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Hong Kong

Livestock and Products Annual

Annual

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Report Highlights:

Hong Kong's total pork imports registered a modest 2 percent growth by volume from January – June 2017 as lower demand from mainland China reduced re-export prospects for Hong Kong.

Summary:

Expected domestic production in 2017 of 122,000 metric tons (MT) represents a 1 percent decline as consumer's preference for fresh pork recedes to the convenience of chilled and frozen pork products and not due to price issues as seen in 2016.

The forecast for 2017 imports, by volume, inclusive of re-exports, hovers at a modest 2 percent compared to 16 percent growth last year. Although Brazilian pork exports to Hong Kong dropped 31 percent in the first half of 2017 in response to food safety concerns to the benefit of China and U.S. market shares, Brazilian export levels are expected to recover in the latter part of 2017.

On the policy side, the Hong Kong government (HKG) has launched a Strategy and Action Plan on Antimicrobial Resistance (2017-20122) to combat the threat of growing antimicrobial resistance (AMR) in the community. Through a series of action, the HKG will strengthen the monitoring and control of the use of veterinary drugs in food animals. Currently, veterinary chemicals are allowed to be pre-mixed in animal feed and farmers are provided with permits to purchase and possess antimicrobials for the treatment of their farm animals. These measures will be replaced with mandatory prescription medication in the long run to strengthen surveillance of AMR in meat products.

Production, Supply and Demand Data Statistics

Meat, Swine Market Begin Year	2016		2017		2018	
	Jan 2016		Jan 2017		Jan 2018	
	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	124	124	120	122	0	122
Total Imports	429	429	450	400	0	420
Total Supply	553	553	570	522	0	542
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	553	553	570	522	0	542
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	553	553	570	522	0	542
Ending Stocks	0	0	0	0	0	0
Total Distribution	553	553	570	522	0	542

(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, using a conversion factor of 1.3. Imports are calculated as Imports minus Re-exports.

Production

Hong Kong's pork production is expected to remain stable in 2017 and 2018 at 122,000 MT (1.5 million head), about 1 percent below the 2016 level. Currently, Hong Kong has 43 swine production operations that range in size from 2,000 to 8,000 head, with 80 percent having a population in the region of 3,000 head.

The swine livestock supply is comprised of 6 percent (volume) and 7 percent (weight) local production with the remainder imported from mainland China. Despite a favorable price trend for China-origin swine in 2017 (table 2), live imports for slaughter are unlikely to rise due to consumer's increasing demand for chilled/frozen pork products over fresh. Similarly, domestic production, though stable in the near term, is expected to decline over time as consumption patterns change.

The daily local farm and import slaughter supply of approximately 250 and 4,200 pigs, respectively, is expected to remain stable in the near future. According to Hong Kong government statistics, locally raised pigs have a higher dress weight of 96 kg compared to imported pigs with an average of 80 kg.

Table 1: Supply and Consumption of Live Pigs, by Volume

	2013	2014	2015	2016	2017 estimates
Local Supply	96,488	87,432	85,733	87,948	88,000
Imports	1,575,810	1,624,926	1,583,398	1,439,568	1,430,000
Total	1,672,298	1,712,358	1,669,131	1,527,516	1,518,000

Source: Hong Kong Agriculture, Fisheries and Conservation Department

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

	2013	2014	2015	2016	2016	2017	% change
					Jan - May		
Live Pigs	2,871	2,678	2899	3,350	3454	2,914	-16%

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

Source: Hong Kong Census & Statistics Department

Consumption

Fresh pork, as the most economical option by price (table 3), is the most popular meat product for household consumption according to a 2014/15 Hong Kong government survey¹. However, consumers sensitive to convenience factors, are increasingly shopping at the supermarket where refrigerated facilities support the sale of chilled/fresh products, unlike street markets. In addition, e-commerce sales of pork, though quite small, offer another avenue where fresh product loses customers to chilled/frozen.

