	55.50	1%	1%	1%
All suppliers	9.03	7.81	7.43	100%	100%	100%



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

	1997 (US\$/KG)	1998 (US\$/KG)	1999 Jan-nov (US\$/KG)	1997 Market Share	1998 Market Share	1999 Jan-Nov Market Share
USA	4.58	3.52	4.00	25%	26%	25%
Australia	2.89	2.56	2.82	8%	13%	5%
New Zealand	3.28	2.85	3.50	17%	17%	9%
China	1.97	1.93	1.91	30%	27%	27%
Argentina	2.71	2.36	1.95	5%	3%	3%
Brazil	2.46	2.38	2.28	8%	10%	27%
Japan	59.17	31.73	62.46	0%	0%	0%
Canada	3.64	2.55	3.13	1%	1%	1%
Others	3.13	3.26	3.12	6%	4%	3%
Total	3.10	2.72	2.82	100%	100%	100%

**Table 7 : Hong Kong Beef Imports by Categories, Jan -Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
Fresh/chilled beef	1,626	2,206	36%	12,865	16,390	27%
Frozen beef	35,448	37,750	6%	96,707	106,360	10%
Beef, salted/dried/smoked	9	6	-33%	91	96	5%
Prepared/preserved beef	3,914	4,794	22%	8,939	9,708	9%
Total	40,997	44,757	9%	118,602	132,553	12%

**Table 8 : Total Beef Imports by Major Suppliers, Jan - Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
USA	9,503	10,146	7%	37,268	43,260	16%
Australia	5,428	3,188	-41%	15,794	12,085	-23%
New Zealand	6,789	4,176	-38%	21,073	16,413	-22%
China	12,419	13,230	7%	23,922	24,730	3%
Argentina	831	1,081	30%	1,954	2,099	7%
Brazil	3,596	10,168	183%	8,691	23,309	168%
Japan	67	49	-27%	2,080	2,268	9%
Canada	826	1,111	35%	2,317	3,162	36%
Others	1,538	1,608	5%	5,503	5,227	-5%
Total	40,997	44,757	9%	118,602	132,553	12%

**Table 9 : Chilled Beef Imports by Major Suppliers, Jan -Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
USA	241	300	24%	3,886	4,310	11%
Australia	685	1,106	61%	3,589	6,205	73%
New Zealand	615	664	8%	3,474	4,123	19%
China	3	20	567%	20	38	90%
Argentina	0	9	0%	0	21	0%
Brazil	0	8	0%	0	30	0%
Japan	14	12	-14%	888	666	-25%
Canada	28	54	93%	391	520	33%
Others	40	33	-18%	617	477	-23%
Total	1,626	2,206	36%	12,865	16,390	27%

**Table 10 : Total Beef Exports by Major Destinations, Jan - Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
China	2,065	2,164	5%	5,523	5,061	-8%
Macau	855	553	-35%	2,447	1,888	-23%
Others	219	164	-25%	473	448	-5%
Total	3,139	2,881	-8%	8,443	7,397	-12%

**Table 11 : Beef Offal Imports by Major Suppliers, Jan -Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
USA	9,072	9,461	4%	19,272	17,873	-7%
Australia	6,374	7,071	11%	7,363	7,594	3%
New Zealand	2,910	1,782	-39%	2,777	1,971	-29%
China	242	89	-63%	320	115	-64%
Argentina	10,579	11,256	6%	13,668	12,215	-11%
Brazil	14,239	18,909	33%	18,109	22,751	26%
Japan	6	0.476	-92%	6	17	183%
Canada	716	563	-21%	1,462	894	-39%
Others	1,996	2,936	47%	2,947	3,337	13%
Total	46,134	52,067	13%	65,924	66,767	1%

**Table 12 : Beef Offal Exports by Major Destinations, Jan -Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
China	21,745	28,066	29%	32,221	39,687	23%
Macau	760	332	-56%	1,126	424	-62%
Others	29	17	-41%	24	33	38%
Total	22,534	28,415	26%	33,371	40,144	20%

