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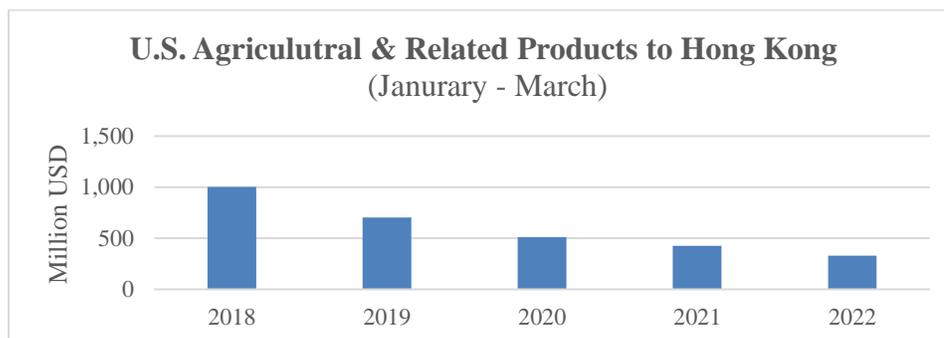
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Report Highlights:

In the first quarter of 2022, U.S. agricultural exports fell to the lowest level in four years. While expanding U.S. direct exports to China, and lingering shipping issues continue to drive the overall decline in U.S. agricultural exports to Hong Kong, government restrictions in response to the city's fifth wave of the pandemic exacerbated the drop in U.S. agricultural sales. Nevertheless, peaking U.S. exports of protein supplements and hops stood out during this period. As the government began to ease pandemic restrictions in mid-April, business activity is picking up and the economy is expected to perform better in the second quarter.

First Quarter 2022 - U.S. Agricultural Exports Fall to Lowest Level in Four Years:



Source: U.S. Census Bureau Trade Data

In the first quarter of 2022, the total value of U.S. agricultural and food exports to Hong Kong dropped 22 percent compared to the same period last year. This first quarter drop was more severe than the 17 percent contraction in U.S. exports during the first quarter of 2021. The continuous decline in exports is primarily driven by growing direct U.S. shipments to mainland China and lingering U.S. shipping logistic issues. In addition, the slowdown of the local economy due to government restrictions in response to the fifth wave of pandemic exacerbated the drop in U.S. agricultural sales to the city. Compared to the last quarter of 2021, the contraction in U.S. agricultural exports during the first quarter of 2022 was even more dramatic at 48 percent. That said, during this period, U.S. exports of protein supplements and hops performed significantly well.

U.S. Agricultural & Related Exports to Hong Kong

Product Group	2021 - Q1 (Million USD)	2022 - Q1 (Million USD)	Percent Change 2021 Q1/2022 Q1	Percent Change from Previous Quarter
Consumer-Ready	347	275	-21	-50
Agricultural Related	38	22	-43	-62
Intermediate	32	26	-19	29
Bulk	7	7	3	-1
Total Agricultural and Related	424	329	-22	-48

Source: U.S. Census Bureau Trade Data

The first quarter of the year tends to be a low season for trade following the traditional peak before Christmas and the Chinese New Year holidays. However, during the first three months of 2022, the Hong Kong government-imposed limitations on dining, the celebration of banquets and family gatherings further discouraged local demand for premium foods. While food retail sales fared better than other sectors, it did not make up for the loss in sales within the hospitality sector.

Consumer-Ready Products: Hong Kong is the 11th largest market for this U.S. product category, which remains the leading driver of U.S. agricultural and food exports to Hong Kong. Over the past quarter, products that recorded growth included wine, processed vegetables, eggs, non-alcoholic beverages, processed fruit, confectionary, and distilled spirits. Of note, exports of spirits recovered by growing 125 percent, but the export value in the first quarter of 2022 (\$769,000) was still less than its peak of \$2 million in the first quarter of 2019. Although egg exports to Hong Kong increased four percent, the export volume decreased. While U.S. egg sales were having a terrific year in 2021, the avian influenza outbreak in the United States has caused egg prices to spike resulting in lower export volumes. This is a trend that is expected to continue at least for the next quarter. In addition, U.S. sales of products primarily for re-exports to China, such as beef, food preparations, fruit, poultry, pork, and tree nuts, dropped between 10 and 36 percent. During this period, U.S. poultry exports to Hong Kong decreased 17 percent but not due to the prevailing avian influenza outbreak as in the case of eggs. The three U.S. states that recorded the biggest drop in exports (namely, Georgia, South Carolina, and Washington) are currently not subject to any bans. Thus, decrease in overall U.S. poultry exports is likely attributed to ongoing shipping issues and expanding direct exports to mainland China.

Ag-related Products: In the first quarter of 2022, U.S. seafood exports to Hong Kong dropped 43 percent compared to the same period in 2021. Specifically, exports of lobsters, clams, and oysters dropped significantly. This trade contraction reflected the severe impact of the pandemic measures on Hong Kong's restaurant business. Social distancing measures such as prohibiting dining services after 6 p.m. and limiting each table to two people largely reduced demand for U.S. seafood products typically consumed at restaurants. Similarly, sales of U.S. forest products continued their declining trend, plummeting 50 percent quarter-on-quarter.

Intermediate Products: Despite the general 19 percent drop in this product category, there were two major expansions worth highlighting. For the first time, protein supplements became the largest export item within this category. U.S. exports of protein supplements increased 169 percent to \$5 million during January – March 2022. U.S. hop exports were another product that grew tremendously in the last quarter to \$3 million. The rise in hop exports is consistent with Post's observation of the growing popularity of local craft beer and indicative of the local preference for U.S. hops as ingredients. The demand is expected to rise further when the pandemic is over and economy rebounds, thus providing further opportunities for U.S. hop exports.

Bulk Commodities: In the first quarter of 2022, bulk exports increased 3 percent by value but dropped 2 percent by volume. The most noticeable example were corn exports, which increased 1 percent in value but contracted 5 percent in volume, reflecting rising prices. On the other hand, U.S. exports of rice, cotton and wheat increased both in value and volume but the unit price of all three products in the first quarter of 2022 was higher compared to the same period in 2021.

Outlook for the Second Quarter: Since April 2022, the Hong Kong government began to ease pandemic restrictions and released another round of consumption vouchers. Business in the city is picking up and the economy is expected to perform better in the second quarter. However, the prevailing pandemic conditions in mainland China and its associated stringent lockdown measures in Shanghai and

those southern cities neighboring Macau and Hong Kong are expected to have some spillover effects on Hong Kong's re-export trade to China affecting Hong Kong's trade data during the second quarter.

Attachments:

No Attachments.