In contrast to household consumption, food service outlets drive demand for frozen pork due to favorable cost and convenience factors. As restaurant receipts continue to be promising in 2017 and positive economic growth is forecast for the local economy, the demand for frozen pork is expected to reflect an upward trend.

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

	2014	2015	2016	2016	2017	% change
				Jan - May		
Chicken (whole)	12.93	15.24	16.18	16.08	16.75	4.17%
Beef (best quality)	20.01	20.01	20.41	20.30	20.65	1.72%
Beef (belly flesh)	16.92	17.15	17.33	17.33	17.52	1.10%
Pork (lean meat)	8.24	8.51	9.55	9.37	9.73	3.84%
Pork Chop	8.65	8.93	10.22	9.98	10.57	5.91%

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

Source : Hong Kong Agriculture, Fisheries and Conservation Department

Trade

Although Hong Kong pork imports of 462,235 MT (table 5) of pork valued at \$1.26 billion (table 6), inclusive of re-exports, jumped 16 percent year-on-year in response to keen re-export demand to China in 2016, this positive trajectory fell short in 2017. Due to softening demand for re-exports to China, comparisons of the same time periods (January – June 2016 and 2017), show Hong Kong imports grew only 2 percent by volume and 15 percent by value.

U.S. Products

The U.S. ranked as Hong Kong's 3rd largest supplier of pork products by both value and volume in 2016 and 2017. From January – June 2017, U.S. pork exports to Hong Kong totaled \$84 million, a rise of 29 percent (table 6) compared to the same period last year, while volume increased by 12 percent reaching 35,775 MT (table 5), comprised of \$72 million (33,294 MT) in frozen pork and \$11 million (2,395 MT) in processed pork.

The demand for U.S. pork in the local retail market remains stable, with a temporary substitution

¹ 2014/15 household Expenditure Survey and the Rebasings of the Consumer Price Indices

during the short-lived ban on Brazilian meat products in March. A trader indicated that business for U.S. pork grew about 20 percent in March and April 2017. The food service sector tends toward lower cost Brazil and China origin products although high-end restaurants consistently demand U.S. pork.

For U.S. swine offals exports, Hong Kong remains a significant destination for U.S. producers. The U.S. is Hong Kong's largest supplier of swine offals. Export volume to Hong Kong reached 62,866 MT (table 15) valued at \$136 million (table 16) from January – June 2017, far exceeding the export value in pork products which stood at \$84 million.

Other Suppliers

- Brazil

Brazilian pork exports to Hong Kong declined by 31 percent and 24 percent by volume and value, respectively, in the first half of 2017, due to the allegation of substandard products that resulted in a ban on all Brazilian meat products by Hong Kong on March 21, 2017. The sudden ban triggered swift demand for substitute sources which caused prices to rise. For example, Chinese pork prices peaked 20 percent above Brazilian prices.

Within a week, the Hong Kong Government announced only 6 of 21 meat plants under investigation had exported product to Hong Kong with minimal trade impact. As a result, the market dynamics appeared to return to a more traditional supply pattern by July. Despite this temporary interruption in demand which drove its market share down in the first half of 2017, Brazil remains Hong Kong's largest pork supplier by volume (50,187 MT; 21% market share) and the 2nd largest by value (\$120 million; 17% market share). Brazil primarily sells commodity cuts that are used extensively in Hong Kong's restaurant industry ranging from low-to- medium end restaurants, fast food chains and even hotels.

- China

As the second largest supplier, by volume, China's full range of pork exports to Hong Kong totaled 45,762 MT, representing a 14 percent increase between January – June 2016 and 2017. Exports also rose 21 percent to a value of \$218 million retaining China as the largest supplier, by value. The rise in Chinese pork exports to Hong Kong was not only attributed to the drop in Brazilian pork sales but also to more price competitive products compared to other sources (table 7). Given that pork prices in China are expected to remain lower in the short term, China's pork exports to Hong Kong are likely to continue to perform well in the second half of 2017.