Source : Hong Kong Census & Statistics Department

## Statistical Tables - Meat, Swine

## PS&amp;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)	2364	2364	0	2271	0	2200
Beginning Stocks	0	0	0	0	0	0
Production	161	161	157	162	154	161
Intra EC Imports	0	0	0	0	0	0
Other Imports	252	252	221	254	235	256
TOTAL Imports	252	252	221	254	235	256
TOTAL SUPPLY	413	413	378	416	389	417
Intra EC Exports	0	0	0	0	0	0
Other Exports	45	45	63	44	77	44
TOTAL Exports	45	45	63	44	77	44
Human Dom. Consumption	368	368	315	372	312	373
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	368	368	315	372	312	373
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	413	413	378	416	389	417
Calendar Yr. Imp. from U.S.	15	15	10	8	13	9
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.

**Trade Matrices**

Import Trade Matrix				
Country	Hong Kong		Units:	MT
Commodity	Meat, Swine		Partial Begin	January
			Partial End	November
Imports from:	1997	1998	1998	1999
	Full	Full	Partial	Partial
U.S.	8728	10063	9678	5071
Others				
China	59588	55161	51217	57624
Brazil	27017	36609	33813	33843
Thailand	935	3998	3966	863
Canada	6997	11652	10313	10577
Netherlands	6346	18428	16779	18487
Denmark	3928	6657	5975	7372
UK	2939	4979	4547	3897
Total for Others	107750	137484	126610	132663
Others not Listed	8222	19048	17283	16575
Grand Total	124700	166595	153571	154309

Source : Hong Kong Census &amp; Statistics Department

Export Trade Matrix				
Country	Hong Kong		Units:	MT
Commodity	Meat, Swine		Partial Begin	January
			Partial End	November
Exports for:	1997	1998	1998	1999
	Full	Full	Partial	Partial
U.S.	136	134	131	78
Others				
China	7711	25880	24611	23323
Malaysia	956	656	608	402
Macau	1796	2466	2207	2294
Total for Others	10463	29002	27426	26019
Others not Listed	1093	490	326	670
Grand Total	11692	29626	27883	26767

Source : Hong Kong Census & Statistics Department

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

	1995	1996	1997	1998	1999
Local Supply	207,570	288,300	305,600	355,100	415,400
Imports	2,388,887	2,249,744	2,118,751	2,009,200	1,855,960
Total	2,596,457	2,538,044	2,424,351	2,364,300	2,271,360

Source : Hong Kong Agriculture, Fisheries and Conservation Department

**Table 14 : Average Wholesale Prices of Live Pigs**

US\$/MT	1995	1996	1997	1998	1999
Live pigs	US\$2,059	US\$2,264	US\$2,335	US\$2,312	US\$1,826

**Table 15 : Average C.I.F. Prices and Market Share of Pork by Major Suppliers**

(US\$/MT)	1997	1998	1999 Jan-Nov.Avg.	Market Share 97	Market Share 98	Market Share 99
USA	2,213	1,735	2,036	7%	6%	3%
China	1,970	1,985	1,904	48%	33%	37%
Brazil	2,598	2,235	1,582	22%	22%	22%
Canada	1,398	1,018	685	6%	7%	7%
Netherlands	1,534	1,065	778	5%	11%	12%
Denmark	945	756	575	3%	4%	5%
UK	1,897	1,380	799	2%	3%	3%
Thailand	3,470	3,207	3,821	1%	2%	1%
Others	2,735	1,812	1,548	7%	11%	11%
Total	2,096	1,798	1,500	100%	100%	100%

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

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
fresh/chilled pork	6,890	1,801	-74%	12,467	5,520	-56%
frozen pork	111,382	117,221	5%	184,868	153,567	-17%
pork, salted/dried	4,329	4,506	4%	15,242	14,152	-7%
preserved pork	30,970	30,782	-1%	65,299	58,277	-11%
total	153,571	154,309	0%	277,875	231,516	-17%

