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GAIN Report

Global Agricultural Information Network

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Hong Kong

Livestock and Products Annual

Annual

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Report Highlights:

Weakening demand and high prices lower total import expectations for pork products to 340,000 MT and 350,000 MT in 2014 and 2015, respectively, from 399,000 MT in 2013. Taking re-exports into consideration, Hong Kong imported \$87 million or 29,538 MT (product weight) of U.S. pork products in 2013. Offal imports continue to show a strong growth trend topping \$146 million in 2013 and expected to grow over 30 percent in 2014 (table 7).

Summary:

Economic indicators, including GDP forecasts and restaurant receipts, forecast weaker domestic demand in 2014 compared to 2013, resulting in a 15 percent year on year decline in total pork imports. Economic recovery over the next twelve months might see trade recover to 350,000MT but fall short of the 399,000MT achieved in 2013.

In 2013, Hong Kong imported \$87 million of U.S. pork products, which, taking re-exports into account, made it the 7th largest market, by both value and volume, for U.S. pork. Hong Kong imported \$146 million of pork offals in 2013.

Competitive pricing from Chinese and Brazilian sources lowers prospects for U.S. imports in the future. In terms of carcass weight with re-exports excluded, U.S. pork products will probably drop to 22,000 MT in 2014, down 21 percent from 2013, as China's price advantage erodes U.S. market share.

Similarly, weakening catering activity and reduced domestic demand draw forecast predictions for pork consumption down to 478,000 MT and 490,000 MT in 2014 and 2015 respectively, from a consumption level of 534,000 MT in 2013.

About 31 percent of pork consumed in Hong Kong is freshly slaughtered and destined for home consumption. Although consumption of chilled/frozen pork is expected to decline due to sluggish demand in restaurant and catering sectors, demand for fresh pork will remain strong due to plentiful supply of low-priced Chinese product and high-priced fresh chicken and beef.

Production:

Hong Kong's pork production is projected to rise through 2014 and 2015 reaching 138,000 MT and 140,000 MT, respectively. China currently supplies over 93 percent of live pigs to Hong Kong and is expected to supply around 4,500 pigs to Hong Kong daily for the next several years.

The abundant supply of live pigs to Hong Kong is keeping wholesale prices low. In the first five months of 2014, wholesale prices of live pigs bottomed at \$2,460/MT from a record high of \$3,149/MT in 2011 (table2).

Approximately 40 pig farms in Hong Kong maintain a steady supply of 260 pigs daily, representing 7 percent of total production, to the local market. Pigs raised locally are comparatively heavier than Chinese-raised pigs, averaging about 96 kg versus 80 kg. Due to environmental and land use considerations, the Hong Kong government is not prepared to permit the expansion of pig farm operations, leaving the future vitality of livestock production uncertain.

Each consignment of imported animals for human consumption is tested for chemical and veterinary drug residues. The Hong Kong Food Safety Authority monitors products for 44 drugs, including seven

prohibited¹, and 37 restricted veterinary chemicals which are listed on [Public Health \(Animals and Birds\) \(Chemical Residues\) Regulation \(Cap. 139N\)](#). About 51,500 samples of urine, serum and other tissues from pigs, cattle, goats and chickens were tested in 2013. No prohibited chemicals were detected.

Paylean is a registered drug in Hong Kong (approved in 2007) and is allowed for use in swine feeds.

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

	2010	2011	2012	2013	2012/2013 Change Change	2014 Estimates
Local Supply	88,639	92,959	97,477	96,488	-1%	93,500
Imports	1,630,452	1,464,211	1,540,756	1,575,810	2.3%	1,630,000
Total	1,719,091	1,557,170	1,638,233	1,672,298	2%	1,723,500

Source: Hong Kong Agriculture, Fisheries and Conservation Department

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

	2011	2012	2013	2013	2014	% change
				Jan - May		
Live Pigs	3,149	2,829	2,871	2,776	2,460	-11

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

Source: Hong Kong Census & Statistics Department

Consumption:

Pork consumption in 2014 and 2015 is forecast lower than 2013 at 478,000 MT and 490,000 MT, respectively, as demand growth slows. According to government statistics, restaurant receipts in real terms declined 0.7 and 0.9 percent, year on year, for the first and second quarter of 2014 respectively.