China's frozen pork exports to Hong Kong rose 35 percent, by value, from Jan-Jun 2017 (table 12). Chilled pork exports, however, declined by 22 percent (table 10), by value, during the same time period as Brazilian chilled pork continued to gain market share. China has been losing market share to Brazil over the past two years, falling from 85 percent in 2015 to 63 percent in 2017 while Brazil's market share has shot up from 0 in 2015 to 13 percent in 2017. Brazil is currently Hong Kong's second largest supplier of chilled pork.

- Germany

German pork product exports to Hong Kong surged during the first 6 months of 2017. A Hong Kong trader explained that as a result of an earlier ban by China on pork exports from a large German producer, the pork product were shifted to Hong Kong such that German products jump 49% in volume (22,380 MY) and 85 percent (\$42 million) in value from January –June 2017.

Exports

About 37 percent of pork imports to Hong Kong were re-exported from January-June 2017. Hong Kong’s pork re-exports rose by 26 percent in the first 6 months of 2017 (89,108 MT) in contrast to 41 percent in 2016 (131,813 MT) – (table 8). With 72 percent of the re-export market during the first six months of 2017, Taiwan was the largest market for re-exports followed by China with 10 percent.

Re-exports to China declined by 73 percent in comparing January – June 2016 and 2017 due to softening demand for imported pork products which also had a potential impact on Hong Kong’s re-export volume to China via Vietnam which fell by 50 percent.

Policy

The Center for Food Safety (CFS) monitors food animals admitted to slaughterhouses and monitors chemical and veterinary drug residue in food animals in accordance to the Public Health (Animals and Birds) (Chemical Residues) Regulation (Cap. 139N). The Regulation prohibits the use of seven chemicals² and set the maximum residue level of 37 chemicals. The CFS collects about 50,000 different samples including urine, serum and other tissues from pigs, cattle, goats and chickens for laboratory examination each year. The results are provided in the following table.

Table 4. HKG’s Surveillance of Prohibited Chemicals

Year	2014	2015	2016
No. of pig urine samples collected	49 353	49 030	44 897
No. of positive cases in prohibited chemicals	0	1	2

Source: Hong Kong Center for Food Safety

In view of the growing threat of antimicrobial resistance (AMR), the Hong Kong government developed a Hong Kong Strategy and Action Plan on Antimicrobial Resistance (2017 -2022). The five-year plan comprises a list of measures to contain the growth of AMR, including the monitoring of antimicrobial use in humans and animals.

In the context of food animals, the Agriculture, Fisheries and Conservation Department (AFCD) will develop a monitoring plan to establish a list of AMR microorganisms to be monitored in farms. Moreover, the HKG is planning to stop issuing Antibiotics Permits to farmers and will initiate legislative amendments to repeal the exemption of antimicrobials in animal feeds, so that the use of

² Avoparcin, Clenbuterol, Chloramphenicol, Dienoestrol, Diethylstilboestrol, Hexoestrol and Salbutamol

antimicrobials in food animals will be subject to veterinary prescription. This measure will be ready for implementation when Hong Kong’s non-government veterinary sector has developed to a stage that could support the mandatory prescription for the use of antibiotics in food animals.

Currently, AFCD issues written permits to local swine and poultry farmers to enable them to purchase and possess antimicrobials for the treatment of diseases of their farm animals. The permit covers 20 antibiotics that are commonly used in livestock farming and is valid for six months. Also, veterinary chemicals could be pre-mixed in animal feed or added to the feed by farmers. The five-year plan will work towards the ultimate objective of “veterinary prescription-only medication supply” policy.

In addition to the monitoring of AMR in food animals, the five-year plan also includes the objective to develop a surveillance mechanism to monitor AMR microorganisms in foods as well.