**Table 17 : Pork Imports by Major Suppliers, Jan - Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
USA	9,678	5,071	-48%	16,490	10,327	-37%
China	51,217	57,624	13%	101,418	109,726	8%
Brazil	33,813	33,843	0%	76,193	53,541	-30%
Canada	10,313	10,577	3%	10,719	7,240	-32%
Netherlands	16,779	18,487	10%	18,170	14,379	-21%
Denmark	5,975	7,372	23%	4,532	4,236	-7%
UK	4,547	3,897	-14%	6,331	3,114	-51%
Thailand	3,966	862	-78%	12,720	3,294	-74%
Others	17,283	16,576	-4%	31,302	25,659	-18%
Total	153,571	154,309	0%	277,875	231,516	-17%

**Table 18 : Pork Exports by Major Destinations, Jan - Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
USA	131	78	-40%	600	354	-41%
China	24,611	23,323	-5%	26987	17396	-36%
Macau	2,207	2,294	4%	4060	3229	-20%
Others	934	1,072	15%	1,825	1,953	7%
Total	27,883	26,767	-4%	33472	22932	-31%

**Table 19 : Pig Offal Imports by Major Suppliers, Jan - Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
USA	46,843	36,335	-22%	55,097	32,509	-41%
China	1,048	824	-21%	1,365	1,181	-13%
Brazil	6,400	5,709	-11%	7,437	5,194	-30%
Canada	19,954	17,756	-11%	17,541	10,928	-38%
Netherlands	46,144	32,771	-29%	41,889	21,902	-48%
Denmark	25,382	20,151	-21%	25,854	15,657	-39%
UK	19,125	11,798	-38%	15,206	7,201	-53%
Others	25,081	20,101	-20%	24,802	15,457	-38%
Total	189,977	145,445	-23%	189,191	110,029	-42%

**Table 20 : Pork Offal Exports by Major Destinations, Jan - Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
China	119,736	107,946	-10%	127,916	86,526	-32%
Macau	1,420	450	-68%	1,386	344	-75%
Others	0	127	0%	0	122	0%
Total	121,156	108,523	-10%	129,302	86,992	-33%

Source : Hong Kong Census &amp; Statistics Department



## Statistical Tables - Hides &amp; Skins, Bovine

## PS&amp;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	2	2	2	2	2	2
Production In Pieces	65	65	63	61	62	60
Intra EC Imports	0	0	0	0	0	0
Other Imports	71	71	74	91	76	93
TOTAL Imports	71	71	74	91	76	93
TOTAL SUPPLY	73	73	76	93	78	95
Intra EC Exports	0	0	0	0	0	0
Other Exports	69	69	74	90	76	92
TOTAL Exports	69	69	74	90	76	92
Domestic Consumption	4	4	2	3	2	3
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	73	73	76	93	78	95
Calendar Yr. Imp. from U.S.	16	16	16	15	17	16
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.

Source : Hong Kong Census & Statistics Department

**Trade Matrices**

Import Trade Matrix			
Country	Hong Kong		
Commodity	Hides & Skins, Bovine		
Time period	Jan - Nov	Units:	MT
Imports for:	1998		1999
U.S.	13790	U.S.	13636
Others		Others	
Canada	1919	Canada	767
Italy	13436	Italy	15222
Netherlands	2292	Netherlands	4101
UK	1705	UK	1600
Australia	1155	Australia	1340
China	421	China	1001
Kenya	6376	Kenya	12532
Tanzania	2366	Tanzania	3501
Total for Others	29670		40064
Others not Listed	18094		29814
Grand Total	61554		83514

Export Trade Matrix			
Country	Hong Kong		
Commodity	Hides & Skins, Bovine		
Time period	Jan-Nov	Units:	MT
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
China	59416	China	81687
Thailand	1604	Thailand	818
Total for Others	61020		82505
Others not Listed	38		112
Grand Total	61058		82617

Source : Hong Kong Census & Statistics Department

**Table 21 :Average C.I.F. Price and Market Share of Bovine Hides Imports**

(US\$/MT)	1997	1998	1999 Jan-Nov Avg.	Market Share '97	Market Share '98	Market Share'99
USA	1,857	1,434	1,369	18%	22%	16%
Canada	1,186	1,201	1,078	2%	3%	1%
Italy	422	381	361	18%	21%	18%
Netherlands	1,025	924	991	8%	5%	5%
UK	755	1,079	1,060	3%	3%	2%
Australia	1,794	1,542	1,509	8%	2%	2%
China	755	652	610	6%	1%	1%
Kenya	1,190	921	672	8%	10%	15%
Tanzania	835	916	613	3%	4%	4%
Others	807	683	613	26%	30%	36%
Total	1,056	871	745	100%	100%	100%

