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Hong Kong Finalizes Agreement on Chilled Beef from China

Report Categories:

Agriculture in the News

Livestock and Products

Sanitary/Phytosanitary/Food Safety

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Policy and Program Announcements

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Report Highlights:

The Hong Kong Government (HKG) reached consensus with the Chinese food safety authority, the State General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) on the import of chilled beef from mainland China on December 6, 2010. With immediate effect, Hong Kong's Center for Food Safety (CFS) started to process import permit applications for Chinese chilled beef. The HKG indicated that the measure is intended to increase the diversity of imported food and help maintain food prices at a reasonable and stable level.

General Information:

The Hong Kong Government (HKG) reached consensus with the Chinese food safety authority, the State General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) on the import of chilled beef from mainland China on December 6, 2010. With immediate effect, Hong Kong's Center for Food Safety (CFS) started to process import permit applications for Chinese chilled beef. The import procedures for Chinese chilled beef are similar to that of chilled meats supplied by other countries. There is no limit on the quantity of imported chilled beef with the import volume to be determined by market demand.

At present, Hong Kong allows market access of chilled beef from one Chinese plant, named Yaoyue Group. It is understood that the CFS inspected both the plant and the farms supplying cattle to the plant. In addition, the HKG indicated that they are in the process of evaluating other quality suppliers in China so as to provide more choices to Hong Kong importers. The first batch of Chinese chilled beef supplies is expected to reach Hong Kong by the end of December.

When announcing the market opening to Chinese chilled beef, the HKG indicated that the CFS began discussions with the AQSIQ in order to increase the diversity of imported food and respond to trade requests. The HKG believed that imports of chilled beef from China are conducive to stabilizing the supply of beef in Hong Kong, thus maintaining food prices at a reasonable and stable level.

While Hong Kong's October inflation rate is 2.3 percent over October 2009, the consumer price index for food and beef rose by 5.7 percent and 1.4 percent over the same period last year. The retail prices of fresh beef have been increasing steadily over the past few years due to the reduced supply of live cattle through the sole agent. It has been reported that mainland farmers are not keen to sell cattle to Hong Kong when the demand in China is high. In addition, the presence of a sole agent does not encourage price competitiveness. Thus, live cattle supply to Hong Kong has been reducing steadily over the years resulting in the corresponding increase in prices.

Table 1. Hong Kong: Live Cattle Supply and Average Retail Prices of Freshly Slaughtered Beef

	2007	2008	2009	2010
Live cattle supply (# of head)	41,181	28,489	28,657	23,105 (Jan – Oct)
Average Retail Prices of freshly slaughtered beef, USD/kg				
Best quality	8.59	11.72	12.5	12.6 (Jan- Sept)
Belly flesh	6.6	9.09	9.82	9.85 (Jan- Sept)

Source : Hong Kong Census & Statistics Department

Potential Competition

Chinese chilled beef will not be in direct competition with U.S. beef because they are of different market sectors. U.S. chilled beef is supplied to high-end restaurants whereas Chinese chilled beef is expected to be an alternative for fresh beef. Industry representatives estimated that chilled beef could be 20 to 30 percent cheaper than fresh beef and this price disparity could attract some consumers. It was reported that about ten Hong Kong importers are discussing with the supplier, Yaoyue, with a view to importing its chilled beef products to Hong Kong. Also, the two major supermarket chains in Hong Kong are prepared to have Chinese chilled beef sold in their retail outlets.

On the catering side, it is possible that some restaurants which normally buy chilled beef from Brazil or Argentina may have some trial orders to test consumers' response. Compared to products of South America, Chinese chilled beef certainly should have a cost advantage due to lower transportation charges. However, Chinese chilled beef should still be more expensive than frozen beef, providing little incentive for the catering industry to replace frozen beef with Chinese chilled beef with the exception of those restaurants intending to upgrade their food quality.

Table 2. Hong Kong: Imports of Chilled Beef in USD

Hong Kong Import Statistics

UDG: chilled beef,						
US Dollars						
Partner Country	January – December			January - October		% Change
	2007	2008	2009	2009	2010	2009/2008
World	47,731,996	49,996,870	55,443,742	44,163,854	51,833,795	17.37
Australia	22,983,619	21,989,661	25,631,789	20,589,992	21,948,163	6.60
U.S.	9,707,571	11,924,140	12,554,727	9,732,927	11,174,602	14.81
Japan	1,853,358	5,312,350	7,319,205	6,101,963	6,458,324	5.84
New Zealand	5,736,569	5,867,227	4,685,551	3,638,277	3,906,709	7.38
Canada	2,688,264	1,490,253	2,249,293	1,483,247	1,726,178	16.38
Brazil	3,308,037	2,252,011	1,464,493	1,326,476	5,452,308	311.04
Argentina	493,655	395,087	750,393	677,765	544,843	- 19.61

Source : Hong Kong Census & Statistics Department

Table 3. Hong Kong: Imports of Frozen Beef by USD

Hong Kong Import Statistics						
UDG: frozen beef,						
US Dollars						
Partner Country	January – December			January - October		% Change
	2007	2008	2009	2009	2010	2010/2009
World	178,312,815	307,927,563	419,483,544	340,949,037	383,337,324	12.43
Brazil	79,219,528	159,932,040	210,744,397	177,666,381	160,503,862	- 9.66
U.S	24,821,864	38,074,284	69,459,476	52,716,648	74,070,767	40.51
China	25,831,004	34,504,840	30,082,132	24,943,661	27,553,918	10.46
Canada	24,305,711	28,535,413	28,306,733	22,977,937	49,754,839	116.53
Argentina	5,218,756	13,023,611	24,606,411	16,819,339	14,742,202	- 12.35
New Zealand	11,668,701	17,014,761	20,780,222	18,537,289	18,940,626	2.18
Uruguay	366,026	8,637,593	17,890,555	13,491,915	13,464,528	- 0.20
Australia	4,828,520	5,453,208	14,063,785	10,796,534	19,658,348	82.08

Source : Hong Kong Census & Statistics Department