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## Hong Kong

### Livestock and Products Annual

#### Annual

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**Report Highlights:**

In 2016, U.S. pork exports to Hong Kong have shown a positive upward trend due to competitive pricing. Domestic pork consumption is expected to remain strong into 2017. Hong Kong pork production in 2016 is expected to fall from last year's level as sourcing live pigs from China, its main supplier, encounters challenges and reduces inventory for domestic processing. In response, pork imports are forecast to rise to 420,000 MT and 440,000 MT in 2016 and 2017, respectively.

**Commodities:**

Meat, Swine

**Summary**

Hong Kong pork production in 2016 is expected to decline to 125,000 MT in response to tight supplies and high prices of live pigs imported from China and China's voluntary suspension of live pigs from Jiangxi province. In August 2016, Hong Kong authorities detected pigs imported from Jiangxi with traces of illegal drug residues, including salbutamol and clenbuterol.

Despite a decline in total retail sales in Hong Kong, retail food sales rose 2.2 percent during the first eight months of 2016. About 25% of Hong Kong's protein consumption is from pork and consumption in Hong Kong in 2016 and 2017 is expected to rise by 2 and 4.5 percent at a level of 545,000 MT and 570,000 MT, respectively. To meet this increased demand, pork imports will rise 6 percent to 420,000 MT in 2016 and by 5 percent to 440,000 MT in 2017.

U.S. pork exports to Hong Kong in 2016 jumped 75 percent, by value, between January – July 2016 (\$42 million) and January – July 2016 (\$74 million) due to competitive prices with Chinese pork products.

**Production, Supply and Demand Data Statistics:**

Meat, Swine Market Begin Year	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Hong Kong						
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	135	135	130	125	0	130
Total Imports	397	397	410	420	0	440
Total Supply	532	532	540	545	0	570
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	532	0	540	545	0	570
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	532	0	540	545	0	570
Ending Stocks	0	0	0	0	0	0
Total Distribution	532	0	540	545	0	570

(1000 HEAD) ,(1000 MT CWE)

Not Official USDA Data

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, using a conversion factor of 1.30. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.

## Production

Hong Kong has 43 pig farms producing about 86,000 head annually, accounting for 6 percent of total supply. China provides the remaining 94 percent of live pigs for processing. The pigs are sourced from more than 200 registered farms in mainland China via three agents.

For 2016, Hong Kong's pork production is forecast to decline over 7 percent to 125,000 MT given the anticipated drop in live pig supplies from China. In the second half of 2016, industry sources expect that live pig inventory in China will increase which will help stabilize prices and may see live pig supplies to Hong Kong rebound. If so, Hong Kong's pork production in 2017 could rise to 130,000 MT.

China's live pig inventory declined sharply in 2016 leaving Hong Kong with a 10 percent decline in live pigs from China, to date. The market has responded to tight supplies with higher prices in the first 7 months of 2016. The average wholesale price of live pigs January – June 2016 rose 8 percent to \$3,499/MT (table 2) compared to the same period in 2015. Retail prices of freshly slaughtered pork rose even higher, ranging from 16 to 18 percent (table 3).

## *Detection of Prohibited Veterinary Drug Residues*

In November 2015, the Hong Kong government confirmed that chloramphenicol, a prohibited chemical in food animals according to the Public Health (Animals and Birds) (Chemical Residues) Regulation, was detected in 20 locally produced pigs that were subsequently destroyed.

In early August 2016, beta-agonist residue (Salbutamol) was found in urine samples from 319 pigs imported from two Jiangxi Province farms in southeast China. AQSIQ, China's inspection authority, has voluntarily suspended exports of all live pigs from Jiangxi Province to Hong Kong. Reportedly, Jiangxi accounts for about 20 percent of live pig supplies to Hong Kong. The last time beta-agonist residues were detected in live pigs imported from Mainland China was in 2012.

