



Agriculture and
Agri-Food Canada

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Canada

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ABOUT THE POULTRY INDUSTRY IN HONG KONG...

Production

Being a large metropolitan city economy, Hong Kong has a small agriculture industry which supplies limited fresh food requirements. According to statistics from the Hong Kong Agriculture and Fisheries Department, it is estimated that Hong Kong produced 8,028 tons of live poultry, supplying approximately 14% of the market in 1998.

The avian flu crisis that led to the extermination of all live chickens in Hong Kong in late 1997 caused major and permanent damage to the industry. Hong Kong producers' domestic market share for live poultry dropped to 14% in 1998, from 22% in 1996. China is the largest live poultry supplier to Hong Kong. The discovery in March 99 of a new strain of influenza A virus (H9N2) from two patients created another short market panic. Sales are recovering slowly following no further reports of new case.

To cope with the increasing number of food scares, the Hong Kong Health Department and Agricultural & Fisheries Department has adopted more stringent sanitary requirements. In early 1998, there were approximately 275 licensed poultry farms in Hong Kong, an increase of 8% over 1997. Chicken production in 1998 dropped by 74%, however, to 1.9 million birds. Although there was a slight increase in the production of ducks, geese, quail and pigeons, Hong Kong's total live poultry production in 1998 was only one third of its 1993 production. There is no commercial goose, turkey farming in Hong Kong.

Chicken Production (Thousand '000)

1993	1994	1995	1996	1997	1998
10,581	9,457	8,866	8,968	7,450	1,908

Duck Production (Thousand '000)

1993	1994	1995	1996	1997	1998
1,218	547	568	137	88	124

Quail Production (Thousand '000)

1993	1994	1995	1996	1997	1998
3,525	2,507	1,858	1,568	1,100	1,263

Pigeons Production (Thousand '000)

1993	1994	1995	1996	1997	1998
3,052	2,832	2,724	2,574	2,778	3,094

Source: Hong Kong Agriculture and Fisheries Department

Consumption

The impact of H5N1 and the recent H9N2 on Hong Kong's poultry consumption has been immense. Poultry consumption is at its lowest in history with extremely fragile consumer confidence. In 1998, Hong Kong people consumed a total of 59,926 metric tons of live poultry, of which 86%, 51,798 metric tons were imported, this represents a drop of 29% and 24% from 1997 respectively. Consumption of fresh/chilled poultry, however, increased by 20% to 17,386 metric tons in 1998. The increase was due to an increase of imported fresh/chilled poultry to fill the gap left by the destruction of local birds, and consequent loss of confidence in the domestic chicken industry. Hong Kongers also consumed less frozen imported poultry, a total of 222,353 metric tons in 1998, a decrease of 17% from 1997.

Although the effects of the avian flu scare on poultry consumption will last sometime, the longer term market prospects for increased consumption remains good. To weather the current financial turbulence in the region, Hong Kong consumers are expected to continue to shift from expensive fish to lower price poultry meat.

Trade

Hong Kong imports virtually all its fresh/chilled and frozen poultry products. While China virtually monopolizes supplies of fresh/chilled poultry due to its proximity to Hong Kong, the USA dominates the frozen poultry market with a share of 64%. US dominance is a direct result of the sustained aggressive promotional support from the wealthy and powerful US Poultry and Egg Export Council that spend millions of Hong Kong dollars each year to promote their products in Hong Kong and China.

In 1998, Hong Kong imported 17,599 metric tons of fresh/chilled poultry products and 886,272 metric tons of frozen poultry, an increase of 21.5% and 4.3% respectively over 1997. While virtually all fresh/chilled imported poultry is consumed locally, frozen poultry imports are largely reexported. In 1998, Hong Kong reexported 69% of its total frozen poultry imports, i.e. 608,599 metric tons. Among the various destinations of these reexports, China accounted for the lion's share, i.e. 99% or 601,440 metric tons.