**Table 22 : Bovine Hides Imports by Major Suppliers, Jan - Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
USA	13,790	13,636	-1%	20,479	18,663	-9%
Canada	1,919	767	-60%	2,333	827	-65%
Italy	13,436	15,222	13%	5,174	5,494	6%
Netherlands	2,292	4,101	79%	1,969	4,065	106%
UK	1,705	1,600	-6%	1,752	1,696	-3%
Australia	1,155	1,340	16%	1,860	2,022	9%
China	421	1,001	138%	261	611	134%
Kenya	6,376	12,532	97%	6,075	8,417	39%
Tanzania	2,366	3,501	48%	2,249	2,145	-5%
Others	18,094	29,814	65%	12,899	18,276	42%
Total	61,554	83,514	36%	55,051	62,216	13%

**Table 23 : Bovine Hides Exports by Major Destinations, Jan - Nov**

	MT, 1998	MT, 1999	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
US	0	0	0%	0	0	0%
China	59,416	81,687	37%	43,369	55,546	28%
Thailand	1,604	818	-49%	1,171	490	-58%
Others	38	112	195%	71	49	-31%
Total	61,058	82,617	35%	44,611	56,085	26%

Source : Hong Kong Census &amp; Statistics Department

## **Narrative on Supply and Demand, Policy and Marketing**

### **Production**

The self-sufficiency ratios for live cattle and pigs are 0.1 percent and 18.3 percent respectively. Given the unfavorable farming conditions in Hong Kong, there is no likelihood that cattle and pig farming will increase in Hong Kong in the future. However, it is worth noting that the local supply of pigs has been increasing in recent years. The 1999 figure doubled the 1995 one. Given that the farming area has not increased, the rise in local production implies that pig farming has become more efficient and land intensive. Yet the current local production is just returning to the 1991 level (415,410 head). Hong Kong's livestock industry has contracted since 1988 following the introduction of the Livestock Waste Control Scheme, because of higher operational costs associated with complying with the legislative.

It is worth noting that the number of slaughtered cattle and pigs continued to decrease in 1999. This probably is a long term trend because consumers in Hong Kong are increasingly accepting frozen livestock products available in supermarkets versus fresh meats sold in wet markets. However, there is still a traditional demand for fresh meats in Hong Kong.

Ng Fung Hong, which is the sole agent in Hong Kong for live animals for slaughter imported from China, is determined to improve product quality so as to compete with frozen products imported from all over the world. To this end, Ng Fung Hong led a group of swine producers from mainland China to visit U.S. pig farms in November 1999 with a view to bringing in U.S. pig breeding stock, farming technology and equipment. A direct outcome of the visit is the proposed establishment of a Show Farm in China in cooperation with American companies which will provide technical know-how, including genetics, breeding stock, feed and equipment. (Details please refer to GAIN report #9017). If this project materializes, the quality of live pigs supplied to Hong Kong in the future will be greatly enhanced and it is possible that production costs will be lowered. In this case, fresh meat from China will become more competitively priced.

Under the dual pressures of growing environmental concerns and increasing food safety awareness, Hong Kong has modernized its livestock slaughter facilities. On average, the Hong Kong daily consumption of livestock amounts to 6,300 pigs, and 170 cattle. In the past, centralized slaughter took place primarily in three out-dated abattoirs built over thirty years ago in the densely populated urban areas. In view of the fact that they could not cope with the growing demands of today's hygienic and environmental standards, the government decided to build a new slaughterhouse in Sheung Shui to replace the three existing abattoirs. The new slaughterhouse, which is a state-of-the art facility and the largest in Asia, commenced its operation in August 1999 and is expected to be in full operation in mid-2000. Its capacity has reached 5,000 pigs, 400 cattle and 300 goats per day. (Details please refer to GAIN report #HK9106)

### **Consumption**

Domestic consumption for beef and pork has been very stable in Hong Kong. Meat consumption is usually higher in winter months than in summer. In 1999, beef consumption increased 8 percent, reaching 81,000 MT. Despite the modest growth in recent years, the consumption level is not yet able to get back to the pre-BSE one in 1995. The pork market is mature with an average growth rate of 1 percent.