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

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	
							2017
World	442,016	399,675	462,235	235,148	240,774	2	100%
Brazil	77,661	79,938	130,978	73,123	50,187	-31	21%
China	115,168	104,850	82,946	40,310	45,762	14	19%
U.S.	28,059	28,133	57,250	31,987	35,775	12	15%
Germany	38,263	33,635	29,794	15,052	22,380	49	9%
Spain	31,808	20,332	28,372	12,734	13,234	4	5%
Poland	29,504	25,953	26,018	10,622	17,001	60	7%
Netherlands	23,743	24,463	24,820	12,007	14,934	24	6%

Source : Hong Kong Census & Statistics Department

Table 6. Hong Kong: Pork Imports in US\$ million

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	
							2017
World	1,303	1,123	1,260	608	698	15	100%
China	429	427	385	180	218	21	31%
Brazil	228	200	288	157	120	-24	17%
U.S	100	78	126	65	84	29	12%
Vietnam	36	49	81	34	41	21	6%
Spain	83	49	69	29	36	26	5%
Netherlands	63	59	61	28	41	44	6%
Germany	70	52	48	23	42	85	6%
Poland	59	43	44	18	32	77	5%

Source : Hong Kong Census & Statistics Department

Table 7. Hong Kong: Average Value of Pork Imports, \$/MT

Partner Country	Calendar Year			Year To Date		
	2014	2015	2016	06/2016	06/2017	%Change
World	2,947	2,809	2,726	2,586	2,898	12
Brazil	2,936	2,506	2,199	2,143	2,389	11
China	3,724	4,071	4,637	4,475	4,771	7
Germany	1,823	1,539	1,615	1,502	1,873	25
Poland	2,012	1,638	1,692	1,699	1,877	11
Spain	2,604	2,403	2,447	2,267	2,753	21
U.S.	3,549	2,790	2,198	2,037	2,341	15
Vietnam	4,605	5,287	6,406	6,049	4,883	-19

Source : Hong Kong Census & Statistics Department

Table 8. Hong Kong: Pork Re-exports in Volume, MT

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	2017
_Total	174,886	93,680	131,813	70,856	89,108	26	100%
China	20,637	13,382	57,013	33,150	9,061	-73	10%
Taiwan	43,527	929	39,827	17,133	64,102	274	72%
Macau	14,704	15,428	17,659	8,260	8,589	4	10%
Vietnam	94,838	62,864	16,348	11,794	5,928	-50	7%

Source : Hong Kong Census & Statistics Department

Table 9. Hong Kong: Chilled Pork Imports in MT

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	2017
World	8,995	8,920	9,969	4,708	4,891	4	100%
China	8,367	8,246	7,625	3,942	3,165	-20	65%
Brazil	47	129	1,123	348	1,060	204	22%
U.S.	62	54	411	25	86	250	2%
Canada	115	169	316	129	148	14	3%
Australia	180	220	309	170	176	4	4%

Source : Hong Kong Census & Statistics Department

Table 10. Hong Kong: Chilled Pork Imports in US\$ thousand

Partner	Calendar Year	Year To Date	Market
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Country							Share
	2014	2015	2016	06/2016	06/2017	%Change	2017
World	30,385	34,460	40,045	19,454	18,991	-2	100%
China	24,595	29,156	29,481	15,240	11,889	-22	63%
Australia	1,708	1,870	2,895	1,575	1,499	-5	8%
Canada	1,100	1,453	2,327	1,000	1,162	16	6%
Brazil	134	295	2,259	724	2,418	234	13%
U.S.	653	431	1,260	224	335	49	2%
Japan	152	288	461	78	116	49	1%
Spain	85	285	459	204	794	288	4%
France	452	417	288	156	222	43	1%
Thailand	765	121	259	94	392	316	2%

