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Hong Kong

HRI FOOD SERVICE SECTOR

HRI Food Service Sector Annual 2015

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Report Highlights:

Demand for high-quality U.S. food and beverage products by the HRI food service sector in Hong Kong is expected to remain strong. Positive economic growth will drive rising consumer income and fast-paced lifestyles in Hong Kong that support a thriving restaurant industry. Hotel expansion is also expected to continue into 2017 leading to greater restaurant demand linked with the strong inbound tourism. A vibrant catering industry supports growing expansion in the institutional sector.

Post:

Hong Kong

SECTION I. HONG KONG MARKET PROFILE

Hong Kong has been called Asia's culinary capital due to its diverse cuisines that includes the full spectrum of Western and Asian cultures. High-income residents who are accustomed to dining out at restaurants at every price point and strong numbers of in-bound tourists ready for culinary adventure are well-served in Hong Kong through its diverse array of high-quality food and beverage concepts. While future demand may not reflect the rapid increases in the past, demand for quality food and beverage products in Hong Kong is expected to remain strong.

Hong Kong GDP is expected to continue a positive, though slowing, trend thus providing residents solid growth in real wages to support consumer spending. However, gains may be offset partially by rising living expenses as Hong Kong retains its title for the sixth straight year as the most unaffordable housing market in the world. To better manage these living aspects, daily dining out patterns are expected to fall to some extent, either less frequent or less expense per meal, which will see fast food outlets more popular and mid-range restaurants facing some challenges. In addition, rental price per square foot has risen at the same time as property price psf so cosmopolitan residents and businesses are considering areas outside of Hong Kong Island, such as Kowloon, outlying islands and the New Territories, as gentrification and urban development increasingly position these areas as viable residential areas that attract HRI food service outlets as well.

From 2003-2013, Hong Kong saw tourism grow exponentially, including a 7 fold jump from China, as modifications in visa requirements allowed more individual mainland shoppers from affluent cities to visit Hong Kong. However, the number of mainland visitors peaked in 2013 and along with slower growth in the number of visitors, per capita spending by overnight mainland visitors is also showing a downturn, according to the Hong Kong Census and Statistics Department.

HRI Food Service Sector

1. Restaurants

- Hong Kong boasts around 14,000 restaurants which range from local favorites to 57 Michelin star operations. Macau boasts seven Michelin star restaurants. In 2014, according to Hong Kong Census and Statistics Department, restaurant receipts grew 3.5 percent year on year, which while positive, is a fall from 5 percent in 2012 and 6.4 percent in 2011.
- For Hong Kong statistical purposes, restaurants are grouped into five broad categories: Chinese, non-Chinese, fast food, bars and other establishments. Hong Kong restaurant purchases of \$4.4 billion in foods and beverages generated sales of almost \$13 billion in 2014 representing 2.1 percent and 3.4 percent increases respectively, over 2013. Through third quarter 2015, restaurant receipts were up 3.5% year on year by value. Receipts were highest in July, August and September.

Table 1 – Hong Kong Restaurants Receipts and Purchases (US\$ Billion)

	2013	2014	Growth (14 vs 13)
Restaurant Receipts	12.44	12.87	3.4%
Restaurant Purchases	4.32	4.41	2.1%

(Source: Hong Kong Census & Statistics Department, US\$1=HK\$7.8)

- Chinese restaurants:** Hong Kong’s Chinese cuisine offerings are popular and according to HK Census and Statistics Bureau, account for the largest amount of receipts amongst the 5 restaurant categories. A typical lunch at a mid-range Chinese restaurant costs around HK\$150-300 (US\$19.23-38.46) per person and a typical dinner costs around HK\$200-450 (US\$25.64-57.69) per person. (Source: ATO latest survey on Hong Kong restaurants’ menus)
- Non-Chinese restaurants:** Alternatively, Hong Kong consumers and tourists also enjoy non-chinese cuisine options, including Western, Japanese, Korean, Thai, Vietnamese and noodle and congee restaurants. A typical lunch at a non-Chinese restaurant may range from around HK\$150-350 (US\$19.23-44.87) per person and a typical dinner costs around HK\$250-500 (US\$32.05-64.10) per person. (Source: ATO survey)
- Fast food outlets:** Fast food outlets suit Hong Kong’s quick-paced lifestyle where dining out twice per day at convenient locations is not uncommon. McDonald’s, KFC and Pizza Hut are recognized options across the region as are more local chains such as Café De Coral, Maxim’s and Fairwood that serve both Chinese and western foods. Competition among fast food chains is intense as brands strive to retain customers and raise brand awareness. The average meal cost is around HK\$35 (US\$4.49) for breakfast, HK\$50 (US\$6.41) for lunch, HK\$30 (US\$3.84) for afternoon tea and HK\$70 (US\$8.97) for dinner. (Source: ATO survey)
- To further meet competition, fast food operators are updating outlets and adding new healthier food options. In 2015, McDonald’s transformed an existing location into a McDonald’s Next - an elevated concept featuring a glass and metallic interior, mobile-charging stations, Wifi, self-ordering options and a salad bar, including quinoa - with table service after 6 p.m. and premium coffee blends.
- Bars:** Hong Kong’s vibrant night life is renowned and served by more than 1,000 bars, pubs and other eating and drinking establishments across Hong Kong.
- Other Establishments: Coffee Shops:** Although tea holds a traditional preference in Asia, the Asian coffee market has grown an average 4% per annum since 2000, according to statistics provided by the organizer of the largest food trade show in Hong Kong (“HOFEX”) and Hong Kong consumers continue to drive an increase in food service coffee demand. Starbucks operates 145 outlets and Pacific Coffee 122 outlets in Hong Kong. McDonald’s has been vigorously pursuing market share by expand its McCafe outlets to 103 of its 238 McDonald’s outlets in the area.

