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Livestock and Products

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Report Highlights:
The year 2000 was a good one for Hong Kong's livestock trade. Preliminary estimates of Hong Kong's 2000 beef and pork imports are 59,500 MT and 205,000 MT, respectively. Both domestic consumption and re-export trade to China showed positive growth, bringing total imports of beef and pork up in both volume and value. These favorable factors are expected to continue into 2001 but to a lesser extent, with beef imports expected to rise by 14% and pork imports by 11% for 2001.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Situation and Outlook

The year 2000 was a good one for Hong Kong's livestock trade. Both domestic consumption and re-export trade to China showed positive growth, bringing total imports of beef and pork up in both volume and value. These favorable factors are expected to continue into 2001 but to a lesser extent, with beef imports expected to rise by 14% and pork imports by 11% for 2001.

Preliminary estimates of Hong Kong's 2000 beef and pork imports are 59,500 MT and 205,000 MT, respectively, representing rises of 17% and 19%. U.S. beef has further strengthened its position in Chinese restaurants in both Hong Kong and China with large volume sales of short plates and short ribs which produced a 25% growth in imports from the United States between January-October 2000 and the same period in 1999. Recoveries in the economy and inbound tourism also triggered some positive growth for U.S. chilled beef (6%) and U.S. pork (19%), which are generally consumed in high-end restaurants.

All other significant suppliers to the Hong Kong market also made headway last year, although their products may not be in direct competition with the U.S. because of different quality and market segments. One beef supplier worth mentioning is Brazil. Competitive prices, partly helped by currency depreciation, and good quality have helped Brazilian meats to gain popularity in Hong Kong. When compared between Jan-Oct 1999 and 2000, Brazilian beef imports rose 24% and pork imports 30%.

Re-export channels for red meats from Hong Kong to China have remained open and free of any significant disruptions in the past 6 months. Unlike 1999, the China economy in 2000 has been able to digest tremendous growth for both beef and pork re-exports from Hong Kong. Despite the huge volume change in Hong Kong's re-export to China (beef - 124%; pork - 25% between Jan - Oct, 1999 and 2000), buyers in China have become increasingly sophisticated and tend to have a strong value-for-money concept in their procurement decisions.

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	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	0	61	0	59	0	58
Beginning Stocks	0	0	0	0	0	0
Production	18	18	18	18	18	17
Intra EC Imports	0	0	0	0	0	0
Other Imports	69	69	72	81	74	92
TOTAL Imports	69	69	72	81	74	92
TOTAL SUPPLY	87	87	90	99	92	109
Intra EC Exports	0	0	0	0	0	0
Other Exports	5	5	6	9	7	14
TOTAL Exports	5	5	6	9	7	14
Human Dom. Consumption	82	82	84	90	85	95
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	82	82	84	90	85	95
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	87	87	90	99	92	109
Calendar Yr. Imp. from U.S.	16	16	16	20	17	24
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	Jan	
			Partial End	Oct	
Imports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	11927	14900	17400	8402	10527
Others					
China	14987	16900	19000	11847	13406
Brazil	11789	14500	17400	9388	11616
New Zealand	4484	4600	4700	3860	3962
Australia	3485	3800	4100	2796	3023
Canada	1234	1600	1700	1043	1372
Argentina	1161	1300	1500	970	1091
Uruguay	933	800	900	794	698
Total for Others	38073	43500	49300	30698	35168
Others not Listed	872	1100	1100	738	982
Grand Total	50872	59500	67800	39838	46677

Source : Hong Kong Census & Statistics Department

Export Trade Matrix					
Country	Hong Kong		Units:	MT	
Commodity	Meat, Beef and Veal		Partial Begin	January	
			Partial End	October	
Exports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0	0	0	0	0
Others					
China	2679	5900	9300	1775	3975
Macau	599	800	900	475	654
Philippines	138	50	50	135	55
Total for Others	3416	6750	10250	2385	4684
Others not Listed	31	150	50	16	117
Grand Total	3447	6900	10300	2401	4801

Source : Hong Kong Census & Statistics Department

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

	1996	1997	1998	1999	2000
Local Supply	269	51	101	36	120
Imports	80,631	58,899	64,700	61,440	59,147
Total	80,900	58,950	64,801	61,476	59,267

