



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 1/31/2005

GAIN Report Number: HK5005

Hong Kong

Livestock and Products

Semi-Annual

2005

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Report Highlights:

U.S. beef exports to Hong Kong are still subject to a ban. The Hong Kong government requested a BEV program and indicated an intention to conduct a technical visit to the United States before lifting the ban. A timetable for the visit, however, has not been set up. Hong Kong lifted the ban on Canadian beef effective November 30, 2004. Australian beef has primarily taken up the void of the market left by U.S. beef. U.S. pork exports to Hong Kong reached a record in 2004. A weak U.S. currency was one of the reasons making U.S. products particularly attractive. Chilled pork from China will be allowed entry to Hong Kong probably starting the first quarter of 2005. Pork consumption rose 7.6 percent in 2004 and might be maintained at the same level in 2005.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Hong Kong [HK1]
[HK]

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Situation and Outlook

U.S. beef exports to Hong Kong have been banned since December 24, 2003. USDA through ATO Hong Kong has been actively engaged in negotiating with the Hong Kong government as to when and how to re-open Hong Kong's market. The Hong Kong government still has some remaining concerns over the BSE surveillance and monitoring measures currently in place in the United States. It has also requested for a BEV program catered for U.S. beef exports to Hong Kong. It is estimated that U.S. exporters have lost \$95 million business to Hong Kong in the past 14 months.

Effective November 30, 2004, Hong Kong lifted the ban on Canadian beef. Boneless beef derived from cattle under 30 months of age with Specified Risk Materials (SRM) removed is allowed entry to Hong Kong. In effect, only five Canadian firms are eligible to export products to Hong Kong.

Hong Kong consumers have shown little or no concern regarding the BSE cases. The announcement of the two additional BSE cases in Canada shortly after the lifting of the ban did not raise any public concern. Beef consumption in 2004 was stable and the situation is expected to continue into 2005.

Pork consumption in 2004 increased 7.6 percent. Hong Kong banned chicken products from China and the United States in the early part of 2004, with the effect of pushing up pork consumption. The Hong Kong government since then limited the supply of live chickens to Hong Kong to 30,000 daily, which is about half of the normal import level. In addition, the catering industry has good prospects in 2005 with the burgeoning tourism. Thus, pork consumption in 2005 is expected to be able to maintain the 2004 level at 480,000 MT.

U.S. pork exports to Hong Kong reached a record in 2004. Between January – November 2004, Hong Kong imported 7,097 MT of pork, increasing 58 percent compared to the same period in 2003, with a value of \$14 million. A weak U.S. currency makes U.S. products more price attractive compared to products from European countries.

Chilled pork from China may start to come to Hong Kong in the first quarter of 2005. It will pose direct competition with freshly slaughtered pork. Once Hong Kong starts to import chilled pork from China, production of freshly slaughtered pork in Hong Kong is expected to decrease gradually over the years because of the existence of a price differential between the two types of pork.

Effective November 1, 2004, all meat re-exports to China through Hong Kong are subject to the compulsory pre-inspection required by China Inspection Co. in Hong Kong. The new measure incurs additional cost to Hong Kong traders, which amounts to approximately HK\$4,000 per container inclusive of transport and pre-inspection fees. This additional cost may be big enough to drive more direct shipments from the U.S. to China rather than transshipped or re-exported through Hong Kong.

Statistical Tables – Meat, Beef, and Veal

PS&D table

Hong Kong Meat, Beef and Veal (1000 MT CWE)(1000 HEAD)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	0	0	0	0	0	0	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	13	13	13	14	12	14	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	81	81	82	79	85	80	(1000 MT CWE)
TOTAL Imports	81	81	82	79	85	80	(1000 MT CWE)
TOTAL SUPPLY	94	94	95	93	97	94	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	94	94	95	93	97	94	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	94	94	95	93	97	94	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	94	94	95	93	97	94	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	16	16	2	1	2	1	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Note: PS&D production figures include local and imported live cattle for slaughter. Import and export numbers are in carcass-weight-equivalent using a 1.36 conversion factor for all fresh/chilled and frozen beef and 1.70 for processed beef. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.

