



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 2/2/2000

GAIN Report #HK0009

## **Hong Kong**

## **Poultry and Products**

## **Poultry Semi-Annual Report**

## **2000**

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### **Report Highlights:**

Hong Kong's poultry imports in 1999 jumped 28 percent to 1.172 million MT and a further increase of 15 percent is expected during the current year. Factors behind this strong growth included low international prices, a growing preference for chilled and frozen poultry, and improved transportation facilities in mainland China. A weaker Euro and plentiful export rebates helped the Netherlands to edge out the United States last year as second largest supplier to the Hong Kong egg market.

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Includes PSD changes: No

Includes Trade Matrix: No

Semi-Annual Report

Hong Kong [HK1], HK

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## Situation and Outlook

Several favorable factors explain the recent growth in imports. Local consumption of frozen poultry is growing steadily as a result of the growing population and growing preference for chilled and frozen poultry versus freshly slaughtered poultry. On the re-export front, China's improved transportation systems are allowing imported poultry products to reach more inland markets, thereby pulling more imports through Hong Kong. In the past, inadequate transportation facilities impeded goods from being delivered to some remote areas. The China market is far from mature with many areas being potentially larger markets for poultry products. Low poultry prices on the international market and bargain-conscious, recession-beating consumers in Hong Kong have also combined forces to produce record import levels.

The United States is the largest supplier to Hong Kong's poultry market, occupying a market share of 68 percent, followed by Brazil (9 percent) and China (5 percent). Following the collapse of the Russian market, U.S. poultry products continue to flood into the Hong Kong market. Imports of frozen cuts, including leg quarters, increased 120 percent between January - October 1998 and January - October 1999. The increase in U.S. market share was accompanied by a 19 percent decrease in the average C.I.F. price. Abundant stocks of poultry meat and low prices for pork indicate that the downward pressure on poultry prices is expected to continue into 2000.

U.S. mid-joint wings, legs, chicken breasts, etc. are very popular in the Hong Kong market. There is a growing trend for U.S. products to be re-exported to China, de-boned there and then re-imported into Hong Kong for consumption. Brazil is very competitive with its three-joint wings, while China leads in whole birds, particularly ducks and geese. On the re-export front, chicken feet and leg quarters are the major poultry categories re-exported to China.

The egg market in Hong Kong is very stable with an annual growth rate of about 2 percent. Eggs are a commodity and Hong Kong traders do not care about the country of origin, only the price. In January - October 1999, Hong Kong imported 1.249 billion eggs. China was the largest supplier (31 percent of Hong Kong's imports), followed by the Netherlands (27 percent), which edged out the United States (25 percent) as the second largest supplier. Because of the weakness of the euro and the availability of export refunds, Dutch eggs have become even more price competitive.

Egg distribution channels in Hong Kong have been undergoing some changes. Recently some Hong Kong wholesalers have begun buying directly from overseas suppliers without dealing through an importer. Several wholesalers have jointly ordered containers of eggs and shared the cost among themselves. With better refrigeration in the wholesale markets, wholesalers are now better able to store their own eggs. In the past, wholesalers needed to rely on importers for small orders because of the lack of storage facilities.

## Statistical Tables - Poultry, Meat, Total

## PS&amp;D Table

PSD Table						
Country	Hong Kong					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Inventory (Reference)	1	1	1	2	1	2
Slaughter (Reference)	39	39	48	47	47	47
Beginning Stocks	32	32	0	0	0	0
Production	58	58	81	72	80	72
Whole, Imports	35	35	50	46	60	51
Parts, Imports	880	880	1100	1126	1200	1300
Intra EC Imports	0	0	0	0	0	0
Other Imports	915	915	1150	1172	1260	1351
TOTAL Imports	915	915	1150	1172	1260	1351
TOTAL SUPPLY	1005	1005	1231	1244	1340	1423
Whole, Exports	0	0	1	0	1	0
Parts, Exports	609	609	822	784	925	903
Intra EC Exports	0	0	0	0	0	0
Other Exports	609	609	823	784	926	903
TOTAL Exports	609	609	823	784	926	903
Human Consumption	396	396	408	460	414	520
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	396	396	408	460	414	520
TOTAL Use	1005	1005	1231	1244	1340	1423
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1005	1005	1231	1244	1340	1423
Calendar Yr. Imp. from U.S.	569	569	740	800	750	960

Note : PS&D table production figures include live poultry supplied locally and those imported from other countries.