While consumption is stable, the retained imports of chilled/frozen livestock products increased reflects the changing consumption pattern that more chilled/frozen meats are being consumed while the number of freshly slaughtered livestock has decreased over the years.

Retained Imports, chilled/frozen, in MT

	Jan- Nov 1998	Jan - Nov 1999	% change
Retained Beef	37,858	41,876	11%
Retained Pork	125,688	127,542	1.5%

Source : Hong Kong Census & Statistics Department

Realizing the trend that consumers are more receptive to buying chilled/frozen meats in supermarkets than in the past, supermarkets are working with meat companies which are able to provide them packaged cuts which are ready to sell off the shelf. It is foreseeable that supermarkets will become increasingly important as a retail outlet for meat and meat products. The availability of good refrigeration equipment in supermarkets will provide a better opportunity for imported chilled/frozen meat products.

## Trade

Hong Kong beef imports grew 9 percent in 1999. The increase was fueled by increased domestic consumption and re-export to China. There are several favourable factors accounting for increased domestic consumption. Chilled beef increased 36 percent during the first 11 months in 1999, reflecting the gradual recovery of the economy. The economy was at its ebb during 1998 severely affecting the business of the catering industry. Consequently, the demand for expensive chilled beef was low. The demand rebounded as the general consumption sentiment gradually improved during 1999. In fact, business around Christmas 1999 was much better than Christmas 1998. Also, more frozen beef from the U.S. and Brazil have been introduced to Chinese restaurants.

Hong Kong's beef re-export to China increased 5 percent during Jan-Nov 1999 compared with Jan-Nov 1998. There has been an increased demand for U.S. short plate which is a favorable item for hot pot. The improved inland transportation system also allows imported products to reach inland remote areas. This factor helps to increase the demand for imported livestock products.

The U.S. continued to be the largest beef supplier by value (33 percent of the market share) followed by China (19 percent). Traders complained that U.S. beef was very expensive in 1999. Generally restaurants, except the very top class, tended to substitute the expensive U.S. beef with less expensive beef from other countries to control costs. This explained why the U.S. was overtaken by Australia as the largest supplier of chilled beef in terms of value in 1999. In recent years, more U.S. cuts such as chuck, belly, short plate, and boneless chuck short rib are utilized in Chinese dishes. This will help boost demand for U.S. beef. This explained why beef imports from the U.S. were able to rise 7 percent during Jan - Nov. 1999. At present, the U.S. beef prices have been adjusted downward and traders tend to hold up orders in the meantime fearing that prices may drop further.

Beef from Australia and New Zealand was in short supply last year, rendering an opportunity for Brazilian beef to

capture the local market. Coupled with a devaluated Brazilian dollar, beef imports from Brazil rose 183 percent for Jan-Nov 1999. Knuckles from Brazil are very popular among Chinese restaurants. Primal cuts such as strip loin sell to general restaurants offering western recipes. However, Brazilian beef is not a competitor with U.S. beef because they have different cuts and product quality which put them in different market segments.

Beef trade for 2000 is expected to grow modestly at 5 percent. The domestic market is stable with ever increasing acceptance of chilled/frozen beef at the expense of live cattle. A robust economy and improved inbound tourism will help boost the catering industry and demand for beef. China's demand for beef is very promising although it will grow at a slow pace. The growing number of western restaurants and fast food shops as well as improved distribution and transportation systems to inland China cities has prompted China to absorb more Hong Kong beef re-exports. The demand for prime cuts is steady. Short-plate beef will continue to be sought after in the China market. Realizing the popularity of U.S. short-plate in China, New Zealand suppliers began to follow the U.S. cuts and supply the products as trial orders. There are an increased number of players in the beef market because of these promising prospects, and this will drive the market more to be competitive and profit margins lower.

(Some traders revealed that they are supplying franchised restaurants in China and prefer to re-export products from Hong Kong to China through official channels so that they can have the full set of documents required by their customers. Re-export through unofficial channels by transport companies though will lower cost by 10 to 20 percent, but they may not be able to provide all necessary documents.)