Although China will substantially reduce its import tariff on its accession to World Trade Organization, for the foreseeable future the expertise of Hong Kong traders in international trade and finance will sustain Hong Kong as the most important trading centre for poultry products into the mainland. This should change in the medium term. For the present, it remains highly desirable for Canadian frozen poultry exporters to partner with Hong Kong companies to further explore and establish themselves in the China market.

Poultry Meat Reexports - (in metric tons)

	1996	1997	1998
China	385,298	571,510	601,440
Macau	24,755	10,752	7,048
North Korea	26	13	nil
Others not listed	205	157	110
Grand Total	410284	582432	608,598

Poultry Meat Imports - (in metric tons)

	1996	1997	1998
U.S.	529,964	558,840	568,659
China	19,706	16,482	16,853
Brazil	58,272	79,924	74,690
Netherlands	33,350	35,041	43,613
United Kingdom	37,494	48,443	49,436
Canada	23,702	27,858	37,719
France	14,263	10,946	12,076
Argentina	10,281	11,945	12,589
Australia	9,570	8,368	8,196
Others not listed	39,970	58,440	62,441
Grand Total	776,572	849,585	886,272

Source: Hong Kong Census and Statistics Department

The types of Canadian poultry products exported to Hong Kong include: fowl portions raw, chicken feet/tails, chicken portions bone-in, chicken skin, turkey portions bone-in, poultry giblets (livers, hearts, etc.), chicken wings, turkey skin, chicken hindquarters, whole eviscerated fowl, goose portions raw, whole eviscerated raw chicken and turkey.

Policies

The chicken flu (H5N1) scare has had a significant impact on Hong Kong's live chicken import policy. Virtually all live chicken imports come from China, more than 99%. Prior to the H5N1 crisis, Chinese chickens enjoyed relatively free access to the Hong Kong market. However, new rules and stricter Hong Kong Agriculture and Fisheries Department enforcement at Man Kam To (Hong Kong's major border point with China) has changed the market. The government checks documents issued by Chinese authorities certifying chicken imports have not received special additives for weight gain. Documents cannot guarantee products are virus free. The secondary duty of the checkpoint is visual inspections to make sure the chickens are at least delivered in a healthy and sanitary way to Hong Kong.

Following the chicken flu scare, the Hong Kong Government introduced 3 measures to safeguard wholesomeness of imported and domestic live chickens:

- The government, in close cooperation with Chinese authorities is working on a comprehensive plan to improve quarantine regulations and procedures.

- The government plans to tighten licensing of local chicken farms by imposing stringent hygiene requirements.
- To avoid cross contamination between chickens, ducks and geese, the government plans to establish a centralized slaughterhouse for ducks and geese.

Additionally, according to the new regulations which took effect 23 January 1998, live birds imported to Hong Kong must be accompanied by a health certificate stating they are avian influenza free. Also, a health certificate certifying the birds:

- are free of clinical signs of disease
- during the preceding 180 days, have not been kept at a place infected with the avian influenza virus
- during the preceding 5 days, have been segregated from other birds and tested, with negative results, for avian influenza.

NOTE:

1. The Labeling Amendment Regulation Gazetted in February 1996 made frozen meat products subject to the Hong Kong Labeling Food and Drugs (Composition and Labelling) Regulation.

2. In its bid to become a member of the World Trade Organization, China reduced import duties on a variety of products including poultry products effective October 1, 1997. Import duties were reduced from 45% to 20%. However, as most poultry reexports via Hong Kong are through "unofficial channels", the 13% reduction in import duty had little effect on the flourishing trade.

Marketing

With no tariff restrictions on the import of poultry, Hong Kong is a highly competitive market. The USA's aggressive marketing strategy ensures they will retain their dominant position in the Hong Kong and Chinese frozen poultry market for the foreseeable future. It is important to actively promote Canada as a high value supplier to the market, i.e. good and stable quality at competitive price. Hong Kong is a good opportunity for companies planning to expand exports through a well-thought out strategy with sustained marketing effort.

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