MARKET SNAPSHOT | RED MEAT

Hong Kong SAR, China

Hong Kong SAR (Special Administrative Region) is a unique, high value market for red meat, with its comparatively wealthy local population, large number of in-bound tourists, relatively low market access barriers and its traditional role as a regional re-export hub. Challenges and opportunities in Hong Kong for Australian beef and sheepmeat include:

- Hong Kong demand for premium chilled beef and lamb, of which Australia is a key supplier, in both high-end retail and foodservice sectors has steadily grown over the years and is expected to remain robust into the medium term.
- However, it is anticipated Australia will face increased competition from a range of suppliers and in all segments of the market as Hong Kong becomes more of a target destination for exports.
- Australia-Hong Kong Free Trade Agreement (A-HKFTA) negotiations officially commenced in May 2017. Although Hong Kong is one of the world’s most open markets, Australia is seeking to formalise the current tariff-free arrangement for Australian red meat and livestock imports, as well as progress market access for a number of co-products where there is currently no agreed certification.

- **Population**
  - 7.4 in 2017
  - 7.6 in 2021

- **Households earning**
  - >US$35,000/year
    - 1.2 in 2017
    - 1.5 in 2021

- **Households earning**
  - >US$35,000/year
    - 0.8 in 2017
    - 1.0 in 2021

- **Australian beef exports – volume**
  - Total 7,691 tonnes swt

- **Australian sheepmeat exports – volume**
  - Total 5,932 tonnes swt

- **Australian red meat exports – value**
  - Total A$197.6 million

- **Australian chilled beef exports – volume**

- **Australian chilled sheepmeat exports – volume**

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MLA INDUSTRY INSIGHTS | Hong Kong | January 2018
Consumers

• Hong Kong is an attractive market for premium Australian red meat due to its large tourist visitor numbers and a wealthy population that is open to western-style foods and who can regularly afford premium imported meat products.

• Hong Kong is one of the world’s most densely populated cities and the region’s most affluent. The proportion of households forecast to earn over US$35,000/year disposable income in Hong Kong will be 47% in 2018 (compared to 2.5% in China), including many wealthy expatriates (Source: BMI Research).

Number of households (‘000) earning >US$35,000/year

Outlet number and value by key foodservice channel (% out of total) – 2017

Source: GlobalData. 2017 estimate.

* Cost operators: includes educational, medical, welfare institutions.

Foodservice

• Hong Kong has a large, well-developed foodservice sector that is fuelled by its significant tourist visitor numbers and accounts for a significant portion of red meat consumption.

International tourism receipts (current US$)

Source: World Bank

• Hong Kong’s foodservice sector is dominated by full service restaurants, which is also the largest channel by value for beef and lamb, followed by quick service restaurants. These restaurants demand chilled and frozen whole, raw beef cuts and chilled, processed lamb products in the form of coated portions (e.g. crumbed) and sausages (Source: GlobalData).

• Hong Kong’s traditional food style reflects China’s southern cuisines with diets traditionally dominated by seafood, pork and poultry due to local production, versatility and price.

• However, beef and lamb are forecast to see stronger year-on-year sales growth compared to other proteins in Hong Kong, driven by a growth in demand for cuisines that use red meat, such as western, Japanese, Korean, and northern Chinese. Hong Kong’s long history as a regional trade centre, British colonial influence and large international tourism in-flows makes consumers particularly receptive to international foods and flavours.

Hong Kong, sales, US$ million, % year-on-year growth

Source: BMI Research. 2018 and 2021 forecast figures.

• Food safety is a prominent consideration for consumers, contributing to growing demand for natural and organic foods with traceable provenance, including in the meat category.

• Despite an ageing population and decreasing household size, wealthy, urbanised and technologically proficient consumers in Hong Kong will spend more on premium, specialised propositions such as convenience and functional foods (Source: BMI Research).

• Although awareness of Australian beef isn’t quite as high as US beef, Australian product is highly regarded by those who have consumed it, especially when it comes to trust, quality and safety.