Hong Kong's pork imports in 1999 remained flat. The domestic market is mature and re-export trade to China last year was hampered by the abundant supply of poultry products. Chicken leg quarters were available in huge supplies and at low prices, consequently demand for imported pork was reduced. This condition is expected to prevail in 2000, hence, Hong Kong's pork imports for 2000 are very likely to remain flat. China and Brazil dominate the pork market in Hong Kong because of their competitive prices. In contrast, U.S. pork is very expensive so its market share is very limited. U.S. market share fell due to strengthening prices of U.S. products.

## **Policy**

Effective January 1, 2000, the Hong Kong government implemented its long-awaited reorganization of food safety agencies. The major feature of the reorganization was the creation of the Environment and Food Bureau, which consolidated various food safety and environmental hygiene responsibilities previously handled by three distinct governmental bodies. The objective of the reorganization is to improve the Hong Kong Government's handling of food safety and environmental hygiene problems by creating a more efficient organizational structure to strengthen and better coordinate the work previously carried out by the various departments. (For additional details, please refer to GAIN Report HK0003.) Import regulations applied to livestock products, however, have not been affected by the re-organization.

The biotech/genetically modified (GM) food issue has been developing very rapidly in Hong Kong in the past six months. The Hong Kong Consumer Council and Greenpeace have been urging the Hong Kong government to mandate labeling of GM foods. A majority of Hong Kong's Legislative Council (Legco) members supported a recent motion to adopt the European Union's practice of GM food labeling. In response to Legco's decision, the Hong Kong government has acknowledged the importance of consumers' right to know about GM food contents and has promised to adopt a "rational, practical and cautious attitude to carefully study the feasibility" of establishing a GM foods labeling

system. (Further details are available in GAIN Reports #HK9087, 9098 and 0002).

While livestock fed with biotech feed ingredients do not test positive for GM content, it is possible that value-added products which have been processed with biotech ingredients could be included in an eventual compulsory GM labeling system in Hong Kong. The decisions on these key technical labeling issues in Hong Kong will likely be made in the coming months. However, compulsory GM labeling is not likely to be implemented in the very near future, even though food suppliers can be expected to be asked by Hong Kong importers/retailers whether their products contain GM ingredients.

China's pending accession to WTO is generally viewed positively by Hong Kong traders, who believe it will encourage a more predictable trade environment and more transparent trade policies. Hong Kong traders expect WTO membership to increase their flow of trade. While some trade will likely go directly into China, the difficulty of receiving payments from mainland buyers (due in part to the lack of convertibility of the RMB) is expected to preserve Hong Kong's role for at least the next 5 years as the primary financing point for sales to mainland China.

### **Marketing**

In November 1999, ATO Hong Kong held its annual Great American Barbecue, which featured a variety of American food products, including beef.

### **Hides & Skin, Bovine**

During Jan. - Nov. 1999, Hong Kong's imports of bovine hides increased 36 percent. This was due to the increased demand for leather manufactured products overseas. The better economic conditions in Europe and sustained import absorption in the U.S. have boosted demand for leather products, resulting in more orders being placed to Hong Kong and China. On the other hand, the negative impact of the earlier currency depreciation of the East Asian economies gradually dissipated so that overseas orders for manufactured goods came back to Hong Kong. Subsequently, Hong Kong has increased its demand for raw materials like bovine hides. In short, Hong Kong's demand for bovine hides depends very much on the demand for leather manufactured goods such as handbags and footwear in the U.S. and Europe because Hong Kong's manufactured products are mainly for export.

For Jan-Nov. 1999, Italy overtook the U.S. as the largest supplier of bovine hides in terms of volume for the Hong Kong market. However, the U.S. bovine hides import value was the highest among all suppliers occupying a market share of 30 percent. The average price of U.S. bovine hides is much higher because the US provides mainly the good quality grain layer, while Italy supplies the lower-priced split layer. In recent years, Hong Kong end-users' demand has increased for the split layer rather than the grain layer because of price consideration. The trend is expected to continue in the future.