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	2000 (Jan - Oct)
Chicken (top grade)	$5.02	$4.70	$5.28	$4.73	$4.51
Duck (top grade)	$3.18	$3.30	$3.57	$3.18	$2.92
Beef (best quality)	$7.10	$7.11	$7.20	$7.19	$7.20
Beef (belly flesh)	$5.23	$5.30	$5.48	$5.42	$5.34
Pork (best cut)	$5.34	$5.53	$5.62	$5.32	$4.91
Pork Chop	$6.52	$6.67	$6.76	$6.42	$5.95

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

Table 3 : Average Wholesale Prices of Live Cattle

US$/MT	1996	1997	1998	1999	2000 (Jan - Oct)
Live Cattle	$2,755	$2,749	$2,760	$2,551	$2,366

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

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

	1998	1999	2000 Jan - Oct Avg	1998	1999	2000 Jan - Oct Avg
	US$/KG	US$/KG	US$/KG	Mkt. Share	Mkt. Share	Mkt. Share
China	1.92	1.86	1.80	30%	29%	29%
Brazil	2.41	2.27	2.25	9%	23%	25%
USA	3.83	4.30	4.74	24%	23%	23%
New Zealand	3.12	4.03	4.27	16%	9%	8%
Australia	2.92	3.83	3.88	13%	7%	6%
Canada	2.81	2.96	2.97	2%	2%	3%
Argentina	2.33	1.91	2.28	2%	2%	2%
Uruguay	2.76	2.51	2.22	2%	2%	1%
World	2.88	2.98	3.06	100%	100%	100%

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

	1998 (US$/KG)	1999 (US$/KG)	2000 Jan - Oct (US$/KG)	1998 Mkt. Share	1999 Mkt. Share	2000 Jan - Oct Mkt. Share
Australia	5.15	5.65	5.43	43%	49%	49%
New Zealand	5.64	6.32	6.54	37%	30%	26%
USA	16.07	13.42	16.34	14%	15%	13%
Brazil	0.00	2.89	2.30	0%	1%	6%
Argentina	0.00	2.63	4.01	0%	1%	2%
China	6.19	1.85	1.75	0%	1%	1%
Canada	13.74	9.72	12.25	2%	2%	1%
Uruguay	0.00	0.00	3.51	0%	0%	1%
World	7.81	7.44	7.23	100%	100%	100%

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

	1998 (US$/KG)	1999 (US$/KG)	2000 Jan-Oct (US$/KG)	1998 Mkt. Share	1999 Mkt. Share	2000 Jan-Oct Mkt. Share
Brazil	2.38	2.26	2.25	10%	27%	29%
USA	3.52	4.05	4.43	26%	25%	26%
China	1.93	1.91	1.80	27%	27%	23%
New Zealand	2.85	3.57	3.85	17%	9%	9%
Australia	2.56	2.83	2.92	13%	5%	5%
Argentina	2.36	1.91	2.19	3%	3%	3%
Canada	2.55	3.36	3.49	1%	1%	2%
Uruguay	2.76	2.52	2.20	2%	2%	2%
World	2.72	2.84	2.95	100%	100%	100%

Table 7 : Hong Kong Beef Imports by Categories, Jan - Oct.

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
Fresh/chilled beef	1,924	2,373	23%	14,369	17,168	19%
Frozen beef	33,574	38,703	15%	93,576	114,352	22%
Prepared/preserved beef	4,334	5,592	29%	8,740	11,081	27%
Total beef	39,838	46,677	17%	116,772	142,717	22%

Table 8 : Total Beef Imports by Major Suppliers, Jan - Oct.

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
China	11,847	13,406	13%	22,230	24,193	9%
Brazil	9,388	11,616	24%	21,518	26,173	22%
USA	8,402	10,527	25%	35,832	49,947	39%
New Zealand	3,860	3,962	3%	14,962	16,903	13%
Australia	2,796	3,023	8%	10,635	11,730	10%
Canada	1,043	1,372	32%	2,921	4,073	39%
Argentina	970	1,091	13%	1,923	2,484	29%
Uruguay	794	698	-12%	2,055	1,549	-25%
World	39,838	46,677	17%	116,772	142,717	22%

Table 9 : Chilled Beef Imports by Major Suppliers, Jan - Oct.