**Trade Matrices**

Import Trade Matrix			
Country	Hong Kong		
Commodity	Poultry, Meat, Total		
Time period	Jan-Oct	Units:	MT
Imports for:	1998		1999
U.S.	466212	U.S.	660024
Others		Others	
China	33459	China	50121
Thailand	9548	Thailand	10991
Canada	30760	Canada	32857
France	10033	France	12929
Netherlands	35695	Netherlands	28458
Brazil	60567	Brazil	84472
Argentina	9886	Argentina	9206
Australia	6412	Australia	6380
UK	40555	UK	40611
Total for Others	236915		276025
Others not Listed	38412		41648
Grand Total	741539		977697

Export Trade Matrix			
Country	Hong Kong		
Commodity	Poultry, Meat, Total		
Time period	Jan-Oct	Units:	MT
Exports for:	1998		1999
U.S.	22	U.S.	0
Others		Others	
China	505280	China	629748
Macau	6119	Macau	5722
Total for Others	511399		635470
Others not Listed	121		66
Grand Total	511542		635536

Prices Table			
Country	Hong Kong		
Commodity	Poultry, Meat, Total		
Prices in	US\$	per uom	MT
Year	1998	1999	% Change
Jan	934	797	-14.67%
Feb	934	792	-15.20%
Mar	818	740	-9.54%
Apr	872	737	-15.48%
May	914	732	-19.91%
Jun	907	723	-20.29%
Jul	912	753	-17.43%
Aug	895	780	-12.85%
Sep	925	819	-11.46%
Oct	957	804	-15.99%
Nov	936		-100.00%
Dec	863		-100.00%
Exchange Rate	7.73	Local currency/US \$	

Note : C.I.F. Hong Kong Prices

Source : Hong Kong Census & Statistics Department

**Table 1 : Live Poultry Production**

Unit: MT	1996	1997	1998	1999
Local Supply	19,810	16,680	5,880	12,650
Imports	70,330	71,260	52,590	59,030
Total Supply	90,140	87,950	58,470	71,680

Source : Hong Kong Agriculture, Fisheries & Conservation Department

**Table 2 : Hong Kong Poultry Imports & Percentage Re-exported**

Unit : MT	Import 1998	% exported 1998	Import Jan - Oct, 99	% exported Jan - Oct, 99
Total poultry	915,144	67%	977,697	65%
Total turkey	37,780	70%	37,438	65%
Total chicken	839,430	68%	896,176	67%
Chicken feet	352,452	77%	336,471	72%
Chicken wings	245,722	67%	209,418	61%
Frozen cuts	190,607	60%	300,609	69%
Chicken offals	26,101	79%	31,412	71%
Chicken whole	13,974	3%	10,785	2%

**Table 3 : Average Retail Prices of Chicken Relative to Pork and Beef**

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

**Table 4 : Average C.I.F. Hong Kong Prices for Poultry Products & Market Share by Major Suppliers**

US\$/MT	1997	1998	1999 (Jan - Oct)	Market Share 97	Market Share 98	Market Share 99
China	1,723	1,644	1,491	4%	5%	5%
Thailand	1,142	972	885	0%	2%	1%
Canada	931	808	658	3%	4%	3%
USA	975	822	669	64%	62%	68%
France	1,349	1,225	1,189	1%	1%	1%
Netherlands	1,190	1,053	960	4%	5%	3%
Brazil	1,120	1,001	904	9%	8%	9%
Argentina	858	654	595	1%	1%	1%
Australia	868	777	737	1%	1%	1%
UK	1,021	907	843	6%	5%	4%
Total	1,039	906	766	100%	100%	100%