Source: MLA Report, Understanding of the Hong Kong Beef Market, 2013

Source: MLA Industry Insights: Hong Kong, January 2018
Australian beef and lamb is sold in a wide variety of foodservice channels in the mid to high-end range. When consumers want a premium red meat experience, they tend to enjoy it at steakhouses and western and Japanese restaurants, where product provenance is more prominent.

When buying beef at retail, freshness, appearance and expected taste are the top considerations of Hong Kong shoppers.

<table>
<thead>
<tr>
<th>Hong Kong consumer's top 10 beef purchase considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freshness (e.g. expiry date)</td>
</tr>
<tr>
<td>Expected tastiness (e.g. juiciness, tenderness)</td>
</tr>
<tr>
<td>Appearance (e.g. redness, brightness)</td>
</tr>
<tr>
<td>Has beef that fits my budget</td>
</tr>
<tr>
<td>Cleanliness of store</td>
</tr>
<tr>
<td>Quality (e.g. grading, marbling, texture)</td>
</tr>
<tr>
<td>Product neatly displayed</td>
</tr>
<tr>
<td>Special promotion, discounts</td>
</tr>
<tr>
<td>Convenient location</td>
</tr>
<tr>
<td>Appealing product display</td>
</tr>
</tbody>
</table>

Trade issues

Imported food is essential in Hong Kong, with imports expected to account for at least 95% of all food consumed into the foreseeable future. In 2018, all beef, lamb and poultry consumption is expected to be sourced from imports (Source: BMI Research).

Hong Kong has been an important regional re-export hub, particularly for frozen meat. In recent years, Hong Kong frozen red meat import volumes have seen more volatility and general declines, as market access conditions in neighbouring countries have changed. As China’s meat market opens up to more suppliers and importing policy reforms are implemented in coming years, Hong Kong’s role in meat re-exporting is likely to gradually decline over the coming decade.

The 29km-long Hong Kong–Zhuhai–Macau Bridge, due to open late 2017, will connect Hong Kong, Macau and mainland China. This area will become an important economic hub along the Maritime Silk Road, part of China’s Belt and Road Initiative. This project is likely to further boost tourism visitors to the region, shorten goods transportation times and integrate Hong Kong further with mainland processing industries.

Other suppliers

Beef

Of Hong Kong’s total frozen beef imports in 2016–17 (totalling 312,240 tonnes swt), Brazil supplied just over half (51%) followed by the US (29%), with Australia supplying a much smaller share of 0.5%.

Despite their small volumes, frozen imports from EU countries such as the UK, Ireland, Poland and the Netherlands have been increasing, intensifying competition.

Of Hong Kong’s total chilled beef imports in 2016–17, Australia was the largest supplier (47% volume share), followed by the US (29%) and Brazil (8%). The 2016–17 average unit price of Hong Kong’s chilled beef imports was A$23.78/kg, compared to A$6.33/kg for frozen beef.
Japan’s chilled beef volume share of 7% accounts for 20% of the value share, largely consisting of highly marbled Wagyu beef products.

Hong Kong’s frozen sheepmeat imports have fallen sharply in recent years due to a drop in demand from China. Frozen mutton imports peaked at 20,785 tonnes swt in 2010, dropping to 3,806 tonnes swt in 2016. Australia, New Zealand and China are Hong Kong’s main sheepmeat suppliers.

Hong Kong’s chilled lamb import volumes have been steadier in recent years with Australia consistently the leading supplier, with a volume share of 85% in 2016–17.

Sheep offal imports are supplied by Australia (98% of which is frozen tripe), as well as the UK and New Zealand.

In 2016–17, Australia’s chilled beef exports to Hong Kong reached a 10-year high of 3,317 tonnes swt, valued at A$64.5 million.