2. Hotels

- Hong Kong hotel expansion continues to rise, but with Hong Kong Island lacking land to build, new expansions are taking place in non-traditional sites, primarily for up-scale clients, across the harbor in Kowloon and the New Territories. Dining out and business entertainment are a vital part of the market for hotel restaurants at every price point.

Table 2 – Hotels, Hostels and Guesthouses in Hong Kong

	2013	2014	Growth
Number of hotels/guesthouses	1,043	1,200	+15%
Number of rooms	77,647	81,528	+5%
Room occupancy rate	89%	90%	-

(Source: Hong Kong Census & Statistics Department)

- With the growth in hotel capacity expected to continue into 2017, demand for high-quality foods for discerning customers is expected to support additional demand for U.S. products, such as U.S. beef, chicken, turkey, pork, eggs, fish and seafood products, fruits and vegetables, processed products and beverages.
- A list of Hong Kong hotels are available at:
<http://www.hkha.org/en/hotel-information>
<http://www.discoverhongkong.com/eng/plan-your-trip/accommodation/search/index.jsp>

3. Institutions

- For restaurant catering, demand in 2015 started strong but softened by the end of the year as higher wages, a drop in domestic traffic and a softening in fast food demand in heavy tourist areas combined to reduce overall catering demand. For other institutional outlets, such as schools, hospitals, and airlines, they are served by a small group of sophisticated caterers affiliated with the restaurant sector. Caterers often source ingredients from China where supplies are fresh, inexpensive and abundant, but will use ingredients from other countries, such as the U.S., when needed for quality and taste.
- **Schools:** Students must eat meals on premises so they either bring their lunch or buy it at school. According to the Hong Kong Education Bureau statistics (academic year 2014/2015), Hong Kong has 571 primary schools with 329,000 students and 509 secondary schools with 180,000 students. About 70 percent of students buy the school lunch (meat, rice and some cooked vegetables), generating an annual turnover estimated at US\$250 million. Caterers must register with the Hong Kong Food and Environmental Hygiene Department (FEHD) to bid tenders provided by individual schools. ATO Hong Kong can provide a list of school caterers.
- **Hospitals:** The Hospital Authority operates 42 hospitals and medical centers, with a total of over 27,440 beds and staff size of around 70,000. The catering services for hospitals are outsourced on a tender basis. The hospitals are served by catering groups, many of which

also operate restaurants, fast food chains or school lunch catering services.

- **Airlines:** The Hong Kong International Airport is served by three aircraft catering franchisees:
 - Cathay Pacific Catering Services
 - Lufthansa Service Hong Kong Ltd
 - Gate Gourmet Hong Kong Ltd
- The three airline caterers have a combined capacity of 158,000 meals per day, providing in-flight catering services including preparation and assembly of in-flight dishes, logistics of food delivery and storage of catering utensils.

Economy

- Hong Kong's economy continued to grow in 2014. GDP and per capita GDP rose by 5.3% and 4.6%, respectively and reached US\$288 billion and US\$39,758 in 2014.

Table 3 – Hong Kong: Gross Domestic Product and GDP per capita

	2013	2014	Growth 14 vs 13
GDP	US\$273 billion	US\$288 billion	+5.3%
GDP per capita	US\$38,025	US\$39,758	+4.6%

(Source: Hong Kong Census & Statistics Department, US\$1=HK\$7.8)

Demographics

- Hong Kong's population totaled nearly 7.24 million in 2014. 1.9 million, or 49% of the total labor force, are women.