**Table 5 : Poultry Imports by Major Suppliers, Jan - Oct. 1999**

	1998 MT	1999 MT	% change over 1998	1998 US\$1,000	1999 US\$1,000	% change over 1998
China	33,459	50,121	50%	57,175	74,746	31%
Thailand	9,548	10,991	15%	8,573	9,723	13%
Canada	30,760	32,857	7%	25,216	21,623	-14%
US	466,212	660,024	42%	387,410	441,865	14%
France	10,033	12,929	29%	12,082	15,375	27%
Netherlands	35,695	28,458	-20%	37,153	27,323	-26%
Brazil	60,657	84,472	39%	59,772	76,359	28%
Argentina	9,886	9,206	-7%	6,492	5,475	-16%
Australia	6,412	6,380	-0%	5,006	4,704	-6%
UK	40,555	40,611	0%	36,974	34,231	-7%
Others	38,322	61,648	61%	37,416	38,077	2%
Total	741,539	997,697	35%	673,269	749,501	11%

**Table 6 : Poultry Exports by Major Destinations, Jan - Oct, 1999**

	1998, MT	1999, MT over 1998	% change over 1998	1998 US\$1,000	1999 US\$1,000	% change over 1998
China	505,280	629,748	25%	419,394	449,999	7%
USA	22	0	0%	17	0	0%
Macau	6,119	5,722	-6%	8,324	8,796	6%
Others	121	66	-45%	161	206	0%
Total	511,542	635,536	24%	427,896	459,001	7%

**Table 7 : Average C.I.F. Hong Kong Prices for Turkey Products by Major Suppliers**

US\$/MT	1997	1998	1999	Market Share '97	Market Share '98	Market share '99
Canada	884	722	538	9%	9%	8%
USA	1,354	1,039	815	62%	76%	71%
France	798	908	768	3%	1%	4%
Netherlands	866	614	714	0%	1%	1%
Brazil	1,008	1,029	609	14%	3%	5%
Australia	880	741	602	1%	0%	1%
UK	1,295	857	712	8%	8%	8%
Others	1,287	1,465	1,335	3%	2%	2%
Total	1,233	997	780	100%	100%	100%

**Table 8 : Volume & Value of Turkey Imports by Major Suppliers, Jan- Oct 1999**

	1998 MT	1999 MT	% change over 1998	1998 US'000	1999 US'000	% change over 1998
Canada	2,959	2,920	-1%	2,131	1,570	-26%
USA	25,238	26,660	6%	25,869	21,730	-16%
France	275	1,433	421%	270	1,100	307%
Netherlands	126	398	216%	85	284	234%
Brazil	938	1,925	105%	979	1,172	20%
Australia	118	492	317%	90	296	229%
UK	1,997	2,857	43%	1,858	2,033	9%
Others	536	753	40%	783	1,005	28%
Total	32,187	37,438	16%	32,065	29,190	-9%

**Table 9 : Volume & Value of Turkey Exports by Major Destinations, Jan - Oct 1999**

	1998 MT	1999 MT	% change over 1998	1998 US\$'000	1999 US\$'000	% change over 1998
China	23,160	24,470	6%	21,697	17,649	-19%
Macau	169	15	-91%	206	41	-80%
Others	5	8	60%	4	16	300%
Total	23,334	24,493	5%	21,907	17,706	-19%