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
Australia	972	1,155	19%	5,414	6,265	16%
New Zealand	569	622	9%	3,443	4,065	18%
USA	280	297	6%	3,971	4,849	22%
Brazil	3	152	4366%	18	350	1844%
Argentina	9	59	576%	13	235	1708%
China	20	21	6%	38	37	-3%
Canada	31	14	-55%	424	170	-60%
Uruguay	0	13	0%	0	45	0%
World	1,924	2,373	23%	14,369	17,168	19%

Table 10 : Total Beef Exports by Major Destinations, Jan - Oct.

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
China	1,775	3,975	124%	4,246	8,635	103%
Macau	475	654	38%	1,581	2,191	39%
Philippines	135	55	-59%	384	224	-42%
USA	0	0	0%	0	0	0%
World	2,401	4,801	100%	6,256	11,461	83%

Table 11 : Percentage of US Beef Imports to HK being re-exported to China, Jan - Oct.

	MT, 1999	MT, 2000
US beef imports to HK	8,402	10,527
US beef imports to HK re-exported to China	567	2,023
% of US beef imports to HK being re-exported to China	6.7%	19%
US beef offal imports to HK	8469	9041
US beef offal imports to HK being re-exported to China	6122	8105
% of US beef offal imports to HK being re-exported to China	72%	90%

Table 12 : Beef Offal Imports by Major Suppliers, Jan - Oct.

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
Brazil	17,637	25,862	47%	21,149	33,364	58%
Argentina	10,155	14,272	41%	10,923	18,334	68%
USA	8,469	9,041	7%	15,981	19,273	21%
Australia	6,459	8,222	27%	7,025	9,484	35%
Uruguay	1,153	1,502	30%	1,229	2,120	72%
New Zealand	1,752	1,422	-19%	1,918	1,961	2%
Canada	536	1,129	111%	854	2,024	137%
China	77	497	548%	106	507	378%
World	47,769	64,948	36%	60,985	90,654	49%

Table 13 : Beef Offal Exports by Major Destinations, Jan - Oct.

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
China	25,332	39,765	57%	35383	57,391	62%
Macau	324	408	26%	414	558	35%
Philippines	17	12	-28%	32	27	-16%
USA	0	0	0%	0	0	0%
World	25,672	40,185	57%	35830	57,977	62%

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	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	2316	2269	2270	2327	0	2350
Beginning Stocks	0	0	0	0	0	0
Production	161	161	165	166	165	168
Intra EC Imports	0	0	0	0	0	0
Other Imports	260	260	264	310	275	344
TOTAL Imports	260	260	264	310	275	344
TOTAL SUPPLY	421	421	429	476	440	512
Intra EC Exports	0	0	0	0	0	0
Other Exports	45	45	44	57	45	63
TOTAL Exports	45	45	44	57	45	63
Human Dom. Consumption	376	376	385	419	395	449
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	376	376	385	419	395	449
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	421	421	429	476	440	512
Calendar Yr. Imp. from U.S.	9	9	10	11	10	12
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	Jan	
			Partial End	Oct	
Imports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	6,028	7,100	7,800	4,328	5,130
Others					
China	64,840	70,700	79,900	51,445	56,293
Brazil	36,347	47,900	53,900	29,949	38,830
Netherlands	21,372	22,700	23,300	16,584	17,607
Denmark	8,288	14,100	18,300	6,629	11,298
Germany	8,424	10,300	12,400	6,829	8,428
Canada	11,524	5,600	5,000	9,982	7,461
Thailand	1,146	9,100	4,000	669	5,946
Vietnam	5,038	7,300	8,800	4,057	5,883
UK	4,477	3,800	3,500	3,660	3,142
Total for Others	161,456	191,500	209,100	129,804	154,888
Others not Listed	4,839	6,400	10,700	4,041	4,829
Grand Total	172,323	205,000	227,600	138,173	164,847