Source : Hong Kong Census & Statistics Department

Table 11. Hong Kong: Frozen Pork Imports in MT

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	2017
World	229,344	245,189	333,010	172,050	178,710	3.87	100%
Brazil	68,726	73,351	122,599	69,068	45,161	-34.61	25%
U.S.	15,741	22,829	52,756	29,564	33,294	12.62	19%
China	52,584	52,269	35,068	17,128	22,338	30.42	12%
Germany	32,846	27,957	25,388	13,217	21,568	63.18	12%
Netherlands	18,358	17,719	18,950	8,983	12,393	37.96	7%
Poland	7,546	9,727	18,426	6,418	13,188	105.49	7%
Spain	6,780	7,958	17,406	7,817	8,560	9.5	5%
Vietnam	7,654	9,212	12,504	5,544	8,292	49.57	5%

Source : Hong Kong Census & Statistics Department

Table 12. Hong Kong: Frozen Pork Imports in Value, US\$million

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	2017
World	665	672	836	408	482	18	100%
Brazil	196	180	267	147	106	-28	22%
China	193	218	165	79	107	35	22%
U.S.	50	54	104	54	72	35	15%
Vietnam	35	49	80	34	40	21	8%
Netherlands	50	44	46	20	34	67	7%
Spain	22	20	42	17	23	31	5%
Germany	57	40	38	19	40	115	8%

Poland	14	16	32	12	25	116	5%
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Source : Hong Kong Census & Statistics Department

Table 13. Hong Kong: Processed Pork Imports in MT

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	2017
World	203,676	145,566	119,256	58,390	57,173	-2	100%
China	54,216	44,335	40,254	19,240	20,259	5	35%
Russia	10,144	13,149	15,007	6,164	9,176	49	16%
Spain	25,024	12,349	10,926	4,887	4,531	-7	8%
Poland	21,957	16,225	7,592	4,204	3,814	-9	7%
Brazil	8,887	6,458	7,256	3,706	3,966	7	7%
Netherlands	5,385	6,744	5,869	3,023	2,533	-16	4%
Germany	5,417	5,677	4,377	1,806	812	-55	1%
Italy	14,898	8,275	4,212	1,957	1,420	-27	2%
U.S.	12,256	5,250	4,083	2,398	2,395	0	4%

Source : Hong Kong Census & Statistics Department

Table 14. Hong Kong: Processed Pork Imports in US\$ million

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	2017
World	607	416	384	180	197	9	100%
China	211	180	190	86	100	16	51%
Spain	60	28	27	11	13	13	7%
Russia	20	18	21	8	15	74	7%
United States	49	24	21	11	11	0	6%
Brazil	32	20	18	9	11	25	6%
Netherlands	13	15	16	8	7	-17	3%
Italy	40	21	13	6	5	-16	3%
Poland	46	27	12	6	6	3	3%

Source : Hong Kong Census & Statistics Department

Table 15. Hong Kong: Swine Offal Imports in MT

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	2017
World	479,101	419,504	481,674	243,097	223,871	-8	100%

U.S.	88,785	105,458	120,365	61,587	62,866	2	28%
Germany	116,964	68,986	69,954	32,314	41,354	28	18%
Brazil	43,710	38,273	50,253	26,936	23,651	-12	11%
Poland	39,752	37,989	48,614	25,453	18,445	-28	8%
Spain	28,315	31,873	45,814	22,865	19,493	-15	9%
Netherlands	54,541	40,118	43,730	20,973	18,146	-13	8%

Source : Hong Kong Census & Statistics Department

Table 16. Hong Kong: Swine Offal Imports in US\$ million

Partner Country	Calendar Year			Year To Date			Market Share
	2014	2015	2016	06/2016	06/2017	%Change	
World	1,032	749	841	398	437	10	100%
United States	243	223	236	113	136	21	31%
Germany	219	108	120	52	73	42	17%
Brazil	109	78	93	46	51	11	12%
Spain	57	51	78	36	37	4	9%
Netherlands	113	69	77	34	36	5	8%
Poland	66	54	67	34	29	-16	7%
Italy	29	23	38	18	14	-22	3%
U.K.	38	25	30	15	13	-15	3%

Source : Hong Kong Census & Statistics Department