**Table 1. Hong Kong: Supply and Consumption of Live Pigs, in Number of Head**

	2012	2013	2014	2015	2016 Estimates
Local Supply	97,477	96,488	87,432	85,733	85,000
Imports	1,540,756	1,575,810	1,624,926	1,583,398	1,450,000
Total	1,638,233	1,672,298	1,712,358	1,669,131	1,535,000

Source: Hong Kong Agriculture, Fisheries and Conservation Department

**Table 2. Hong Kong: Average Wholesale Prices of Live Pigs, in US\$/MT**

	2013	2014	2015	2015	2016	% change

				Jan - Jun		
Live Pigs	2,871	2,678	2,899	2,644	3,499	8%

Exchange Rate: US\$1.00 = HK\$7.78

Source: Hong Kong Census & Statistics Department

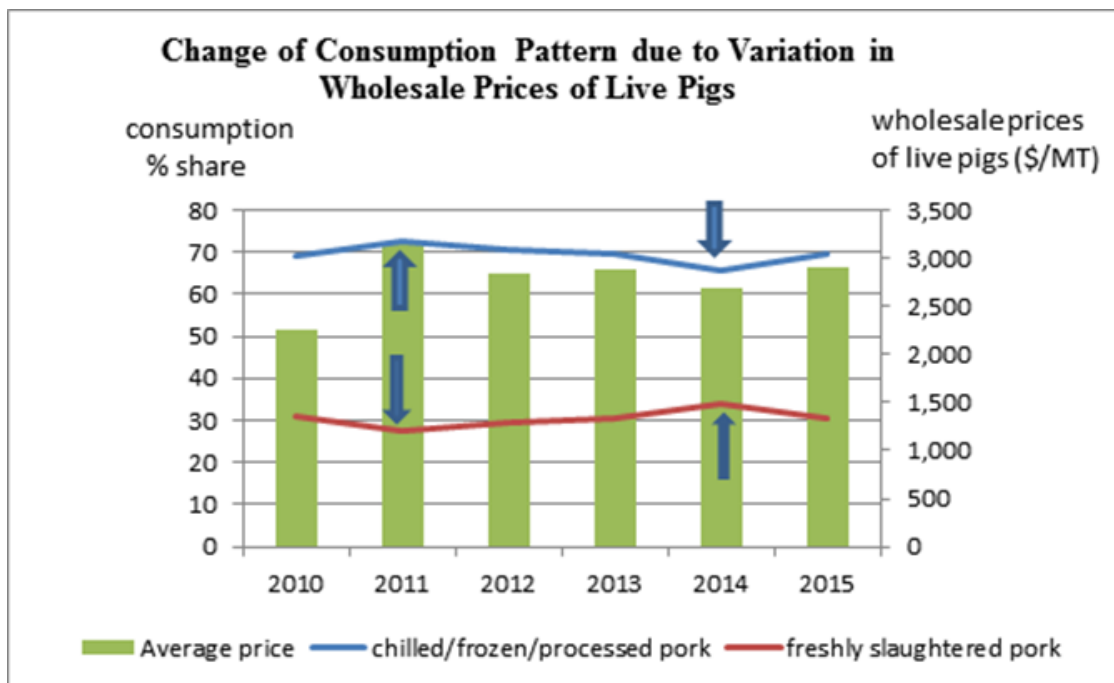
## Consumption

Despite a downturn in the overall economy and softening retail sales, Hong Kong food sales remain on a positive trend. In the first eight months of 2016, the value of food retail sales rose by 2.2 percent and the year-on-year figure for August rose even higher to 8.8 percent.

Pork remains a stable food item compared to other meats, such as beef and chicken, and Hong Kong's pork consumption in 2016 is expected to rise by 2 percent over last year to reach 5450,00 MT. If the economy rebounds, pork consumption in 2017 could rise to 5700,000 MT, given stable prices.

Hong Kong consumers are extremely sensitive to pork prices and fluctuations can influence consumer choices. For example, in 2015, when wholesale prices of live pigs rose eight percent from \$2,678/MT to \$2,899/MT, the substitution from fresh to chilled/frozen in market share was evident. Between 2014 and 2015, chilled/frozen pork increased from 66 to 69 percent while freshly slaughtered pork decreased from 34 to 31 percent. (Figure 1) A similar substitution effect took place in 2011 as well when wholesale live pig prices rose to a record high of \$3,149/MT.

**Figure 1. Hong Kong: Consumption of freshly slaughtered pork vs chilled/frozen/processed pork**



Source: Hong Kong Census & Statistics Department

Agriculture, Fisheries and Conservation Department

**Table 3. Hong Kong: Average Retail Prices of Pork Relative to Beef and Poultry, (Freshly Slaughtered), in US\$/kg**

	2013		2015	2015	2016	% change
		2014		Jan - June		
Chicken (whole chicken)	12.13	12.93	15.24	14.90	15.93	7%
Beef (best quality)	20	20.01	20.01	19.99	20.34	2%
Beef (belly flesh)	16.76	16.92	17.15	17.08	17.33	1%
Pork (lean meat)	8.50	8.24	8.51	8.14	9.43	16%
Pork Chop	8.73	8.65	8.93	8.50	10.04	18%

Exchange Rate: US\$1.00 = HK\$7.78

Source: Hong Kong Agriculture, Fisheries and Conservation Department

## Trade

In terms of carcass weight, pork imports in 2016 and 2017 (excluding re-exports) are expected to rise six percent to 420,000 MT and five percent to 440,000 MT, respectively, in response to rising pork demand and lower live pig inventory for fresh pork production.