Source : Hong Kong Census &amp; Statistics Department

## Statistical Table - Plty, Meat, Chicken

## PS&amp;D Table

PSD Table						
Country	Hong Kong					
Commodity	Plty, Meat, Chicken -16 wks				(1000 MT)(MIL HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Inventory (Reference)	1	1	1	1	1	1
Slaughter (Reference)	37	37	46	44	45	44
Beginning Stocks	32	32	0	0	0	0
Production	53	53	66	65	65	65
Whole, Imports	14	14	20	14	24	15
Parts, Imports	825	825	1042	1061	1135	1240
Intra EC Imports	0	0	0	0	0	0
Other Imports	839	839	1062	1075	1159	1255
TOTAL Imports	839	839	1062	1075	1159	1255
TOTAL SUPPLY	924	924	1128	1140	1224	1320
Whole, Exports	0	0	1	0	1	0
Parts, Exports	572	572	773	735	864	865
Intra EC Exports	0	0	0	0	0	0
Other Exports	572	572	774	735	865	865
TOTAL Exports	572	572	774	735	865	865
Human Consumption	352	352	354	405	359	455
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	352	352	354	405	359	455
TOTAL Use	924	924	1128	1140	1224	1320
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	924	924	1128	1140	1224	1320
Calendar Yr. Imp. from U.S.	539	539	700	760	710	900

Note : PS&D table production figures include live chicken supplied locally and those imported from other countries.

**Trade Matrices**

Import Trade Matrix			
Country	Hong Kong		
Commodity	Plty, Meat, Chicken -16 wks		
Time period	Jan-Oct	Units:	MT
Imports for:	1998		1999
U.S.	439717	U.S.	631629
Others		Others	
China	16643	China	22187
Thailand	8690	Thailand	9659
Canada	27710	Canada	29818
France	6194	France	6560
Netherlands	35029	Netherlands	27665
Brazil	59629	Brazil	82547
Argentina	9886	Argentina	9206
Australia	6294	Australia	5814
UK	37084	UK	35930
Total for Others	207159		229386
Others not Listed	33396		35161
Grand Total	680272		896176

Export Trade Matrix			
Country	Hong Kong		
Commodity	Plty, Meat, Chicken -16 wks		
Time period	Jan-Oct	Units:	MT
Exports for:	1998		1999
U.S.	22	U.S.	0
Others		Others	
China	474236	China	594182
Macau	5927	Macau	5669
Total for Others	480163		599851
Others not Listed	84		0
Grand Total	480269		599851

**Price Table**

Prices Table			
Country	Hong Kong		
Commodity	Plty, Meat, Chicken -16 wks		
Prices in	US\$	per uom	MT
Year	1998	1999	% Change
Jan	891	755	-15.26%
Feb	892	751	-15.81%
Mar	789	704	-10.77%
Apr	851	704	-17.27%
May	872	698	-19.95%
Jun	870	688	-20.92%
Jul	861	723	-16.03%
Aug	856	747	-12.73%
Sep	892	780	-12.56%
Oct	910	761	-16.37%
Nov	886		-100.00%
Dec	810		-100.00%
Exchange Rate	7.73	Local currency/US \$	

Note : C.I.F. Hong Kong Prices

Source : Hong Kong Census & Statistics Department

**Table 10 : Live Chicken Production**

Unit: MT	1996	1997	1998	1999
Local Supply	17,940	14,900	3,720	11,480
Imports	51,310	52,570	49,180	53,960
Total Supply	69,250	67,470	52,900	65,440

Source : Hong Kong Agriculture, Fisheries & Conservation Department

**Table 11 : Average C.I. F. Prices and Market Share for Chicken Products by Major Suppliers**

US\$/MT	1997	1998	1999	Market Share '97	Market Share '98	Market Share '99
China	1,908	1,644	1,596	3%	3%	2%
Thailand	950	897	791	0%	2%	1%
Canada	933	815	669	3%	4%	3%
USA	960	808	661	66%	64%	70%
France	1,232	1,017	1,004	1%	1%	1%
Netherlands	1,187	1,046	962	4%	5%	3%
Brazil	1,125	1,001	911	9%	9%	9%
Argentina	858	654	595	1%	1%	1%
Australia	868	778	742	1%	1%	1%
UK	988	880	830	6%	5%	4%
Others	932	818	724	5%	5%	4%
Total	1,009	865	730	100%	100%	100%