Source : Hong Kong Census & Statistics Department

Export Trade Matrix					
Country	Hong Kong		Units:	MT	
Commodity	Meat, Swine		Partial Begin	Jan	
			Partial End	Oct	
Exports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	80	130	170	65	104
Others					
China	26200	32700	36700	21273	26638
Macau	2511	3500	4200	1981	2795
Malaysia	434	400	350	398	350
Philippines	418	300	320	418	320
Total for Others	29563	36900	41570	24070	30103
Others not Listed	320	470	160	219	412
Grand Total	29963	37500	41900	24354	30619

Source : Hong Kong Census & Statistics Department

Table 14 : Supply and Consumption of Live Pigs (head)

	1996	1997	1998	1999	2000
Local Supply	288,300	305,600	355,100	415,400	445,900
Imports	2,249,744	2,118,751	2,009,200	1,855,960	1,880,679
Total	2,538,044	2,424,351	2,364,300	2,271,360	2,326,579

Source : Hong Kong Agriculture, Fisheries and Conservation Department

Table 15 : Average Wholesale Prices of Live Pigs

US$/MT	1996	1997	1998	1999	2000 Jan - Oct
Live pigs	US$2,264	US$2,335	US$2,312	US$1,819	US$1,683

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

Table 16 : Average C.I.f. Prices and Market Share of Pork by Major Suppliers

	1998	1999	2000 Jan - Oct Avg.	1998	1999	2000 Jan - Oct Avg.
		US$/MT			Mkt. Share	
China	1,985	1,903	1,894	33%	38%	34%
Brazil	2,235	1,571	1,466	22%	21%	24%
Netherlands	1,065	798	974	11%	12%	11%
Denmark	756	565	490	4%	5%	7%
Germany	1,368	1,006	917	3%	5%	5%
Canada	1,018	701	895	7%	7%	5%
Thailand	3,207	3,727	2,927	2%	1%	4%
Vietnam	1,823	1,710	1,735	4%	3%	4%
USA	1,735	2,010	2,077	6%	3%	3%
UK	1,380	785	833	3%	3%	2%
Australia	3,373	3,821	3,730	0%	1%	0%
World	1,798	1,500	1,517	100%	100%	100%

Table 17 : Hong Kong Pork Imports by Categories, Jan - Oct

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
fresh/chilled pork	1,522	5,683	273%	4,691	16,780	258%
frozen pork	104,802	127,830	22%	137,225	168,258	23%
pork, salted/dried	3,931	4,415	12%	12,477	13,640	9%
preserved pork	27,917	26,920	-4%	52,883	51,391	-3%
total pork	138,173	164,847	19%	207,276	250,069	21%

Table 18 : Pork Imports by Major Suppliers, Jan - Oct

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
China	51,445	56,293	9%	98,217	106,616	9%
Brazil	29,949	38,830	30%	48,067	56,944	18%
Netherlands	16,584	17,607	6%	12,734	17,142	35%
Denmark	6,629	11,298	70%	3,817	5,531	45%
Germany	6,829	8,428	23%	6,753	7,726	14%
Canada	9,982	7,461	-25%	6,714	6,676	-1%
Thailand	669	5,946	789%	2,658	17,405	555%
Vietnam	4,057	5,883	45%	6,711	10,205	52%
USA	4,328	5,130	19%	9,294	10,656	15%
UK	3,660	3,142	-14%	2,962	2,618	-12%
Australia	767	548	-29%	2,923	2,043	-30%
World	138,173	164,847	19%	207,276	250,069	21%

Table 19 : Pork Exports by Major Destinations, Jan - Oct

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
China	21,273	26,638	25%	15,909	19,095	20%
Macau	1,981	2,795	41%	2,794	3,825	37%
Malaysia	398	350	-12%	548	466	-15%
Philippines	418	320	-23%	678	296	-56%
USA	65	104	61%	296	477	61%
World	24,354	30,619	26%	20,798	24,939	20%

Table 20 : US Pork Imports to HK being Re-exported to China, Jan - Oct

	1999, MT	2000, MT
US Pork Imports to HK	4,328	5,130
US Pork Imports to HK being Re-exported to China	840	1,135
% of US Pork imports to HK being Re-exported to China	19%	22%
US Offal Imports to HK	33,248	33,221
US Offal Imports to HK being Re-exported to China	27,876	27,423
% of US Pork Offal imported to HK being re-exported to China	84%	83%