Table 1: Supply and Consumption of Live Cattle (head)

	2000	2001	2002	2003	2004 (Provisional)
Local Supply	120	148	138	79	118
Imports	56,856	50,651	47,912	45,333	47,331
Total	56,976	50,799	48,050	45,352	47,449

Source : Hong Kong Agriculture, Fisheries and Conservation Department

Table 2: Average Retail Prices of Beef Relative to Pork and Poultry (Freshly Slaughtered)

US\$/kg	2000	2001	2002	2003	2004 Jan – Oct
Chicken (top grade)	\$4.49	\$4.60	\$4.58	\$4.22	\$5.69
Beef (best quality)	\$7.17	\$7.20	\$7.15	\$7.2	\$7.17
Beef (belly flesh)	\$5.34	\$5.36	\$5.35	\$5.45	\$5.47
Pork (best cut)	\$4.87	\$4.54	\$4.26	\$4.10	\$4.14
Pork Chop	\$5.92	\$5.58	\$5.18	\$4.89	\$4.90

Source: Hong Kong Census & Statistics Department
Exchange Rate: US\$ 1 = HK\$7.75

Table 3: Average Retail Prices of Beef Relative to Pork and Chicken (Frozen)

Product Categories	Weight	HK\$(US\$ = HK\$7.75)
Bone-in ribeye (US)		120/lb
Ribeye (Argentina)		65/lb
Sirloin (US)		48/lb
Short ribs (US)	2 lb	66
Whole chicken wing (Brazil)	5 lb	33
Wing tips (Brazil)	3 lb	10.50
Whole broiler legs (USA)	2.3 lb	14
Boneless thigh meat (Brazil)	2 lb	19
Mid-joint wings (Brazil)	2 lb	22
Bacon (Canada)	½ lb	10
Knuckle (Canada)	2 lb	18
Bone-in pork chop	2 lb	36
Tenderloin	1 lb	10.5
Sparerib	2 lb	23

Source : Retailer

Table 4: Average Wholesale Prices of Live Cattle

US\$/MT	2000	2001	2002	2003	2004 (Jan – Oct)
Live Cattle	2,373	2,356	2,360	2,449	2,394

Source : Hong Kong Census & Statistics Department

Table 5: Hong Kong Beef Imports in Quantity by Suppliers, Jan – Nov

Country	MT, 2002	MT, 2003	MT, 2004	% Change - 04/03 -	Market Share		
					2002	2003	2004
--The World--	53,855	58,435	56,962	-3%	100%	100%	100%
Brazil	12,803	15,976	23,620	48%	24%	27%	41%
China	12,226	12,666	14,170	12%	23%	22%	25%
Argentina	2,934	5,038	6,243	24%	5%	9%	11%
Canada	597	89	4,040	4447%	1%	0%	7%
New Zealand	3,336	3,425	2,619	-24%	6%	6%	5%
Australia	3,157	1,944	2,277	17%	6%	3%	4%
United States	13,387	14,455	979	-93%	25%	25%	2%

Table 6: Hong Kong Beef Imports in Value by Suppliers, US\$million, Jan – Nov

Country	2002	2003	2004	% Change - 04/03 -	Market Share		
					2002	2003	2004
--The World--	127	158	138	-13	100%	100%	100%
Brazil	22	27	46	74	17%	17%	34%
China	20	22	25	16	16%	14%	18%
Argentina	5	8	12	58	4%	5%	9%
Canada	2	1	9	1,550	2%	0%	6%
New Zealand	13	15	15	1	10%	10%	11%
Australia	12	10	20	94	10%	6%	14%
United States	45	70	5	-93	36%	44%	3%

Table 7: Average Import Prices & Market Share, Jan - Nov

Country	-/ KG - 2002	-/ KG - 2003	-/ KG - 2004	% Change - 04/03 -
Brazil	1.72	1.67	1.97	18
China	1.66	1.71	1.77	4
Argentina	1.54	1.49	1.9	28
Canada	3.7	6.09	2.21	-64
New Zealand	3.79	4.42	5.86	33
Australia	3.86	5.27	8.74	66
United States	3.39	4.81	4.7	-2