**Table 12 : Volume & Value of Chicken Meat Imports, Jan - Oct 1999**

	MT, 1998	MT, 1999	% change	1998, US\$1,000	1999, US\$1,000	% change
China	16,643	22,187	33%	29,185	35,420	21%
Thailand	8,690	9,659	11%	6,932	7,639	10%
Canada	27,710	29,818	8%	22,981	19,947	-13%
USA	439,717	631,629	44%	359,453	417,820	16%
France	6,194	6,560	6%	6,170	6,585	7%
Netherlands	35,029	27,665	-21%	36,203	26,625	-26%
Brazil	59,629	82,547	38%	58,793	75,187	28%
Argentina	9,886	9,206	-7%	6,492	5,475	-16%
Australia	6,294	5,814	-8%	4,915	4,313	-12%
UK	37,084	35,930	-3%	32,664	29,816	-9%
Others	33,396	35,161	5%	27,571	25,462	-8%
Total	680,272	896,176	32%	591,359	654,289	11%

**Table 13 : Volume & Value of Chicken Meat Exports, Jan - Oct 1999**

	1998, MT	1999, MT	% change over 1998	1998, US\$ '000	1999, US\$ '000	% change over 1998
China	474,236	594,182	25%	385,085	414,974	8%
Macau	5,927	5,669	-4%	8,050	8,610	7%
Others	106	0	-100%	90	2	0%
Total	480,269	599,851	25%	393,225	423,586	8%

Source : Hong Kong Census &amp; Statistics Department



## Statistical Tables - Poultry, Eggs

## PS&amp;D Table

PSD Table						
Country	Hong Kong					
Commodity	Poultry, Eggs				(MIL HEAD)	(MIL PCS)
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Layers	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	0	3	0	3	0
Hatch Eggs, Imports	0	0	0	0	0	0
Shell Eggs, Imports	1471	1471	1545	1500	1606	1530
Other Imports	27	27	28	29	30	30
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	1498	1498	1573	1529	1636	1560
TOTAL SUPPLY	1498	1498	1576	1529	1639	1560
Hatch Eggs, Exports	0	0	0	0	0	0
Shell Eggs, Exports	4	4	2	1	3	1
Other Exports	1	1	1	0	1	0
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	5	5	3	1	4	1
Hatch Eggs, Consumption	0	0	0	0	0	0
Shell Eggs, Human	1467	1467	1546	1499	1606	1529
Shell Eggs, OT. Use/Loss	0	0	0	0	0	0
Other Dom. Consumption	26	26	27	29	29	30
Total Dom. Consumption	1493	1493	1573	1528	1635	1559
TOTAL Use	1498	1498	1576	1529	1639	1560
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1498	1498	1576	1529	1639	1560
Calendar Yr. Imp. from U.S.	412	412	299	384	269	370

Note : Statistics for preserved shell duck eggs are excluded from the PS&D table.

**Trade Matrices**

Import Trade Matrix			
Country	Hong Kong		
Commodity	Poultry, Eggs		
Time period	Jan - Oct.	Units:	thousand pieces
Imports for:	1998		1999
U.S.	347942	U.S.	312637
Others		Others	
Netherlands	293751	Netherlands	336044
China	350582	China	381492
Germany	145102	Germany	197794
Total for Others	789435		915330
Others not Listed	80279		20813
Grand Total	1217656		1248780

Export Trade Matrix			
Country	Hong Kong		
Commodity	Poultry, Eggs		
Time period	Jan - Oct	Units:	Thousand pieces
Exports for:	1997		1998
U.S.	0	U.S.	0
Others		Others	
China	2793	China	0
Macau	1288	Macau	897
Total for Others	4081		897
Others not Listed	0		0
Grand Total	4081		897

Note : Statistics for trade matrices include shell eggs only.