Fresh pork consumption is expected to benefit from low prices compared to more expensive chicken and beef. Contributing to this situation are the following factors: (table 3).

- Plentiful supply of live pigs from China has lowered local fresh pork prices. For the first five months in 2014, the price of fresh pork has dropped between 3 to 5 percent (table 4).
- Reduced supplies of poultry following Hong Kong's ban of live chicken imports from China from January to August 2014 due to H7 flu virus concerns have raised prices. China previously supplied almost half of Hong Kong's live chicken supply. Although the ban was lifted in early September 2014, the daily supply of live chickens, currently around 4,000 head, remains well below the previous level of 7000 head.
- Reduced supplies of live cattle from China have also raised prices. For example, the average retail price of beef has risen from \$13.74/kg in 2011 to \$19.99/kg in 2014 (table 4). There is no

¹ Avoparcin, Clenbuterol, Chloramphenicol, Dienoestrol, Diethylstilboestrol, Hexoestrol and Salbutamol

indication when live cattle supplies from China to Hong Kong will increase and reduce pressure on prices.

Given these price influences, the substitution between pork and other expensive meats is expected to support increased consumption of freshly slaughtered pork over the next few years.

Table 3. Hong Kong: Pork, Chicken and Beef Consumption 2013, by type, in Metric Tons

	Freshly slaughtered	Chilled/Frozen
Pork	135,328(31%^)	306,799
Chicken	11,916(5%^)	203,307*
Beef	6,321(2%^)	337,618

Source: Hong Kong Agriculture, Fisheries and Conservative Department
Hong Kong Census and Statistics Department

Note: * chicken feet are excluded.

^ The share of freshly slaughtered meats

Table 4. Hong Kong: Average Retail Prices of Pork Relative to Beef and Poultry, (Freshly Slaughtered), in US\$/kg

	2011	2012	2013	2013	2014	% change
				Jan - May		
Chicken (whole chicken)	10.72	11.17	12.13	12.54	12.80	2.07
Beef (best quality)	13.74	16.38	20	19.96	19.99	0.15
Beef (belly flesh)	11.16	13.51	16.76	16.62	16.85	1.38
Pork (lean meat)	8.36	8.51	8.50	8.71	8.26	-5.17
Pork Chop	8.38	8.59	8.73	8.87	8.60	-3.04

Source: Hong Kong Census & Statistics Department

Trade:

Pork imports are expected to fall due to slower demand. Forecasts for 2014 and 2015 pork import volumes fall to 340,000 MT and 350,000 MT respectively (PSD Table).

Hong Kong's 2013 pork import value topped \$1,260 million, including re-exports. Hong Kong's major pork suppliers include China (34%), Brazil (19%), and the U.S. (8%) – table 6.

On the other hand, offal imports show a strong growth trend. Hong Kong imported \$738 million in offals in 2013 and this value is expected to grow over 30 percent in 2014 (table 7). While about 42 percent of Hong Kong's pork imports are re-exported, as much as 79 percent of offals are re-exported.

Table 5. Hong Kong: Pork Imports in Volume by Suppliers, in MT

Partner Country				Year To Date			
	2011	2012	2013	06/2013	06/2014	Market Share	%Change
World	481,495	413,748	443,712	203,643	221,774	100%	9
China	100,332	91,354	102,942	48,539	59,060	27%	22

Brazil	86,623	89,449	91,997	45,270	42,020	19%	-7
Spain	47,410	37,066	43,020	18,945	16,119	7%	-15
Netherlands	30,538	27,365	32,491	15,440	11,334	5%	-27
U.S.	23,831	27,099	29,538	14,544	14,205	6%	-2
Germany	50,195	34,767	28,467	10,016	21,266	10%	112
Poland	26,690	16,591	19,528	9,196	11,665	5%	27
Italy	20,528	14,168	17,567	8,153	7,267	3%	-11