Table 8: Hong Kong Beef Imports by Categories, MT, Jan – Nov

	MT, 2002	MT, 2003	MT, 2004	% Change - 04/03 -
beef	53,855	58,435	56,962	-3%
chilled beef	2,908	3,361	2,560	-24%
frozen beef	42,549	45,240	44,175	-2%
processed beef	8,398	9,833	10,226	4%
variety meats, beef	84,596	98,913	84,574	-14%

Table 9: Hong Kong Beef Re-exports by Categories, MT, Jan – Nov

Country	MT, 2002	MT, 2003	MT, 2004	% Change - 04/03 -
beef	9,984	8,599	6,132	-29%
chilled beef	86	56	656	1071%
frozen beef	7,521	6,589	3,834	-42%
processed beef	2,377	1,954	1,642	-16%
variety meats, beef	65,115	78,582	48,912	-38%

Table 10: Hong Kong's Retained Beef Imports, MT, Jan - Nov

	MT, 2002	MT, 2003	MT, 2004	% Change - 04/03 -
beef	43,871	49,836	50,830	2%
chilled beef	2,822	3,305	1,904	-42%
frozen beef	35,028	38,651	40,341	4%
processed beef	6,021	7,879	8,584	9%
variety meats, beef	19,481	20,331	35,662	75%

Table 11: Hong Kong's Beef Offal Imports by Major Suppliers, MT, Jan – Nov

Country	Millions of US Dollars			% Share		% Change	
	2002	2003	2004	2002	2003	2004 - 04/03 -	
--The World--	95.55	121.30	113.84	100	100	100	-6
Brazil	40.09	59.28	70.06	42	49	62	18
Argentina	12.56	17.05	25.01	13	14	22	47
Uruguay	2.88	4.13	5.83	3	3	5	41
Australia	6.45	7.51	4.23	7	6	4	-44
New Zealand	1.31	1.67	2.81	1	1	2	69
United States	25.12	26.19	2.00	26	22	2	-92

Source: World Trade Atlas – Hong Kong Census & Statistics Department

Statistical Table – Meat, Swine

PS&D Table

Hong Kong Meat, Swine (1000 MT CWE)(1000 HEAD)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	0	0	0	0	0	0	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	145	145	148	152	146	150	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	302	302	317	329	335	330	(1000 MT CWE)
TOTAL Imports	302	302	317	329	335	330	(1000 MT CWE)
TOTAL SUPPLY	447	447	465	481	481	480	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	447	447	465	481	481	480	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	447	447	465	481	481	480	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	447	447	465	481	481	480	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	3	3	4	3	4	3	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

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 (CWE), using a conversion factor of 1.51. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.

Table 12: Supply and Consumption of Live Pigs (head)

	2001	2002	2003	2004 (provisional)
Local Supply	465,000	444,300	390,900	380,850
Imports	1,840,454	1,733,020	1,767,538	1,881,531
Total	2,305,454	2,177,320	2,158,438	2,262,381

Source : Hong Kong Agriculture, Fisheries and Conservation Department

Table 13: Average Wholesale prices of Live Pigs (head)

US\$/MT	2001	2002	2003	2004 (Jan – Oct)
Live Pigs	1,643	1,628	1,620	1,713

Exchange Rate: US\$1.00 – HK\$7.75

Source: Hong Kong Census & Statistics Department

Table 14: Hong Kong Pork Imports in Quantity by Suppliers, MT, Jan – Nov

Country	MT, 2002	MT, 2003	MT, 2004	% Change - 04/03 -	Market Share		
					2002	2003	2004
--The World--	202,092	232,949	262,566	13%	100%	100%	100%
China	84,703	101,312	109,149	8%	42%	43%	42%
Brazil	42,949	46,656	46,154	-1%	21%	20%	18%
Germany	13,967	19,661	22,753	16%	7%	8%	9%
Netherlands	11,005	11,283	16,770	49%	5%	5%	6%
Vietnam	8,991	7,932	15,830	100%	4%	3%	6%
Denmark	7,878	10,450	11,044	6%	4%	4%	4%
Canada	8,969	11,175	9,419	-16%	4%	5%	4%
United States	4,601	4,491	7,097	58%	2%	2%	3%