Table 21 : Pig Offal Imports by Major Suppliers, Jan - Oct

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
Netherlands	28,519	45,841	61%	18,687	32,221	72%
USA	33,248	33,221	-0%	30,031	28,237	-6%
Denmark	18,978	22,649	19%	14,694	16,597	13%
Canada	16,343	20,154	23%	10,150	13,509	33%
Germany	8,362	11,744	40%	6,221	8,291	33%
UK	10,765	11,512	7%	6,578	6,802	3%
Brazil	4,963	6,354	28%	4,618	5,040	9%
China	675	670	-1%	946	785	-17%
Australia	905	564	-38%	713	445	-38%
Thailand	0	55	0%	0	97	0%
Vietnam	0	0	0%	0	0	0%
World	131,163	171,442	31%	99,437	126,479	27%

Table 22 : Pig Offal Exports by Major destinations, Jan - Oct

	MT, 1999	MT, 2000	% change over 1999	1999 US$'000	2000 US$'000	% change over 1999
China	98,442	129,861	32%	79,059	99,927	26%
Macau	430	467	8%	321	330	3%
USA	24	0	-100%	35	0	-100%
Philippines	0	0	0%	0	0	0%
Malaysia	0	0	0%	0	0	0%
World	98,973	130,354	32%	79,475	100,287	26%

Source : Hong Kong Census & Statistics Department

Narrative on Supply and Demand, Policy and Marketing

Production

The supply of both live pigs and cattle slaughtered in Hong Kong depends largely on imports from China. Hong Kong's self-sufficiency ratio of cattle and pigs was 0.20% and 23%, respectively, in 2000.

As indicated by tables 1 and 14, consumption of fresh slaughtered livestock has been steadily decreasing as Hong Kong people grow increasingly accustomed to frozen meat. Consequently, wholesale prices of cattle and pigs for slaughter dropped 14% and 27%, respectively, since 1997.

Despite a reduced role for freshly slaughtered livestock, the number of pigs reared in Hong Kong has been increasing as producers attempt to offset lower slaughter prices and recoup their earlier investments in improved production facilities through higher output. Tighter environmental standards on water and waste disposal in the early 1990's drove many small farms out of business. Those remaining in the industry have invested in their farms so as to comply with the more stringent government requirements. Consequently, the number of farms decreased but pig production increased as a result of better efficiency. Strong wholesale pig prices in the mid-1990's also encouraged more pig production. However, a continued drop in pig prices since 1997 may eventually discourage further growth in the Hong Kong pig-rearing industry in the coming years.

The current issue relating to pig production in Hong Kong is the use of clenbuterol in animal feeds. In recent years, there have been frequent cases in which live pigs were identified to have been fed with clenbuterol – a banned drug for animal feed in Hong Kong. Also, there have been local food poisoning outbreaks due to the consumption of clenbuterol-tainted pork offal. In November and December 2000, two lots of pigs amounting to over 400 head tested positive for clenbuterol after being imported from China to a Hong Kong slaughterhouse. Eventually, the pigs in question were not slaughtered and were held out of the retail market. Farmers tend to feed pigs clenbuterol to produce leaner meat. An undetected clenbuterol-fed pig sells for HK$200 more (US$1 = HK$ 7.75) on average. Therefore many farmers are tempted to use this banned drug for their pigs.

The existing legislation makes successful prosecution very difficult. The Hong Kong Government is seeking legislative authority to strengthen its enforcement of the ban on clenbuterol for food animal use. (For more details, please see "Policy" section.) In the interim, the Agriculture, Fisheries and Conservation Department (AFCD) has stepped up its monitoring program by inspecting local farms and collecting pig urine samples and animal feed samples for testing. Local farmers are urged to refrain from feeding any illegal products or any additives of unknown composition or origin to their animals. In view of frequent food poisonings involving clenbuterol, Park 'N Shop, one of the two largest supermarket chains, announced that it tests its pork products against this banned drug for food safety purposes. According to Hong Kong government's findings, AFCD tested urine samples from 44,000 imported and locally-produced pigs for clenbuterol during the first seven months in 2000 and 0.71% tested positive for clenbuterol.