**Price Table**

Prices Table			
Country	Hong Kong		
Commodity	Poultry, Eggs		
Prices in	US\$	per uom	thousand pieces
Year	1998	1999	% Change
Jan	53.70	41.02	-23.61%
Feb	51.50	48.01	-6.78%
Mar	51.64	46.25	-10.44%
Apr	51.57	44.46	-13.79%
May	47.10	41.63	-11.61%
Jun	43.63	39.84	-8.69%
Jul	46.78	41.19	-11.95%
Aug	46.78	39.03	-16.57%
Sep	44.27	38.27	-13.55%
Oct	46.11	40.68	-11.78%
Nov	47.33		-100.00%
Dec	49.06		-100.00%
Exchange Rate	7.73	Local currency/US \$	

Note : C.I.F. Hong Kong Prices

**Table 14 : Average Retail Prices of Fresh Hen Eggs**

Fresh Hen Eggs (Unit : HK cents per piece) (US\$1 = HK\$7.73)

1995	69	
1996	80	
1997	79	
1998	78	
1998		1999
Jan	78	76
Feb	77	77
Mar	79	77
April	79	77
May	78	76
June	78	74
July	78	73
August	77	71
Sept	77	72
Oct	78	72
Nov.	77	73
Dec.	76	

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

US\$/thousand	1997	1998	1999	Market Share '97	Market Share '98	Market Share '99
China	52	49	40	41%	30%	31%
US	58	49	46	36%	28%	25%
Netherlands	55	45	40	12%	24%	27%
Germany	58	48	42	7%	12%	16%
Others	61	48	44	4%	6%	2%
Total	55	48	42	100%	100%	100%



**Table 16 : Volume & Value of Hong Kong Egg Imports by Major Suppliers, Jan - Oct 1999**

Unit : thousand pieces	1998	1999	%change	US\$'000 '98	US\$'000 '99	% change
China	350,582	381,492	9%	17,217	15,092	-12%
US	347,942	312,637	-10%	17,008	14,445	-15%
Netherlands	293,751	336,044	14%	13,213	13,526	2%
Germany	145,102	197,794	36%	6,884	8,380	22%
Others	80,279	20,813	-74%	3,924	914	-77%
Total	1,217,656	1,248,780	3%	58,246	52,357	-10%

**Table 17 : Volume & Value of Hong Kong Egg Exports by Major Destinations, Jan - oct 1999**

Unit : thousand pieces	1998	1999	% change	1998, US\$'000	1999, US\$'000	%change
China	2,793	0	-100%	279	0	-100%
USA	0	0	0%	0	0	0%
Macau	1,288	897	-30%	100	70	-30%
Others	0	0	0%	0	0	0%
Total	4,081	897	-78%	378	70	-81%

Source : Hong Kong Census &amp; Statistics Department

## Narrative on Supply, Demand, Policy & Marketing

### Production

Total production of poultry in 1999 rebounded to 72,000 MT, 90 percent of which was chicken. With consumer preference gradually shifting to frozen chicken for the sake of convenience and hygiene, Hong Kong's production of live poultry is unlikely to rise in future years despite the growing population.

Hong Kong's self sufficiency ratio in poultry will, however, remain constant for at least 2 years. In other words, a contraction of local supplies is not expected. Subsequent to the bird flu incident which led to the slaughter of live chickens in Hong Kong in early 1998, all poultry farms were required to re-apply for an operating license. Farms had to meet a more stringent hygiene standard before they were allowed to re-open. Therefore, the farms that went to the effort to get licensed are expected to stay in business for several years after having invested in facility improvements.

#### Hong Kong Self-Sufficiency Ratio

(Percent)	1996	1997	1998	1999
Poultry	22	19	10	18
Chicken	25	22	7	18

Source : Hong Kong Agriculture, Fisheries and Conservation Department

### Consumption

Poultry consumption increased 16 percent in 1999 and is expected to grow 13 percent in 2000. However, wet market sales of freshly-slaughtered birds will probably remain stagnant. The growth is to be steered by chilled and frozen poultry products. There are several reasons accounting for this phenomenon.

First, Hong Kong consumers are increasingly more receptive to frozen poultry, which is considered hygienic and convenient. Second, lower prices of frozen poultry products in the past year have boosted demand. Due to the abundant supply of chicken products in Hong Kong, particularly from the United States, import prices are low and retailers such as supermarkets are able to offer chicken products at discounted promotional prices. Major supermarkets are even able to lower their handling costs by importing directly from suppliers. Also, chilled whole chickens from China are supplied at very cheap prices when imported in large quantities. The Hong Kong economy slowed down in 1999 and lower retail prices are particularly attractive to consumers.