Table 15: Hong Kong Pork Imports in Value by Suppliers, Jan – Nov

Country	Millions of US Dollars			% Change 2004 - 04/03 -	Market Share		
	2002	2003	2004		2002	2003	2004
--The World--	289.53	302.62	371.52	23	100%	100%	100%
China	136.45	152.08	174.65	15	47%	50%	47%
Brazil	57.70	57.71	72.19	25	20%	19%	19%
Germany	8.41	11.30	14.42	28	3%	4%	4%
Netherlands	11.17	11.07	15.72	42	4%	4%	4%
Vietnam	13.66	12.15	28.05	131	5%	4%	8%
Denmark	5.16	6.64	8.80	33	2%	2%	2%
Canada	6.99	8.08	9.26	15	2%	3%	2%
United States	10.10	9.63	13.80	43	3%	3%	4%

Table 16: Average Pork Prices & Market Share, Jan - Nov

Country	-/ KG	2002	-/ KG	2003	-/ KG	2004	%	Value Market Share		
							Change	2002	2003	2004
--The World--		1.43		1.3		1.41	8.46	100%	100%	100%
China		1.61		1.5		1.6	6.67	47%	50%	47%
Brazil		1.34		1.24		1.56	25.81	20%	19%	19%
Germany		0.6		0.57		0.63	10.53	3%	4%	4%
Netherlands		1.02		0.98		0.94	-4.08	4%	4%	4%
Vietnam		1.52		1.53		1.77	15.69	5%	4%	8%
Denmark		0.66		0.63		0.8	26.98	2%	2%	2%
Canada		0.78		0.72		0.98	36.11	2%	3%	2%
United States		2.2		2.14		1.94	-9.35	3%	3%	4%

Table 17: Hong Kong's Pork Re-exports , Jan - Nov

Country	MT, 2002	MT, 2003	MT, 2004	% Change
--The World--	35,714	49,125	62,813	28%
China	31,641	45,268	58,406	29%
Macau	3,667	3,536	4,306	22%

Table 18: Hong Kong Pork Offal Imports by Major Suppliers, Jan - Nov

Country	Millions of US Dollars			% Share		% Change	
	2002	2003	2004	2002	2003	2004 -	04/03 -
--The World--	119	128	149	100	100	100	16
Denmark	21	24	32	18	19	22	34
United States	26	31	29	22	24	19	-7
Netherlands	15	14	22	13	11	15	57
Germany	16	25	19	14	20	12	-27
Canada	12	14	14	10	11	9	1
Brazil	7	7	10	6	5	7	47

Table 19: Hong Kong's Retained Imports, Jan – Nov

	MT, 2002	MT, 2003	MT, 2004	% Change
pork	166,378	183,824	199,752	9%
variety meats, pork	17,381	17,250	25,805	50%

Table 20: Hong Kong's Pork Imports from the United States, Jan – Nov

Description	Millions of US Dollars			% Share		% Change	
	2002	2003	2004	2002	2003	2004 - 04/03 -	
pork	10.10	9.63	13.80	100	100	100	43
processed pork	7.75	6.86	9.64	77	71	70	41
frozen pork	2.26	2.66	3.92	22	28	28	47
chilled pork	0.10	0.11	0.24	1	1	2	130

Source : World Trade Atlas - Hong Kong Census & Statistics Department

Narrative on Supply and Demand, Policy & Marketing

Production

Two major issues pertain to pig production. First, pig farmers urge the Hong Kong government to buy back their licenses, proposing compensation of HK\$1,500 (US\$194) a pig. Secondly, Hong Kong probably will allow chilled pork from China starting early 2005.