Source: Hong Kong Census & Statistics Department

Table 6 . Hong Kong: Pork Imports in Value by Suppliers, in US\$ million

Partner Country	Year To Date						
	2011	2012	2013	06/2013	06/2014	Market Share	%Change
World	1,253	1,194	1,258	582	638	100%	10
China	334	341	387	185	215	34%	16
Brazil	266	256	259	128	119	19%	-7
Spain	101	88	98	41	39	6%	-5
U.S.	75	86	87	39	51	8%	32
Netherlands	66	65	82	41	28	4%	-32
Germany	94	66	53	17	37	6%	116
Italy	43	38	42	20	19	3%	-4
Poland	46	33	42	20	23	4%	18

Source: Hong Kong Census & Statistics Department

Table 7. Hong Kong: Offal Imports by Suppliers, in MT

Partner Country	Year To Date						
	2011	2012	2013	06/2013	06/2014	Market Share	%Change
World	495,448	338,603	359,811	159,926	203,911	100%	28
Germany	134,299	94,153	88,065	36,707	62,563	31%	70
Netherlands	59,189	44,426	58,703	24,088	27,152	13%	13
U.S.	73,270	43,934	54,852	25,659	28,493	14%	11
Brazil	49,744	43,241	38,403	18,377	20,441	10%	11
Spain	20,954	15,409	21,258	10,194	9,350	5%	-8
U.K.	37,698	21,875	20,201	10,177	9,375	5%	-8
Belgium	23,454	16,069	18,228	9,207	7,634	4%	-17
Italy	13,746	10,113	9,979	4,842	6,213	3%	28
Canada	16,174	6,216	8,311	2,283	4,738	2%	107
Poland	14,360	10,918	7,857	3,528	11,298	6%	220

Source: Hong Kong Census & Statistics Department

Table 8. Hong Kong: Offal Imports by Suppliers, in US\$ million

Partner Country	Year To Date						
	2011	2012	2013	06/2013	06/2014	Market Share	%Change

World	878	700	738	324	438	100%	35
Germany	218	179	162	68	112	26%	64
United States	159	124	146	69	92	21%	34
Netherlands	112	101	117	47	56	13%	17
Brazil	96	94	86	42	50	11%	20
Belgium	43	35	38	19	17	4%	-15
Spain	34	28	37	17	18	4%	8
United Kingdom	50	33	32	16	16	4%	2
Canada	32	15	22	6	12	3%	93
Denmark	38	23	17	6	11	3%	73

Source: Hong Kong Census & Statistics Department

Table 9. Hong Kong: Pork Re-exports by Major Destinations, in MT

Partner Country				Year To Date			
	2011	2012	2013	06/2013	06/2014	Market Share	%Change
World	149,552	95,120	136,913	61,182	92,995	100%	52
Vietnam	23,973	24,468	81,887	30,278	52,512	56%	73
Taiwan	287	19,686	35,245	24,553	25,770	28%	5
Macau	9,922	11,117	11,651	5,067	7,296	8%	44
China	115,113	38,815	7,891	1,170	7,318	8%	526

Source: Hong Kong Census & Statistics Department

Table 10 : Hong Kong: Pork Re-exports by Categories, in MT

				Year To Date		
	2011	2012	2013	06/2013	06/2014	%Change
Pork	149,552	95,120	136,913	61,182	92,995	52
Chilled	104	101	85	38	56	50
Frozen Pork	86,261	75,642	103,133	48,936	73,271	50
Processed	63,187	19,377	33,695	12,209	19,667	61
Offals	369,982	334,088	262,734	123,308	160,449	30

Source: Hong Kong Census & Statistics Department

Table 11. Hong Kong: Retained Pork Imports by Categories, in MT

				Year To Date		
	2011	2012	2013	06/2013	06/2014	%Change
Pork	331,943	318,628	306,799	142,461	128,779	-10%
Chilled	15,462	11,624	9,585	4,529	4,708	4%
Frozen Pork	164,174	160,310	124,552	58,396	43,145	-26%
Processed	152,307	146,695	172,662	79,536	80,927	2%

Offals	125,466	4,515	97,077	36,618	43,462	19%
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Source: Hong Kong Census & Statistics Department

US Supplies

Due to slowing demand and competitive pricing from alternative sources, U.S. pork exports to Hong Kong in 2014 will likely decline 28 percent to 22,000 MT (carcass weight with re-exports excluded) compared to 28,000 MT in 2013. In the first six months of 2014, U.S. pork CIF prices jumped 35 percent to \$3,604/MT compared to \$2,659/MT in the corresponding period in 2013 following the Porcine Epidemic Diarrhea virus (PEDv) cases. As a result of rising prices, sales of U.S. chilled pork to Hong Kong declined 6 percent in volume between January – June 2013 and 2014.