Third, chilled and frozen poultry is now increasingly available to consumers in supermarkets, in addition to wet markets. Supermarkets will eventually become major retail outlets for imported frozen poultry, at the expense of live poultry sales in the wet markets. Supermarkets in Hong Kong currently are in a severe price war and the increased competition has spurred them to increase their meat department offerings and sales. Many supermarkets are in the midst of long-term renovations that will upgrade their facilities for improved handling of fresh provisions.

Lastly, as described under "Trade" below, the prohibition on wet market slaughter of ducks and geese is encouraging

higher imports of chilled poultry from China.

The table below shows retained imports (total imports minus re-exports) of frozen and chilled poultry. Because all local poultry production is sold fresh, the retained import figures also represent consumption of frozen and chilled poultry.

Retained Imports of Chilled and Frozen Poultry & Chicken, January - October, MT

	1998	1999	% change
Poultry	229,997	342,161	49%
Chicken	200,003	296,325	33%

Source : Hong Kong Census & Statistics Department

## Trade

During the period January - October 1999, Hong Kong's poultry imports from the United States jumped 42 percent, reaching a level of 660,024 MT. The U.S. continued to be the largest poultry supplier with a market share of 68 percent. Compared with last year, the average C.I.F. prices of U.S. poultry dropped 19 percent. U.S. products are dominating the market with large supplies in a variety of cuts at very competitive prices.

A closer analysis of the import figures shows that the rise of U.S. exports to Hong Kong has been led by frozen cuts, which include leg quarters. These products continue to flood into the Hong Kong following the collapse of the Russian market. In fact, frozen cuts (\$170 million) overtook chicken feet (\$139 million) as the largest chicken parts from the U.S. imported to Hong Kong in Jan-Oct 1999.

Hong Kong Imports of U.S. Chicken, Jan - Oct, in MT

	1998	1999	% change
Chicken feet	200,797	241,294	20%
Chicken wings	100,472	98,688	-2%
Frozen cuts (including leg quarters)	121,950	268,159	120%

The local (Hong Kong) poultry import market is relatively stable, taking up mainly cuts such as mid-joint wings, breasts, and legs. U.S. value-added products, e.g. marinated chicken parts, are also sold to hotels and supermarkets. Given the growing popularity of frozen poultry and the growing population, Hong Kong poultry imports for 2000 are forecast to rise 15 percent. An estimated 67 percent of those imports will be re-exported.

China alone took up 63 percent of Hong Kong total poultry imports in January-October 1999. In that period, Hong Kong's poultry re-export to China reached 629,748 MT representing a rise of 25 percent. The trend is expected to continue in 2000. There are several favorable reasons. First, there continues to be abundant supplies of U.S. leg



quarters at competitive prices. Second, the improved transportation system in China allows products to penetrate to new markets farther inland, including northern China.

While the China market is expected to expand, it will remain very much a price market with further gains depending on continued low prices. In fact, it appears that China currently is oversupplied with poultry products. Recent prices in China for leg quarters (19 cents per pound) and chicken feet (21 cents per pound) were below offering prices by U.S. packers to Hong Kong traders - U.S. leg quarters and chicken feet were recently quoted at around 24 cents per pound. In fact, the current prices in China of other foods such as pork and vegetables in China are also low, thus preventing frozen poultry product prices from rising. Re-exports of poultry from Hong Kong to China during the Chinese New Year holiday season are also being hampered by a HK\$300 increase in the "transportation fee" (which covers all the fees required to move products from Hong Kong into China) from HK\$2000 to HK\$2300/MT. These factors are currently viewed as temporary and therefore not preventing an overall continued rise in Hong Kong's re-export of poultry to China this year.