Hong Kong currently has 280 farms with 400,000 head of pigs. In view of the occurrence of five cases of Japanese encephalitis in 2004, the Agriculture, Fisheries and Conservation Department (AFCD) is considering a demerit point scheme to alleviate the environmental problems posed by livestock farming. Pigs are reservoirs of the virus, which is transmitted from them to humans by mosquitoes. Under the proposed scheme, demerit points will be registered against a farm license if any livestock farm operators, his/her agent or employee is convicted of any offences such as illegal discharge of water, improper disposal of animal carcasses, etc. If a licensee accumulates a certain number of points, his/her livestock-keeping license would be revoked automatically by AFCD.

Pessimistic about the future of local agriculture, pig farmers want the government to buy back their licenses, proposing compensation of HK\$1,500 or (US\$194) a pig. Given that there are 400,000 pigs in Hong Kong, the buyback scheme, if materializes, will cost the government HK\$600 million. Pig farms in Hong Kong range from 300 pigs to 6000 pigs. The government representative said they would consider the proposal. Another alternative that the Hong Kong government is considering is to offer ex-gratia payment based on farm size. However, the payback scheme is still at a very preliminary stage of discussion. Also, the government assured the industry that it would certainly consult with them if a demerit system is to be implemented.

In the meantime, the government is monitoring the situation of Japanese encephalitis and is considering to provide vaccination to all pigs before the breeding season of mosquitoes in summer.

The production of live pigs in Hong Kong including imports and local supplies, is estimated to reach 2.26 million head in 2004. The number will probably decline if Hong Kong allows the importation of chilled pork from China starting the first quarter of 2005.

The Hong Kong government, namely the Food and Environmental Hygiene Department (FEHD) started negotiation with the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) about the setting up of a mechanism for importing chilled pork to Hong Kong in early 2004. FEHD visited four chilled pork processing plants and their associated farms in May 2004. Both governments have already entered into the stage of finalizing the inspection and quarantine hygiene requirements for chilled pork destined for Hong Kong. AQSIQ is to provide a list of chilled pork processing plants intending to export to Hong Kong for FEHD's inspection.

Once imported to Hong Kong, China's chilled pork will probably cost less than freshly slaughtered pork. Drawing from the experience of the importation of chilled chicken starting late 2002, chilled pork is expected to pose a threat to fresh pork because of price advantage. In order to prevent retailers from selling chilled pork as fresh pork, FEHD is seeking legal advice as to the possibility of amending the existing law to require retail sales of fresh pork and chilled pork in separate outlets. In other words, no retail outlet is allowed to sell both types of pork.

The production of both cattle and pigs for 2004 was higher than the previous years because of the substitution effect that resulted from the ban on live chickens from China between January 30 and April 20. To reduce the number of live chickens in the wholesale and retail markets so as to reduce the risk of avian influenza, the Hong Kong government has set the daily importation of chickens to 30,000 compared to the daily average of 63,000 in 2003. Consequently the production of both cattle and pigs has been pushed up, particularly the latter. Pig production in 2004 is estimated to be 5 percent higher than 2003.

2005 production, however is forecast to decline with the importation of chilled pork from China. Cattle production is stable. The BSE cases in Canada have not raised any concern among the general public.

Local production accounts for merely 23 percent of total consumption of fresh pork while the majority comes from supplies from China. Hong Kong has no cattle production, all live cattle slaughtered in the territory comes from China.

Consumption

Beef consumption figure in 2004 remained stable compared to 2003. Consumers generally are not concerned with the beef safety issue in connection with BSE. The opening of the market to Canadian beef and the subsequent BSE cases in Canada have not raised any public concern. On one hand, beef consumption has been reduced, not because of food safety concern but of higher prices resulting from reduced supplies. On the other hand, the ban on chicken products from China and the U.S. in early 2004 raised beef consumption. Ultimately, both effects have counterbalanced each other and beef consumption in 2004 remained stable. The consumption level in 2005 is expected to have no significant fluctuation.

Nonetheless, Hong Kong people ate more pork in 2004. The substitution effect of chickens on pork has been more significant. Consumption raised almost 8 percent in 2004 compared to 2003. Consumption of both fresh and frozen pork has increased. The ongoing quantity restriction to import level of 30,000 live chickens per day will continue to support 2004 pork consumption level in 2005.