The consistency of fresh meat supplies in Hong Kong has greatly improved with the opening of a processing plant in the second half of 2000. Ng Fung Hong, the sole agent of imported Chinese pigs and operator of Hong Kong's slaughtering houses, set up a processing plant next to its abattoir for cutting up pork carcasses. This plant is the first of its kind in Hong Kong to utilize machinery to cut and debone carcasses into different cuts. One of its major clients is Park 'N Shop, which is vigorously expanding its fresh food supplies in its 180 plus stores. The plant has the capacity to cut up 700 carcasses daily.

Consumption

Per Capita Consumption of Beef and Pork: Frozen/Chilled versus Freshly Slaughtered

Year	Beef (other than freshly slaughtered)	Pork (other than freshly slaughtered)	Fresh Beef	Fresh Pork
1997	5.1 kg	17 kg	2.5 kg	23.2 kg
1998	6.2 kg	20 kg	2.8 kg	24.1 kg
1999	6.9 kg	21kg	2.7 kg	23.6 kg
2000	7.5 kg	24 kg	2.5 kg	23.8 kg
2001	8 kg	26 kg	2.4 kg	23.6 kg

One noticeable feature of meat consumption in Hong Kong is the gradual substitution of chilled/frozen meat for fresh meat. The figures above show an upward trend in per head consumption. Coupled with the annual population growth of about 2%, total consumption is expected to continue climbing. In contrast to chilled and frozen meat consumption, however, the number of livestock slaughtered in Hong Kong for fresh consumption has been declining.

The major reason underlying this trend is the changing perception of Hong Kong consumers, particularly the younger generation who believes that chilled/frozen meat is as tasteful and nutritious as fresh meat and more hygienic. In addition, more people are buying their meat in supermarkets, which offer a wider selection of chilled/frozen meat. Realizing this trend, last year Ng Fung Hong also set up a plant for processing frozen meats, which are made into different cuts and packaged according to customers' requests.

EU's BSE issue has not yet affected Hong Kong consumers' confidence in beef. The general feeling is that it is an issue in Europe and Hong Kong does not import any significant amount of EU beef. Nevertheless, the Hong Kong Food and Environmental Hygiene Department is closely monitoring the situation by recently requesting an update on the BSE status of all beef supplying countries through their consulates in Hong Kong. Also, FEHD reiterated its requirement for a BSE-free declaration on the health certificates accompanying import consignments.

Trade

Hong Kong beef imports are estimated at 59,500 MT and pork imports at 205,000 MT in 2000. Beef imports increased 17% over 2000, following a rise by 13% in 1999. For pork, imports also demonstrated noticeable growth of 19% in 2000 compared with merely 3% in 1999. The rise for both beef and pork has been ascribed to both increased consumption and higher re-exports to China. Higher per capita consumption of chilled/frozen meat, 2% annual population growth, and recovering inbound tourism are essential factors triggering more imports to Hong Kong. The number of tourist arrivals grew by 15.8% in Jan-Oct 2000 and tourism receipts increased by 10.7% to HK$44.7 billion for the first nine months of 2000.

In the first ten months of 2000, chilled beef increased 23% while frozen beef imports rose 15%. A recovering economy and inbound tourism are conducive to chilled beef trade. Brisker hotel and restaurant business has improved, resulting in bigger demand for chilled beef.

Competition

U.S. Beef : No significant changes took place last year in terms of market share. China, Brazil, and the U.S. are the largest suppliers with a market share of 29%, 25% and 23%, respectively. The U.S. is the largest supplier in terms of value (35%). U.S. beef imports rose 25% between Jan-Oct 2000 compared with Jan-Oct 1999. The outstanding performance of U.S. beef imports has been related to its successful penetration to Chinese restaurants and wet markets, particularly for cuts like short plates and boneless short-rib. During the winter season there is a big demand for short plate used for hot-pot. The same cuts are also highly sought after in China. The inflow of cheaper U.S. cuts resulted in the 31% rise in U.S. frozen beef imports between Jan-Oct. 2000.