### *Imports and Re-exports*

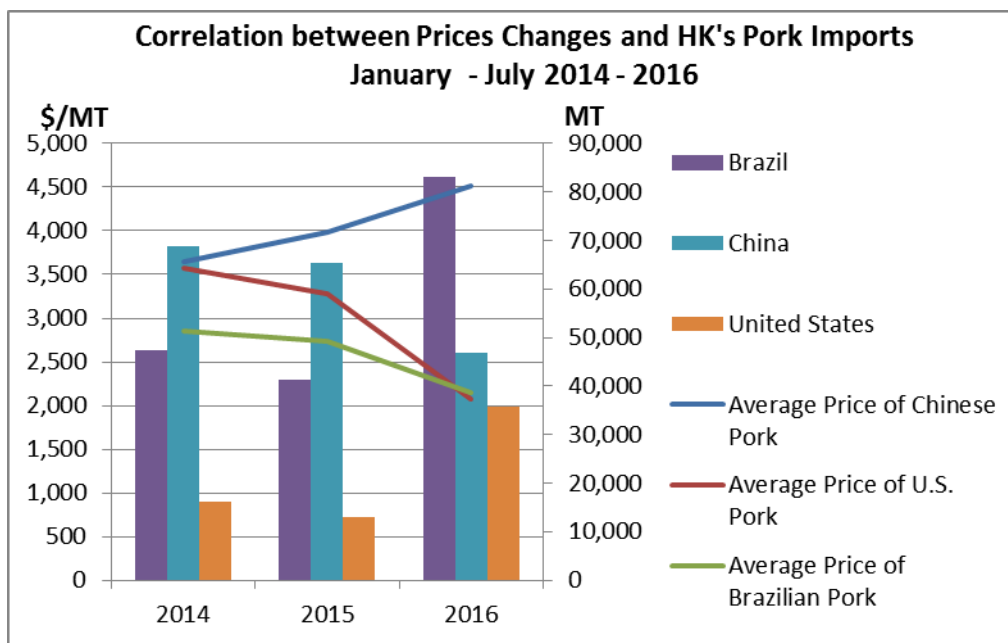
Hong Kong imported a total of \$1.12 billion in pork products in 2015. (Tables 4 & 5) In the first seven months of 2016, Hong Kong pork imports, in terms of product weight, surged 28 and 12 percent in terms of volume and value, respectively, due to increased shipments for re-export to China. As trade conditions improved over 2015, pork re-exports to China rocketed by 242 percent while pork re-exports to Vietnam declined by 61 percent, resulting in an overall 56 percent increase in re-exports to all markets between January – July 2015 and January – July 2016. China has regained its position in 2016 as Hong Kong’s largest re-export market for pork products with a market share of 46 percent.

### *Change of Market Share resulting from Price Fluctuation*

Price fluctuations in pork exporting countries have influenced market share in 2016. As the average price of Chinese pork imports rose 13 percent and Brazilian and U.S. pork declined 22 and 37 percent, respectively, in the first seven months in 2016 (table 6), Brazil is currently the largest pork supplier to Hong Kong, by volume, with a market share of 31 percent compared to 19 percent in 2015. In terms of value, China remains the largest supplier exporting \$212 million in pork products to Hong Kong from January – July 2016, accounting for 30 percent market share.

Figure 2 shows the correlation between the changes of import volume and price changes.

### **Figure 2: Correlation Between Average CIF Import Prices and Volume of Hong Kong’s Pork Imports from Major Suppliers**



Source: Hong Kong Census & Statistics Department

Despite the spike in China's pork prices in 2016, China remains the largest supplier of chilled pork to Hong Kong, accounting for 82 percent, by volume, although it held 92 percent in 2015.