Given high U.S. pork prices in early 2014, local traders are procuring less expensive pork supplies from China, European countries and Brazil. Popular U.S. commodities cuts, such as brisket bones, spareribs and collar, have close competitor substitutes. For instance, European soft bone cuts can readily replace American brisket cuts which are widely used in Chinese restaurants. While U.S. premium pork has a very niche market in high-end restaurants and supermarkets, substitutes from Australia are also available. For instance, Australian chilled pork exports to Hong Kong jumped 15 percent (table 13) between January – June 2013 and 2014 when U.S. chilled pork prices went high.

Hong Kong was the 7th largest export market for U.S. pork supplies in 2013, accounting for 3 percent of total U.S. pork export volume. Hong Kong imported a total of 29,538 MT of U.S. pork products (table 5) valued at \$87 million (table 6) last year when re-exports are taken into account.

In 2013, Hong Kong imported \$146 million (table 8) of U.S. offals. Between January – June 2013 and 2014, U.S. offal exports to Hong Kong continued to grow by 34 percent by value and 11 percent by volume (table 7).

Table 12. Hong Kong: Imports of U.S. Pork Products by Categories, in US\$ million

	Year To Date					
	2011	2012	2013	06/2013	06/2014	%Change
Pork	75	86	87	39	51	32
Chilled Pork	3	1	1	0	0	22
Frozen Pork	46	56	43	19	24	25
Processed Pork	26	30	43	19	27	40
Offals	159	124	146	69	92	34

Source: Hong Kong Census & Statistics Department

Other Suppliers

China

China's pork exports to Hong Kong have been performing well since 2013 and are expected to continue strong in 2014 and 2015, given competitive pricing. Between January – June 2013 and 2014, the CIF prices of pork from China declined 4 percent resulting in a 22 percent increase in import volume and a rise in market share from 24 percent to 27 percent. Given the prevailing high prices of Brazilian (discussed below) pork, China's pork will continue to be in demand in the Hong Kong market.

China exported \$387 million (table 6) worth of pork to Hong Kong in 2013, \$30 million of which was chilled pork. China accounts over 93 percent of Hong Kong's total chilled pork imports, but to a different market segment than that of the U.S. and Australia. Chilled pork from China is primarily for household consumption and use in Chinese restaurants.

For frozen pork products, China is the second largest supplier to Hong Kong after Brazil, with sales of \$163 million to Hong Kong in 2013. Popular cuts include fillet, loin, and butt which are widely used in Chinese restaurants and fast food chains.

Processed pork accounts for the largest share of export value of Chinese pork to Hong Kong, compared to chilled and frozen pork. The export value and volume amounted to \$194 million and 49,519 MT respectively in 2013. The bulk of the processed products are half or fully-cooked products for the catering industries. To reduce operation costs, fast food chains and Chinese restaurants have established pork processing operations in Chinese cities adjacent to Hong Kong for processing dim-sum and dumplings that are exported to Hong Kong. These processed pork products are difficult to replace with supplies from other countries, thus, Hong Kong has continued to buy Chinese processed pork products in the past few years even when China's pork prices were high (table 15).

Brazil

Brazil is the second largest pork supplier to Hong Kong, with an export value of \$259 million (table 6) last year. Hong Kong is forecast to import less pork from Brazil in 2014 and 2015 due to higher prices. Although, Hong Kong importers increased inventory in late 2013 and early 2014 to avoid price rises, Brazilian pork exports to Hong Kong declined 7 percent in January – June 2014 year-on-year (table 5). Hong Kong traders expect that the Russian market will increase demand for Brazilian pork, particularly for primal cuts such as loins and belly. Thus, Brazilian pork prices will remain high. Hong Kong, therefore, is expected to reduce Brazilian imports in the near future. However, parts not in strong demand by Russia, such as spareribs, will continue to flow into Hong Kong.