In contrast, U.S. chilled beef imports demonstrated more modest growth of 6%. U.S. beef has always been highly regarded. Top hotels and western restaurants stick to use U.S. chilled beef to cater to their high-end customers. The soft economy in recent years has hindered the growth of U.S. chilled beef exports to HK as some second tier HRI customers have replaced U.S. beef with cheaper New Zealand and Australia products. Hong Kong consumers are getting more price conscious; the majority will opt for a HK$100 Australian sirloin instead of a HK$140 U.S. sirloin. More importantly, the profit margin of providing Australian/New Zealand beef is higher than U.S. beef. Hence, second-tier restaurants opt to use cheaper chilled beef instead. (Table 5 shows the unit price of chilled beef from different countries.)

U.S. Pork : The three largest pork suppliers for the Hong Kong market are China (34%), Brazil (24%) and the Netherlands (11%). U.S. pork is generally not very competitive in Hong Kong because of its cost. Its consumption is largely limited to five-star hotels. The most popular cuts are loins and, to a lesser extent, butts. Nonetheless, in the first 10 months of 2000, U.S. pork imports rose by 19% from a reduced base in 1999, when U.S. pork imports dropped by 40%.

Other suppliers : Australia, New Zealand, Brazil and China are other suppliers, but they generally do not compete directly with U.S. beef because they are used in different market segments. Trading sources revealed that Australia and New Zealand have had reduced supplies in recent years but still can meet the demand in Hong Kong. The reduced beef supplies from Australia and New Zealand to Hong Kong resulted in higher unit prices and reduced market share. On the whole, Australia has been able to expand its market share for chilled beef, while losing part of its share of frozen beef imports to Brazil. Brazilian beef imports rose remarkably by 24% between Jan-Oct 2000 compared with Jan - Oct 1999. Essentially, it was knuckles that fueled the import growth. Brazilian knuckles have successfully found their way into Chinese restaurants and fast food chains. In the past, this market segment was dominated by supplies from Australia and New Zealand. Brazilian beef products have been so successful in expanding their market share (9.1% in 1998, 23% in 1999 and 25% in 2000) due to their currency devaluation and competitive prices. China's beef import growth was largely led by 53% higher shipment of preserved and canned beef during the first 10 months in 2000.

For pork, imports from Brazil, Denmark and Germany grew significantly between January - October 2000. The drop in prices accounted for the remarkable growth.

Country	Change in Price between 1999 & 2000	Growth Rate between Jan-Oct 1999 & 2000
Brazil	-7%	30%
Denmark	-13%	70%
Germany	-9%	23%

Conversely, the price of pork imports from Netherlands has risen 22%, resulting in only 6% growth in the volume of shipments despite robust demand for chilled and frozen pork in 2000. Pork loins and butts are the two most popular Brazilian cuts to Hong Kong. China supplies large quantities of ham to this market whereas Canada focuses on belly, bacon and hocks.

Chilled pork experienced tremendous growth in 2000. After recovering from the economic crisis, Thailand revived its export trade. Thailand increased its chilled pork exports to Hong Kong from 385 MT in Jan-Oct 1999 to 4,964 MT in the same period of 2000 , with market share jumping from 25% to 87%. Pork imports from Thailand are supplied mainly to fast food chains and restaurants. Conversely, chilled pork imports from Australia decreased from 720 MT in Jan - Oct 1999 to 492 MT in Jan - Oct 2000. Sources revealed that Park 'N Shop used to buy chilled pork from Australia but switched to supply freshly slaughtered pork starting last year when it became a major client of Ng Fung Hong's newly opened processing plant for fresh pork.

Re-export

Both beef and pork re-exports to China rose tremendously between Jan - Oct 2000; the former by 124% and the latter by 25%. There are many factors at play. First, improved transportation makes product distribution to inland China more possible, thus enlarging the re-export market there. Second, the Chinese government has allowed the importation of meat products produced by slaughter and processing plants approved by the USDA's FSIS after issuing an official statement on March 20, 2000. Previous Chinese import rules restricted most meat and poultry imports to processors and hotels, although most products are shipped to China through the "grey channels". The removal of the restriction is, anyhow, beneficial to Hong Kong meat re-export trade to China. Last, but not least, the transport channel from Hong Kong to various ports in China has remained open without disruption to ensure smooth product transshipment.