### ***U.S. Pork***

From January – July 2016, U.S. pork exports to Hong Kong reached \$74 million, representing a 75 percent increase by value and 177 percent by volume during this period (table 4 & 5). A 37 percent drop in the average price (table 6) influenced the purchasing surge such that the market share of U.S. pork rose from 6 to 13 percent by volume and from 7 to 10 percent by value, respectively, compared to January – July 2015 and January – July 2016. In addition, the U.S. was the largest supplier of swine offals to Hong Kong, reaching \$134 million from January – July 2016.

### **Policy**

Hong Kong has not established a maximum residue level for ractopamine in food products. In lieu of its own standard, Hong Kong utilizes the Codex standard for veterinary drug residues of 10 ppb for beef versus the U.S. standard of 30 ppb. Recently, random testing of beef from several retail outlets by Hong Kong authorities revealed U.S. beef samples with ractopamine residues above 10 ppb which resulted in a press release announcing the results with language that the levels did not pose a public health risk. The situation remains under review and discussion.

Paylean was approved for use in swine feeds in 2007 in Hong Kong.

### ***Transshipment of Meat Products to Hong Kong via China***

In response to complaints that Hong Kong cold storage facilities are insufficient for capacity, the Hong Kong Food and Environmental Hygiene Department (FEHD) and mainland China's Shenzhen Entry-Exit Inspection and Quarantine Bureau (CIQ) agreed in April 2016 to a plan to allow frozen meat products exported to Hong Kong to be delivered to cold storage facilities in the Qianhai Bonded Area of Shenzhen, China, located just over the Hong Kong/China border, and then shipped back to Hong Kong as needed. The Hong Kong government officials pointed out that the agreement is aimed at alleviating the shortage of cold storage space in Hong Kong without compromising food safety. While the effective date is not yet announced, Chinese media reported that this new measure will be ready to roll out by the end of 2016.

At this stage, the agreement only applies to frozen meats and not to other food products, such as seafood and chilled meat products. Frozen meat products under this program must meet import requirements, not only for Hong Kong, but also for China. For example, pending the resolution of import protocols to China, U.S. beef products would not be allowed into the Qianhai Bonded Area, despite their final destination being Hong Kong, until the China import protocols are in place.

According to the agreement, the Chinese authorities will monitor the facilities and temperatures where frozen meat is stored to ensure the safety of food products during storage. Upon shipment to Hong Kong via a specific point of entry, shipments must be accompanied by a transshipment certificate and stock list (document showing the volume already exported to Hong Kong and the stock still remaining in Qianhai) issued by the Qianhai authority, in addition to the existing requirements including bill of lading, health certificates and Hong Kong's import license and/or permit, as appropriate.

**Table 4. Hong Kong: Pork Imports in Volume, MT**

	2013	2014	2015	15-Jul	16-Jul	%Δ 16/15	Market share 2016
<b>Total</b>	443,712	442,016	399,675	211,670	271,796	28.41	100%
<b>China</b>	102,942	115,168	104,850	65,476	46,942	-28.31	17%
<b>Brazil</b>	91,997	77,661	79,938	41,190	83,117	101.79	31%
<b>Germany</b>	28,467	38,263	33,635	15,063	17,309	14.91	6%
<b>U.S.</b>	29,538	28,059	28,133	12,887	35,737	177.32	13%
<b>Poland</b>	19,528	29,504	25,953	15,023	12,810	-14.73	5%
<b>Netherlands</b>	32,491	23,743	24,463	10,671	14,067	31.82	5%
<b>Spain</b>	43,020	31,808	20,332	9,650	15,963	65.42	6%

Source: Hong Kong Census & Statistics Department

**Table 5. Hong Kong: Pork Imports in US\$ million**

	2013	2014	2015	15-Jul	16-Jul	%Δ 16/15	Market Share 2016
<b>Total</b>	1,258	1,303	1,123	634	709	11.83	100%
<b>China</b>	387	429	427	261	212	-18.93	30%
<b>Brazil</b>	259	228	200	113	178	57.87	25%
<b>U.S.</b>	87	100	78	42	74	75.05	10%
<b>Netherlands</b>	82	63	59	28	33	18.1	5%
<b>Germany</b>	53	70	52	24	26	10.13	4%
<b>Vietnam</b>	33	36	49	25	41	65.55	6%
<b>Spain</b>	98	83	49	26	36	39.36	5%
<b>Poland</b>	42	59	43	26	22	-13.16	3%
<b>Italy</b>	42	41	25	12	11	-8.18	2%
<b>Russia</b>	10	20	18	9	11	23.6	2%