However, the mix of fresh and chilled pork could vary with the incoming of chilled pork from China. There should be a price differential between fresh and chilled pork. Hence, the consumption of chilled pork is expected to rise while the consumption of fresh pork may decline.

The impending influx of chilled pork from China is expected to compete directly with freshly slaughtered pork. As chilled pork from China is after the wet market and retail sales, it is of a market different from U.S. pork. Hence, U.S. pork exports to Hong Kong are unlikely to be affected by China's exports of chilled pork to Hong Kong.

Trade

Beef

U.S. beef is still subject to an import ban since December 24, 2003 following a single BSE case in the United States. Based on U.S. trade statistics in 2003, the United States exported \$82 million worth of beef products, including offals, to Hong Kong. Hong Kong was the 5th largest export market of U.S. beef, in terms of value. U.S. exporters are losing \$6.8 million export value each month to Hong Kong as long as the ban continues. Up till January 2005, the U.S. has already lost approximately \$95 million of beef export value to Hong Kong.

USDA through ATO Hong Kong has been actively engaged with the Hong Kong Food and Environmental Hygiene Department and the policy branch, Health, Welfare and Food Bureau to discuss about the opening of the Hong Kong market to U.S. beef. ATO reiterated to HKG officials that U.S. BSE measures currently in place ensure the safety of U.S. beef. The HKG has some remaining concerns over current U.S. measures over BSE surveillance and monitoring such as the traceability of cohorts. Moreover, the HKG has requested a BEV program for U.S. exports to Hong Kong in the future. The HKG also indicated a desire to conduct a technical team to the U.S. but has not set dates for such a visit.

Between January – November 2004, Hong Kong beef imports declined slightly by 3 percent. Brazil became the leading supplier of beef selling \$46 million worth of beef products to Hong Kong, increasing 74 percent compared to the same period in 2003. Tables 5 and 6 showed that Hong Kong increased beef imports from all other supplying countries and the average beef prices have increased remarkably. Among all beef supplies, Australian beef is closest in quality to the U.S. beef, but supplies are short and prices are high.

Hong Kong lifted the ban on Canadian beef Nov 30. However, Hong Kong beef imports from Canada already jumped from 89 MT in January – November 2003 to 4,040 MT in January – November 2004 (table 5). These products are re-exported to Macao (Macao did not ban Canadian beef.) The re-export level for Canadian beef in 2004 was much higher than the level in 2003 (see table below) and there was no major factor in Macao to support that conspicuous jump. There is reason to believe that the Canadian beef is then shipped back to Hong Kong from Macao.

Table : Hong Kong's Re-exports to Macao with products from different supplying countries
Jan - Nov

	MT, 2002	MT, 2003,	MT, 2004	% Change - 04/03 -
-The World-	557	662	1,862	181%
Canada	6	0	1,241	--
Brazil	155	208	308	48%
China	59	62	91	45%
Argentina	71	98	61	-38%

Effective November 30, 2004, Hong Kong allows the entry of Canadian boneless beef derived from cattle under 30 months of age with Specified Risk Materials (SRM's) removed. Only 5 plants are eligible to export to Hong Kong. According to industry sources, the supply is not significant because only 1 or 2 firms out of the five plants are interested in exporting to Hong Kong while one focuses on offals and the other on the domestic market.

In 2005, supplies will remain scarce and prices high. The void left by U.S. beef will continue to be taken up by beef from Australia and Canada.

Pork

Hong Kong's pork imports rose in 2004, due to increased re-exports and domestic consumption. China's ban on U.S. beef and chicken products has diverted re-export trade to pork to a certain extent. As explained earlier sections, domestic consumption of pork also rose in the wake of reduced chicken supplies.

U.S. pork exports to Hong Kong reached a record in 2004. Between January – November, 2004, Hong Kong imported 7,097 MT of pork increasing 58 percent compared to the same period in 2003, with a value of \$14 million. Hong Kong also imported another \$29 million of

pork offals from the U.S. (Traders tend to mix up the classification between offals and pork in their trade declaration. Hence, to look at both pork and offals figures will provide a better picture of the trade.) In China, there is a big demand for feet, stomach, tongues, butt, etc. In Hong Kong, U.S. beef is also considered as expensive. Boneless loins are supplied to hotels and up-scale restaurants only. However, some companies are also selling expensive U.S. pork cuts to China's upscale catering sector. The volume is yet small by proportion to offals.

