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Fewer Little Piggies go to the Hong Kong Market after ASF Cases

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Report Highlights:

Live pig imports to Hong Kong are still in short supplies two weeks after the resumption of trade following the second African Swine Fever (ASF) case in late May. Traders expect short supplies and high prices of freshly slaughtered pork to continue for some months. Hong Kong has stepped up surveillance measures on live pig supplies. Meanwhile, the Hong Kong government has already requested a budget for the culling of live pigs in local farms in the event of any future ASF case confirmed in a locally-raised hog.

Two separate ASF cases were confirmed in Hong Kong's Sheung Shui slaughterhouse, the city's largest, on May 10 and May 31, 2019, respectively. Each case prompted the Hong Kong government (HKG) to cull all pigs in the slaughterhouse, 10,675 pigs in total, and to close the plant for four to seven days for thorough cleansing and disinfection.

Following thorough disinfection, the Sheung Shui slaughterhouse re-opened on June 6, 2019. The supply of live pigs from China are averaging about 2,000 per day, far less than the 4,000 heads per day average before the ASF cases.

Table 1: Daily Live Pigs Supply in Hong Kong

Day/Month/Year	Supply of Live Pigs			Average Auction Prices	
	Mainland	Local	Total	HKD	USD
1/6/2019	0	690	690	\$0	0
2/6/2019	0	725	725	\$0	0
3/6/2019	0	686	686	\$0	0
4/6/2019	0	448	448	\$0	0
5/6/2019	0	547	547	\$0	0
6/6/2019	982	1,030	2,012	\$2,300	296
7/6/2019	1,146	758	1,904	\$2,596	334
8/6/2019	967	621	1,588	\$3,593	462
9/6/2019	1,286	504	1,790	\$3,405	438
10/6/2019	1,288	465	1,753	\$3,304	425
11/6/2019	1,612	341	1,953	\$3,038	390
12/6/2019	1,834	277	2,111	\$2,470	317
13/06/2019	2,686	236	2,922	\$1,417	182
14/06/2019	1,623	356	1,979	\$2,880	370
15/06/2019	1,897	256	2,153	\$2,831	364
16/06/2019	1,859	301	2,160	\$3,373	434
17/06/2019	1,667	306	1,973	\$3,396	437
18/06/2019	1,800	294	2,094	\$2,809	361
19/06/2019	2,277	210	2,487	\$1,959	252
20/06/2019	2,003	230	2,233	\$2,508	322
21/06/2019	1,981	210	2,191	\$2,732	351
22/06/2019	1,902	231	2,133	\$2,771	356
23/06/2019	1,968	336	2,304	\$3,095	398
24/06/2019	1,858	340	2,198	\$3,039	391

Source : Hong Kong Food and Environmental Hygiene Department

Table 2: Monthly Supply of Live Pigs in Hong Kong

	Average Daily Supply of Live Pigs			Average Auction Prices	
	Mainland	Local	Total	HKD	USD
June 2018	4,171	314	4,485	\$1,157	149
July 2018	4,061	307	4,368	\$1,162	149
Aug 2018	4,030	298	4,328	\$1,289	166
Sept 2018	4,100	295	4,395	\$1,337	172
Oct 2018	4,097	290	4,387	\$1,350	174
Nov 2018	4,136	274	4,410	\$1,341	172
Dec 2018	3,683	251	3,934	\$1,286	165
Jan 2019	3,792	291	4,083	\$1,188	153
Feb 2019	3,716	322	4,038	\$1,212	156
Mar 2019	3,895	297	4,192	\$1,253	161
Apr 2019	3,675	276	3,951	\$1,238	159
May 2019	3,575	457	4,032	\$1,618	208

Source: Hong Kong Food and Environmental Hygiene Department

According to sources, there are various reasons for the short supply of live pig imports into Hong Kong. Some industry representatives indicated that Chinese farms have reservations and are not considering selling pigs to Hong Kong because of the extra burden of precautionary safety surveillance measures to protect against ASF. Reportedly, prior to any confirmed cases of ASF in Hong Kong, only one or two pigs from every shipment were inspected, in contrast to the current inspection rate of 70 to 80 percent. Coupled with the fact that domestic prices in China are currently very competitive, some farmers do not think the relatively small additional profit margin for selling to Hong Kong justifies the extra work required to comply with the precautionary surveillance measures.

Moreover, the HKG has implemented an administrative order prohibiting live pigs to remain in slaughterhouses for more than 24 hours. This is an attempt to cut the virus cycle and limit the impact if another case is confirmed. At the end of the work day, all unsold live pigs are slaughtered and the meat refrigerated. Refrigerated meat is not as expensive as live pigs. As such, the live pig agents are being careful to calculate how many pigs to import for slaughter each day.

The current auction prices of live pigs are almost double those before the first confirmed ASF case on May 10, 2019. This has led to a corresponding increase in retail prices of fresh pork and a shift to substitute chilled and frozen pork. The industry is expecting retail prices of fresh pork to remain high for the rest of the year. They do not anticipate live pig supplies to return to a level of 4,000 per day any time soon or for the capacity of local farms to be allowed to expand production drastically to make up for the shortage.

Compensation for Culling of Live Pigs

The two culling exercises involved approximately 10,675 pigs and the HKG has agreed to compensate pig owners at market prices. The total compensation budget was about HKD40 million (USD5.14 million).

Currently, there are 43 pig farms in Hong Kong with a total pig population of about 65,000 hogs. The HKG has earmarked HKD263 million (USD34 million) to compensate local farms for culling their pigs in the event ASF is confirmed at a local farm. The HKG's initiative of earmarking this provisional compensation budget reflects the sentiment that the HKG is prepared to confirm ASF cases in local pig farms.

Strengthened Surveillance Measures

According to the HKG's documents, the Chinese government exercises stringent inspection and quarantine procedures on pigs supplied to Hong Kong. Only specifically registered farms are eligible to supply pigs to Hong Kong. Pigs must be quarantined for 15 days and be free of ASF symptoms before they are discharged from the farms for shipment to Hong Kong. There is an interim transfer house in Shenzhen, China, where additional monitoring and inspection takes place so as to ensure pigs supplied to Hong Kong are healthy before they cross the border.

Upon the pigs arrival at the border, Hong Kong food safety officials check for valid health certificates and monitor health conditions of the live pigs entering Hong Kong. Another round of surveillance occurs before pigs enter the slaughterhouse. Tests are conducted immediately on dead pigs or pigs showing ASF symptoms.

Within Hong Kong, biosecurity measures have been strengthened on farms and associated vehicles. The importation of breeders from China is suspended. Swill of pork origin or that has been in contact with pork or pork products as feed has not been allowed since January 12, 2019.

Since June 6, 2019, all live pigs entering Hong Kong slaughterhouses must be slaughtered within 24 hours to allow for thorough cleansing on a daily basis and to minimize the risk of spreading the virus.

However, an industry representative anticipated that this measure may trigger an increase in slaughtering fee. The revenue of the slaughterhouse depends on the fees for stocking and slaughtering live pigs. The fee varies according to the length of stay in the slaughterhouse. Given that fewer live pigs are now supplied to Hong Kong and none are allowed to stay over 24 hours, the slaughterhouse's revenue will decrease sharply. Thus, the representative foresees the slaughterhouse increasing the slaughtering fee in the near future to compensate for the loss of revenue for stocking live pigs. The current slaughtering fee is about HKD120 (USD12) per head and the industry forecasts the fee will increase by 10 to 20 percent very soon.