Source: Hong Kong Census & Statistics Department

**Table 6. Hong Kong: Average Value of Pork Imports, \$/MT, January – July**

Partner Country	Unit Value(United States Dollars)			%Δ 16/15
	2014	2015	2016	
<b>Total</b>	2,880	2,997	2,610	-12.91
<b>Thailand</b>	6,324	5,557	5,110	-8.04
<b>China</b>	3,642	3,986	4,507	13.08
<b>Italy</b>	2,616	2,474	2,578	4.21
<b>Netherlands</b>	2,483	2,658	2,381	-10.41
<b>Spain</b>	2,455	2,702	2,276	-15.75
<b>Brazil</b>	2,854	2,742	2,145	-21.77
<b>U.S.</b>	3,571	3,277	2,069	-36.88

Source: Hong Kong Census & Statistics Department

**Table 7. Hong Kong: Pork Re-exports in Volume, MT**

	2013	2014	2015	15-Jul	16-Jul	%Δ 16/15	Market Share 2016
<b>Total</b>	136,715	174,886	93,680	53,105	82,847	56.01	100%
<b>Vietnam</b>	81,887	94,838	62,864	32,652	12,706	-61.09	15%
<b>Macau</b>	11,453	14,704	15,428	8,677	9,944	14.59	12%
<b>China</b>	7,891	20,637	13,382	11,127	38,061	242.06	46%
<b>Taiwan</b>	35,245	43,527	929	0	21,616	n/a	26%

Source: Hong Kong Census & Statistics Department

**Table 8. Hong Kong: Chilled Pork Imports in MT**

Partner Country		Year To Date	
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	2013	2014	2015	Jul-15	16-Jul	%Change	Market Share 2016
World	9,670	8,995	8,920	5,090	5,601	10.05	100%
China	9,114	8,367	8,246	4,706	4,607	-2.1	82%
Australia	154	180	220	112	192	72.1	3%
Canada	111	115	169	81	156	92.49	3%
Brazil	27	47	129	90	512	468.83	9%
U.S.	80	62	54	39	31	-20.01	1%

Source: Hong Kong Census & Statistics Department

**Table 9. Hong Kong: Chilled Pork Imports in Value US\$ million**

	2013	2014	2015	07/2015	16-Jul	%Change	Market Share 2016
World	35	30	34	19	23	19.59	100%
China	30	25	29	16	18	9.73	78%
Australia	2	2	2	1	2	77.27	9%
Canada	1	1	1	1	1	64.28	4%
U.S.	1	1	0	0	0	-1.63	0%

Source: Hong Kong Census & Statistics Department

**Table 10. Hong Kong: Frozen Pork Imports in MT**

	2013	2014	2015	07/2015	07/2016	%Change	Market Share 2016
World	227,685	229,344	245,189	128,818	198,342	53.97	100%
Brazil	82,660	68,726	73,351	37,303	78,290	109.88	39%
China	44,309	52,584	52,269	34,935	20,259	-42.01	10%
Germany	23,648	32,846	27,957	12,671	15,052	18.79	8%
U.S.	13,731	15,741	22,829	10,108	33,100	227.46	17%
Netherlands	26,370	18,358	17,719	8,304	10,605	27.7	5%
Poland	2,014	7,546	9,727	5,722	8,278	44.68	4%
Vietnam	8,568	7,654	9,212	4,893	6,560	34.07	3%
Canada	4,058	5,628	8,985	4,393	3,034	-30.93	2%
Spain	7,433	6,780	7,958	3,802	9,648	153.77	5%

Source: Hong Kong Census & Statistics Department

**Table 11. Hong Kong: Frozen Pork Imports in Value, US\$million**

Partner Country	Year To Date						Market share 2016
	2013	2014	2015	07/2015	07/2016	%Change	
World	643	665	672	377	477	26.52	100%
China	163	193	218	140	94	-32.64	20%
Brazil	228	196	180	99	166	67.99	35%
U.S.	43	50	54	28	61	115.52	13%

Vietnam	32	35	49	24	40	66.57	8%
Netherlands	67	50	44	22	24	8.32	5%
Germany	42	57	40	19	22	13.11	5%
Spain	20	22	20	11	22	103.52	5%
Poland	2	14	16	9	15	71.1	3%
Canada	9	12	13	7	5	-36.87	1%