Given that Hong Kong is pegged to U.S. dollars and that the prevailing U.S. currency is weak, Hong Kong traders found U.S. products more price attractive and products from other supplying countries more expensive. The currency factor could be one of the reasons explaining the good performance of U.S. pork exports to Hong Kong in 2004

China and Brazil are the two leading pork suppliers for the Hong Kong market, occupying a value market share of 47 percent and 19 percent respectively. Their markets are very close, mainly after the wet markets, Chinese restaurants and fast food chains. Products from Netherlands are generally more expensive. Cuts imported include spareribs and belly.

Demand for pork may remain strong in 2005. The local economy has much improved with unemployment dropped from a height of 8.8 percent in July 2003 to 6.5 percent recently. Supported by the policy change in China, the number of tourists from China surged. The 2004 total tourist arrivals reached 21.8 million. Overall growth for the year was 40.4 percent compared to 2003 when Hong Kong suffered from SARS. Prospects for the catering industry are good. Hence, Hong Kong's pork imports in 2005 (PSD table excluding re-export figures) should be able to maintain at 330,000 MT, despite the absence of the ban posed on chicken products from China and the U.S. as happened in 2004.

Re-exports to China

Effective November 1, 2004, China Inspection Co. Hong Kong implemented compulsory pre-inspection for containers of meat products re-exported to China through Hong Kong. The company representatives explained that the main purpose of this pre-inspection system is to prevent repackaging of products in Hong Kong before being re-exported to China. CIC would not unload the products for inspection. They focus to check if health certificates are true copies and if they have fulfilled the import requirements. In addition, they have to make sure that the original seal to inspected containers is not broken. CIC will issue a certificate if the container successfully passes the inspection and will then fix another seal on the container. According to CIC, the process claimed will take about 20 minutes. The inspection works throughout the year. Officials of CIC revealed that as of January 18, they inspected a total of 298 containers since November 1, 2003.

The compulsory inspection service provided by CIC costs HK\$1,300 (US\$1 = HK\$7.78) per container. All meat products re-exported or transshipped through Hong Kong are required to go for pre-inspection in Hong Kong. Transshipped products through Hong Kong without being unloaded at all are not required to be pre-inspected. However, almost all transshipped containers actually have to be removed from ocean vessels to river cargo vessels in Hong Kong before reaching China ports in the south because not many ports in China are deep enough for ocean vessels. In this case, feeders (river vessels' operators) will arrange for the inspections with CIC. Feeders charge traders around HK\$700 per contain.

This inspection processes will cause additional fees for Hong Kong traders. Traders revealed that the whole process costs about HK\$4,000 inclusive of inspection and transport cost, if the container is cleared by the trader and transported to CIC for inspection. In recent years,

transport costs of direct shipments to Shanghai have become comparable to costs re-exported through Hong Kong. Consequently, direct shipments to China are ever increasing.

As far as re-export trade is concerned, Hong Kong's re-exports of beef offals to Myanmar and Vietnam surged in 2004. Sources revealed that these products finally end up in China.

Table : Hong Kong's Re-exports of Variety Meats, Beef, Jan - Nov

	MT, 2002	MT, 2003,	MT, 2004	% Change - 04/03 -
--The World--	65,115	78,582	48,912	-38%
China	64,221	78,015	37,251	-52%
Myanmar	0	0	7,120	
Vietnam	519	0	3,128	

Table : Hong Kong's Re-exports of Variety Meats, Pork

China allows pork offals from the United States and European countries such as Denmark and Netherlands. Hence, traders do not need to re-route the products to China through Myanmar and Vietnam. However, with the implementation of the pre-inspection by the China Inspection Co., it is worth noticing if meat re-exports to these south Asian countries will rise in the future.