The unit prices earned were almost 80% higher (A$19.37/kg) than the average of all Australia’s chilled beef export markets (A$10.87/kg). Striploin comprised the largest proportion (25%) of chilled beef cuts exported to Hong Kong in 2016–17. The proportion and quantity of grainfed beef has been increasing in recent years as demand for more premium quality cuts has grown.

Australia’s chilled lamb exports to Hong Kong have consistently hovered near the 300-tonne mark for 10 years. In 2016–17, Australia exported 304 tonnes swt, valued at A$8.1 million.

Unit prices in 2016–17 were 28% higher (A$12.29/kg) than the average of all Australia’s chilled lamb export markets (A$9.64/kg).

Rack comprised the largest proportion (60%) of Australia’s chilled lamb cuts exported to Hong Kong.

**Sheepmeat**

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**Offal**

- Hong Kong is the world’s largest importer of beef and sheep offal. In 2016–17, beef offal imports totalled 279,391 tonnes swt, valued at A$11 billion – 99% is frozen and most is tripe. Much of this product is re-exported to China, where it is used in a wide variety of dishes. For the same period, frozen sheep/goat offal imports totalled 21,155 tonnes swt, valued at A$78.5 million.

- Brazil supplies just over 50% of Hong Kong’s beef offal imports, followed by the US and Argentina.

- In 2016–17, Australia exported 18,174 tonnes swt of frozen bovine offal to Hong Kong, representing 7% of Hong Kong’s total frozen bovine imports, consisting mostly of tripe. Australia’s small volume of chilled beef offal exports to Hong Kong (132 tonnes swt), which are most likely consumed in Hong Kong, were mostly cheek meat, skirt and tail.

**SPOTLIGHT ON AUSTRALIAN PREMIUM RED MEAT EXPORTS TO HONG KONG**

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**Australian chilled beef cuts exports to Hong Kong**

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**Australian chilled lamb cuts exports to Hong Kong 2016–17**

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## Market access overview

### Trade agreements | Import tariffs | Competitors | Volume restrictions | Technical access
---|---|---|---|---
N/A, but Australia is negotiating an agreement* | N/A | Australia has same access with other suppliers | Zero | No major hurdles

### Best access
- **Major challenges**

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### Australian red meat exports to Hong Kong – summary table

#### Australian BEEF exports to Hong Kong

<table>
<thead>
<tr>
<th>Volume – in tonnes swt</th>
<th>2017</th>
<th>% out of total</th>
<th>2016</th>
<th>% out of total</th>
<th>5-year average (2012-2016)</th>
<th>% out of total</th>
<th>change 2017 vs 5-yr av.</th>
<th>% in tonnes swt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>7,691</td>
<td>100</td>
<td>4,494</td>
<td>100</td>
<td>7,460</td>
<td>100</td>
<td>3</td>
<td>231</td>
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<tr>
<td><strong>Storage/meat type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chilled grassfed</td>
<td>1,825</td>
<td>24</td>
<td>1,901</td>
<td>42</td>
<td>1,963</td>
<td>26</td>
<td>-7</td>
<td>-138</td>
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<tr>
<td>Chilled grainfed</td>
<td>1,513</td>
<td>20</td>
<td>1,374</td>
<td>31</td>
<td>866</td>
<td>12</td>
<td>71</td>
<td>627</td>
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<tr>
<td>Frozen grassfed</td>
<td>2,650</td>
<td>34</td>
<td>948</td>
<td>21</td>
<td>4,083</td>
<td>55</td>
<td>-35</td>
<td>-1,433</td>
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<tr>
<td>Frozen grainfed</td>
<td>1,702</td>
<td>22</td>
<td>271</td>
<td>6</td>
<td>527</td>
<td>7</td>
<td>223</td>
<td>1,757</td>
</tr>
</tbody>
</table>