Source: Hong Kong Census & Statistics Department

**Table 12. Hong Kong: Processed Pork Imports in MT**

Partner Country				Year To Date			Market Share 2016
	2013	2014	2015	07/2015	07/2016	%Change	
World	206,357	203,676	145,566	77,762	67,852	-12.74	100%
China	49,519	54,216	44,335	25,835	22,076	-14.55	33%
Poland	17,515	21,957	16,225	9,301	4,532	-51.27	7%
Russia	5,258	10,144	13,149	6,340	7,983	25.91	12%
Spain	35,587	25,024	12,349	5,830	6,284	7.78	9%
Italy	16,727	14,898	8,275	4,475	2,183	-51.22	3%
Netherlands	6,121	5,385	6,744	2,367	3,462	46.27	5%
Brazil	9,311	8,887	6,458	3,797	4,315	13.64	6%
Germany	4,818	5,417	5,677	2,391	2,230	-6.75	3%
U.S.	15,728	12,256	5,250	2,740	2,606	-4.88	4%

Source: Hong Kong Census & Statistics Department

**Table 13. Hong Kong: Processed Pork Imports in Value, US\$million**

Partner Country				Year To Date			Market Share 2016
	2013	2014	2015	07/2015	07/2016	%Change	
World	580	607	416	238	209	-12.12	100%
China	194	211	180	105	100	-5.11	48%
Spain	78	60	28	15	14	-6.29	7%
Poland	40	46	27	17	7	-58.91	3%
U.S.	43	49	24	14	13	-7.45	6%
Italy	39	40	21	11	7	-38.76	3%
Brazil	30	32	20	14	11	-21.16	5%
Russia	10	20	18	9	11	23.3	5%
Netherlands	15	13	15	6	9	55.51	4%
Germany	11	13	11	5	5	-3.04	2%

Source: Hong Kong Census & Statistics Department

**Table 14. Hong Kong: Swine Offal Imports in MT**

Partner Country				Year To Date			Market Share 2016
	2013	2014	2015	07/2015	07/2016	%Change	
World	359,811	479,101	419,504	225,651	283,060	25.44	100%
U.S.	54,852	88,785	105,458	65,505	72,299	10.37	26%
Germany	88,065	116,964	68,986	37,643	37,794	0.4	13%
Netherlands	58,703	54,541	40,118	18,928	24,834	31.2	9%
Brazil	38,403	43,710	38,273	21,984	30,336	37.99	11%
Poland	7,857	39,752	37,989	20,411	29,739	45.7	11%
Spain	21,258	28,315	31,873	13,166	26,841	103.88	9%
Canada	8,311	12,295	18,385	12,766	7,720	-39.53	3%
U.K.	20,201	21,617	17,361	9,514	11,237	18.1	4%
Belgium	18,228	17,703	14,233	6,609	8,834	33.66	3%
Italy	9,979	14,274	13,490	5,604	13,657	143.73	5%

Source: Hong Kong Census & Statistics Department

**Table 15. Hong Kong: Swine Offal Imports in Value, US\$ million**

Partner Country				Year To Date			Market Share 2016
	2013	2014	2015	07/2015	07/2016	%Change	
World	738	1,032	749	441	470	6.41	100%
U.S.	146	243	223	146	134	-8.25	29%
Germany	162	219	108	63	61	-2.93	13%
Brazil	86	109	78	50	53	5.37	11%
Netherlands	117	113	69	36	41	14.3	9%
Poland	14	66	54	33	40	23.07	9%
Spain	37	57	51	23	43	87.5	9%
Canada	22	30	34	25	10	-60.31	2%
U.K.	32	38	25	15	17	17.36	4%
Belgium	38	38	25	13	15	16.47	3%
Italy	17	29	23	10	22	121.56	5%

Source: Hong Kong Census & Statistics Department

**Table 16. Hong Kong: Average Import Price of Swine Offals, \$/MT**

Unit Value(United States Dollars)						
Partner Country				Year To Date		
	2013	2014	2015	07/2015	07/2016	%Change
World	2,051	2,154	1,785	1,956	1,659	-15.18
Denmark	2,776	3,227	3,758	3,628	4,092	12.79
United States	2,655	2,742	2,112	2,236	1,859	-16.88
Brazil	2,239	2,484	2,046	2,269	1,733	-23.64

Netherlands	1,995	2,067	1,729	1,892	1,649	-12.88
Germany	1,844	1,872	1,568	1,677	1,621	-3.32

Source: Hong Kong Census & Statistics Department