Table 13. Hong Kong: Chilled Pork Imports by Suppliers, in MT

Partner Country	Year To Date						
	2011	2012	2013	06/2013	06/2014	Market Share	%Change
World	15,566	11,725	9,670	4,567	4,764	100%	4
China	14,794	11,271	9,114	4,300	4,448	93%	3
Australia	146	146	154	74	86	2%	15
Canada	49	73	111	50	52	1%	2
Thailand	37	62	107	49	55	1%	12
United States	468	95	80	38	36	1%	-6

Source: Hong Kong Census & Statistics Department

Table 14. Hong Kong: Frozen Pork Imports by Suppliers, in MT

Partner Country				Year To Date			
	2011	2012	2013	06/2013	06/2014	Market Share	%Change
World	250,435	235,952	227,685	107,332	116,416	100%	8
Brazil	79,012	81,873	82,660	40,617	38,112	33%	-6
China	46,471	40,294	44,309	20,736	26,513	23%	28
Netherlands	24,464	22,190	26,370	13,001	8,877	8%	-32
Germany	39,622	29,500	23,648	8,606	18,794	16%	118
United States	15,930	17,392	13,731	6,467	6,847	6%	6
Vietnam	5,891	9,059	8,568	4,478	3,587	3%	-20

Source: Hong Kong Census & Statistics Department

Table 15. Hong Kong: Processed Pork Imports by Suppliers, in MT

Partner Country				Year To Date			
	2011	2012	2013	06/2013	06/2014	Market Share	%Change
World	215,494	166,072	206,357	91,745	100,594	100%	10
China	39,068	39,788	49,519	23,503	28,099	28%	20
Spain	42,235	30,621	35,587	15,405	13,160	13%	-15
Poland	24,221	15,216	17,515	8,172	10,226	10%	25
Italy	17,999	12,469	16,727	7,563	7,218	7%	-5
U.S.	7,433	9,611	15,728	8,039	7,322	7%	-9
Brazil	7,611	7,577	9,311	4,626	3,887	4%	-16
France	11,379	8,459	8,444	4,029	4,701	5%	17
Netherlands	6073	5175	6121	2440	2457	2%	1

Source: Hong Kong Census & Statistics Department

Policy:

Hong Kong's first ever pesticide regulation became effective in August 2014. This measure provides a [list of MRLs](#) (maximum residue level) regulating over 7,000 pesticide-food pairs. The Regulation adopts a "modified positive list" approach. If a food is found to contain pesticide residues for which no MRLs have been specified in the Regulation, except for exempted pesticides, the import and sale of the concerned food is only allowed if the consumption of the food is not dangerous or prejudicial to health. The Hong Kong Center for Food Safety (CFS) will conduct risk assessments taking into account the local food consumption patterns and other factors.

The CFS indicates that they will update the MRLs by making reference from the latest international developments. Also, they will provide a mechanism that allows the trade to make suggestions for adding or revising MRLs/EMRLs to the existing pesticides list. All applications have to be accompanied by supporting documentation. No application fee is required. A [guide](#) to making proposals is provided at the CFS website.

The CFS has prepared a [User Guidelines for Pesticide Residues in Food Regulation](#) which also contains some “Frequently Asked Questions”.

Detailed information on the pesticide regulation is available on the CFS [webpage](#), which also contains a quick search engine on MRLs of specific food types.

Production, Supply and Demand Data Statistics:

PS&D Table

Meat, Swine Hong Kong	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	0	0	0	0		0
Beginning Stocks	0	0	0	0		0
Production	137	135	138	138		140
Total Imports	399	399	445	340		350
Total Supply	536	534	583	478		490
Total Exports	0	0	0	0		0
Human Dom. Consumption	536	534	583	478		490
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	536	534	583	478		490
Ending Stocks	0	0	0	0		0
Total Distribution	536	534	583	478		490

1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG

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.