**Source:** Trade agreements, DFAT, MLA


#### Australian SHEEPMEAT exports to Hong Kong

<table>
<thead>
<tr>
<th>Volume – in tonnes swt</th>
<th>2017</th>
<th>% out of total</th>
<th>2016</th>
<th>% out of total</th>
<th>5-year average (2012-2016)</th>
<th>% out of total</th>
<th>change 2017 vs 5-yr av.</th>
<th>% in tonnes swt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>5,932</td>
<td>100</td>
<td>1,264</td>
<td>100</td>
<td>6,938</td>
<td>100</td>
<td>-15</td>
<td>-1,006</td>
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<tr>
<td><strong>Storage/meat type</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chilled lamb</td>
<td>300</td>
<td>5</td>
<td>317</td>
<td>25</td>
<td>322</td>
<td>5</td>
<td>-7</td>
<td>-22</td>
</tr>
<tr>
<td>Chilled mutton</td>
<td>-</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>0.4</td>
<td>0</td>
<td>-100</td>
<td>-0.4</td>
</tr>
<tr>
<td>Frozen lamb</td>
<td>3,599</td>
<td>61</td>
<td>842</td>
<td>67</td>
<td>4,563</td>
<td>66</td>
<td>-44</td>
<td>-16,283</td>
</tr>
<tr>
<td>Frozen mutton</td>
<td>2,033</td>
<td>34</td>
<td>105</td>
<td>8</td>
<td>2,053</td>
<td>30</td>
<td>223</td>
<td>1,757</td>
</tr>
</tbody>
</table>

**Source:** DAWR

#### Australian BEEF OFFAL exports to Hong Kong

<table>
<thead>
<tr>
<th>Volume - by major cut (in tonnes swt)</th>
<th>2017</th>
<th>% out of total</th>
<th>2016</th>
<th>% out of total</th>
<th>5-year average (2012-2016)</th>
<th>% out of total</th>
<th>change 2017 vs 5-yr av.</th>
<th>% in tonnes swt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>20,662</td>
<td>100</td>
<td>20,664</td>
<td>100</td>
<td>22,063</td>
<td>100</td>
<td>-6</td>
<td>-1,402</td>
</tr>
<tr>
<td>Chilled tripe</td>
<td>20,069</td>
<td>97</td>
<td>19,790</td>
<td>96</td>
<td>21,184</td>
<td>96</td>
<td>-5</td>
<td>-1,116</td>
</tr>
<tr>
<td>Chilled tendon</td>
<td>414</td>
<td>2</td>
<td>652</td>
<td>3</td>
<td>665</td>
<td>3</td>
<td>-38</td>
<td>-251</td>
</tr>
<tr>
<td>Other</td>
<td>179</td>
<td>1</td>
<td>222</td>
<td>1</td>
<td>213</td>
<td>1</td>
<td>-16</td>
<td>-34</td>
</tr>
</tbody>
</table>

**Source:** DAWR

#### Australian SHEEP OFFAL exports to Hong Kong

<table>
<thead>
<tr>
<th>Volume - by major cut (in tonnes swt)</th>
<th>2017</th>
<th>% out of total</th>
<th>2016</th>
<th>% out of total</th>
<th>5-year average (2012-2016)</th>
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<th>change 2017 vs 5-yr av.</th>
<th>% in tonnes swt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>10,456</td>
<td>100</td>
<td>9,128</td>
<td>100</td>
<td>9,395</td>
<td>100</td>
<td>11</td>
<td>1,061</td>
</tr>
<tr>
<td>Chilled tripe</td>
<td>10,223</td>
<td>98</td>
<td>9,075</td>
<td>99.4</td>
<td>9,072</td>
<td>96.6</td>
<td>13</td>
<td>1,151</td>
</tr>
<tr>
<td>Kidney</td>
<td>229</td>
<td>2</td>
<td>1</td>
<td>0.0</td>
<td>304</td>
<td>3.2</td>
<td>-25</td>
<td>-75</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>0</td>
<td>52</td>
<td>1.6</td>
<td>19</td>
<td>0.2</td>
<td>-79</td>
<td>-15</td>
</tr>
</tbody>
</table>

**Source:** DAWR

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