Comments from industry representatives match the story shown by trade figures - the China market is very strong for Hong Kong's beef re-exports, especially U.S. short plates for hot pots and chilled beef in five-star restaurants. U.S. beef re-exported to China through Hong Kong rose tremendously by 257% and pork by 35%. While this positive trend is expected to continue into 2001, signs exist that Chinese buyers now have a better value-for-money concept than several years ago and they are better able to evaluate quality alongside prices in their procurement decisions.

Tables 11 and 20 reveal that 68% of the growth in U.S. beef imports to Hong Kong during Jan - Oct 2000 was due to increased re-exports to China. Retained imports of U.S. beef grew 10% while re-exports to China rose

257%. In contrast, the increase in U.S. pork imports to Hong Kong was largely attributed to increased retained imports instead of re-exports to China. Only 37% of the increase in U.S. pork imports was attributable to re-exports to China during the first 10 months of 2000. However, the rate of growth in re-exports of U.S. pork to China was notable - 35% during January-October - while Hong Kong's retained imports of U.S. pork rose by 12 %.

A high percentage of offal imports to Hong Kong are re-exported to China because of relatively small demand in Hong Kong. The demand for pork offal re-exported to China exceeds that for beef offal. In 2000, the U.S. was replaced by the Netherlands as the largest pork offal supplier to Hong Kong. These two countries are competing neck-to-neck in pork offal trade to Hong Kong. Officially, Brazilian pork products are not allowed in China for quarantine reasons. That explains why Brazilian pork offal shipments accounted for only 4% of Hong Kong's imports.

Most of the red meats re-exported to China from Hong Kong are handled by transport companies. In the past six months, there were not any significant disruptions with regard to product delivery to China. Transport prices for different products vary, e.g. short plates RMB4000/MT, pork offal RMB3000//MT, beef offal RMB2800/MT, etc. The transport fees charged to handle this trade have several components: import duties, customs valuation of container loads, and profit margin. Industry sources pointed out that transport prices have been increasing in recent years, mainly because of more accurate valuation of goods in containers by Chinese custom officials, who have far better knowledge of product prices than in the past.

Forecast

Based on trend analysis of Hong Kong's livestock consumption and re-export trade to China in the past two years, it is expected that the 2001 beef and pork imports will rise 14% and 11%, respectively. Assuming that Hong Kong will not be affected by the BSE scare in the EU, consumption of frozen beef will rise resulting from both population growth and increased per capita consumption. With a gradual recovering economy, there should be modest growth for U.S. prime beef. U.S. frozen beef imports typically tail off during warmer months due to reduced short plate purchases for hot pot. But short plates and short-ribs will continue making inroads into Chinese restaurants, which will provide ample room for U.S. beef import growth. In addition, the continuing expansion of the beef re-export market in China will fuel Hong Kong' beef imports. As such, U.S. beef imports for 2001 are expected to raise 14%.

Similarly, domestic consumption and re-export trade will boost Hong Kong's pork imports. Without export subsidies, Dutch pork prices will be less competitive and may experience only slight growth of 3%. In contrast, Hong Kong will see more supplies from Brazil. The U.S. may increase its imports into Hong Kong by 10%, still limiting its supplies largely to loins. Relatively high U.S. pork prices pose challenges to retail sales.

Policy

In view of the repeated cases of clenbuterol food poisoning after consumers ate contaminated pig offal and the lack of effective legislation controlling the use of drugs in animal feeds, the Hong Kong government has proposed a new regulation to control the feeding of pharmaceuticals and other chemical compounds to food animals. In essence, the new regulation will prohibit the use of clenbuterol and Salbutamol, certain hormonal substances (Dienoestrol, Diethylstilboestrol, Hexoestrol) that may cause harm to man, and certain antibiotics (Chloramphenicol, Avoparcin) that could induce antibiotic resistance in human pathogens or cause harm to man. It will also establish "Maximum Residue Limits" for certain chemical substances in meat and offal in line with international practice. Farmers will be required to administer drugs and feed chemical compounds in a manner that will not leave residues exceeding the MRL when the food animals are slaughtered for food. The proposed regulation is still under consultation, however, the intention of the Hong Kong Government to tighten up its policies in this area is clear.

For an assessment of the longer term impact of China's accession to the WTO on trade patterns in Hong Kong for beef and pork, please consult HK0074, "China's Accession to the WTO: What Does It Mean for Hong Kong?"