Among the other major poultry suppliers to Hong Kong, both Brazil and China performed well in 1999. Following its currency devaluation in late 1998, Brazil's exports of three-joint-wings to Hong Kong increased significantly. However, due to the limited supplies of Brazilian products compared with U.S. products, Brazil hardly poses any threat to U.S. suppliers. Another drawback for Brazilian products is late arrival of shipments.

The mix of China's poultry exports to Hong Kong has changed in recent years, away from live ducks and geese and toward chilled whole birds. Hong Kong's decision to no longer allow slaughter of ducks and geese in wet markets - only in centralized slaughterhouses - has accelerated this trend. Among Chinese chilled and frozen poultry exports to Hong Kong, the most significant categories in January-October 1999 included whole birds other than chicken (\$35 million), preserved chicken (\$13 million) and frozen chicken cuts (\$12 million). In fact, China is the largest supplier to Hong Kong of whole poultry and preserved chicken.

Among ducks and geese sold in the wet market, Hong Kong consumers are unable to distinguish between birds slaughtered in China and those slaughtered in a centralized Hong Kong location, so traders are finding it more profitable to bring in chilled ducks and geese from China rather than having them slaughtered locally. This development helps to explain the 49 percent rise in retained imports of chilled and frozen poultry during the first 10 months of last year.

Hong Kong's import of frozen and chilled chicken cuts from China increased 91 percent between January - October 1998 (4,536 MT) and 1999 (8,665 MT). Surprisingly, some of these imports are of U.S. origin. Because of lower labor costs in China, U.S. chicken breasts and legs are first re-exported to China and then de-boned there. The boneless chicken products are then re-imported to Hong Kong to supply local hotels and restaurants. This trend has strengthened in recent years.

## **Policy**

Effective January 1, 2000, the Hong Kong government implemented its long-awaited reorganization of food safety agencies. The major feature of the reorganization is the creation of the Environment and Food Bureau, which has 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 poultry, 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 poultry fed with biotech feed ingredients does 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 any 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 poultry 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 in the next 3-5 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 poultry.

## **Poultry, Eggs**

### **Production & Consumption**

Local egg production in 1999 reached 20 MT, double the 1998 production level, but still only a fraction of a percent of local consumption. However, local production is not likely to match the 1997 level of 270 MT, which was attained before the large scale slaughter of chicken as a result of the bird flu crisis. Egg import prices are ever decreasing and local production costs are high, therefore the self-sufficiency ratio of eggs is and will continue to be virtually zero.

### **Consumption**

Egg consumption in Hong Kong is very stable with an annual rate of increase of about 2 percent. Hong Kong is considered to be a mature market for eggs, with minimal chances for a significant jump in consumption. The U.S. is very strong in white eggs, which are mostly consumed for breakfast. Customers include fast food shops, restaurants and households. Brown eggs remain the most popular eggs for Chinese dishes.

## Trade

During the period January - October 1999, Hong Kong imported 1.249 billion eggs. In Hong Kong, eggs are a commodity and price is the dominant factor influencing purchasing decisions. End-users - particularly fast food shops and restaurants - do not care about the country of origin; they are interested merely in buying eggs at the lowest cost. In the first 10 months of last year, the Netherlands overtook the U.S. as the second largest egg supplier (27 percent versus 25 percent market share). With EU export refunds and a weak Euro (Hong Kong pegs its dollar to the U.S. dollar), Dutch eggs kept expanding their share of the market. China was able to maintain its leading position because of low prices and geographical proximity to Hong Kong. Germany is currently the fourth largest supplier after the U.S. due to steady increases in trade over the last few years.

This change in import pattern have affected eggs from the U.S, Europe and China in particular.

Sources revealed that some brokers from China (who have multiple entry permits to Hong Kong) come to the Hong Kong's wholesale markets every day to lure direct business for themselves. They promise delivery to Hong Kong tomorrow for an order made today. These moves toward vertical integration are making the role of egg importers redundant, as well as pushing prices lower and lower.

European egg exports to Hong Kong were disrupted for awhile in June 1999 due to the dioxin crisis. The impact on the Hong Kong egg market and the effect on shipments of U.S. eggs were discussed in GAIN Report HK9059.