Table 4 – Hong Kong: Labor Force Participation

	2013	% of Total	2014	% of Total
Labor Force-Men	1.99 million	52%	1.99 million	51%
Labor Force-Women	1.87 million	48%	1.9 million	49%
Total	3.86 million	100%	3.89 million	100%

Imported Foods vs. Domestic Products

- Due to limited land resources, Hong Kong relies on imports for over 95% of its food requirements. According to the Agricultural Fisheries and Conservation Department 2014 statistics, local agricultural production was valued at \$106 million, including \$36 million in crop (mainly vegetables), \$32 million in livestock, and \$39 million in poultry production. Local production accounted for 1.9 percent of fresh vegetables, 79.6 percent of live poultry and 6.1 percent of live pigs consumed in the territory.

- Due to its central location, free port status and position as a regional purchasing and distribution center, a significant amount of Hong Kong imports of consumer-oriented agricultural products are re-exported to the Asian region.

Table 5 – Hong Kong Imports (2010-2014) of Consumer Oriented Agricultural Products (COAP) & Seafood

Country	(in US\$ Million)	2010	2011	2012	2013	2014	Growth	Share in	% of Re-exports
							14 v 13	2014	of Gross Imports
World	Gross Imports	14,641	17,664	18,166	20,574	22,896	11%	100%	28%
	Re-exports	4,404	5,140	5,185	5,587	6,311	13%	100%	
	Retained Imports	10,237	12,524	12,981	14,987	16,586	11%	100%	
United States	Gross Imports	2,779	3,370	3,450	3,999	4,123	3%	18%	29%
	Re-exports	1,155	1,619	1,476	1,248	1,193	-4%	19%	
	Retained Imports	1,624	1,751	1,974	2,752	2,930	6%	18%	
China	Gross Imports	2,205	2,652	3,044	3,439	3,649	6%	16%	26%
	Re-exports	380	494	747	1,034	931	-10%	15%	
	Retained Imports	1,825	2,158	2,298	2,404	2,718	13%	16%	
Brazil	Gross Imports	1,420	1,650	1,645	2,254	2,544	13%	11%	37%
	Re-exports	658	551	540	658	946	44%	15%	
	Retained Imports	763	1,099	1,105	1,596	1,597	0%	10%	
Netherlands	Gross Imports	387	666	860	1,150	1,453	26%	6%	16%
	Re-exports	91	111	100	129	229	78%	4%	
	Retained Imports	295	555	761	1,021	1,224	20%	7%	
Australia	Gross Imports	666	771	812	835	943	13%	4%	24%
	Re-exports	84	80	99	123	227	85%	4%	
	Retained Imports	582	691	712	712	716	1%	4%	
France	Gross Imports	678	986	815	837	824	-2%	4%	28%
	Re-exports	160	215	190	199	233	17%	4%	
	Retained Imports	517	771	625	639	590	-8%	4%	
Thailand	Gross Imports	511	568	612	641	783	22%	3%	60%
	Re-exports	286	312	358	377	471	25%	7%	
	Retained Imports	224	256	254	264	312	18%	2%	
Iran	Gross Imports	366	215	275	247	528	114%	2%	37%
	Re-exports	129	103	131	111	198	78%	3%	
	Retained Imports	237	113	144	136	330	144%	2%	
Chile	Gross Imports	260	373	425	434	515	19%	2%	58%
	Re-exports	181	279	314	284	297	5%	5%	
	Retained Imports	79	94	110	150	217	45%	1%	
Germany	Gross Imports	307	435	392	393	514	31%	2%	17%
	Re-exports	166	146	131	67	85	27%	1%	
	Retained Imports	141	289	261	325	429	32%	3%	
Total of Top 10 Suppliers	Gross Imports	9,579	11,686	12,330	14,227	15,876	12%	69%	30%
	Re-exports	3,291	3,909	4,086	4,230	4,812	14%	76%	
	Retained Imports	6,288	7,778	8,244	9,997	11,064	11%	67%	
Total of Rest of World	Gross Imports	5,061	5,977	5,836	6,347	7,021	11%	31%	21%
	Re-exports	1,113	1,231	1,099	1,357	1,499	10%	24%	
	Retained Imports	3,948	4,746	4,737	4,990	5,522	11%	33%	

(Source: Calculations based on Global Trade Atlas data)

(Retained Imports = Gross Imports into Hong Kong – Re-exports out of Hong Kong)

- Hong Kong is a mature and sophisticated market with a growing demand for high-quality, high-value foods that is expected to remain positive in the near future. Major import items included red meats, fruits, poultry meat, seafood and tree nuts.
- Thanks to the growing economy and strong demand from local consumers and tourists, total retained imports of consumer-oriented agricultural products (COAP) and seafood products in Hong Kong grew by 6% by value in 2014.
- The U.S. maintained its position as the largest supplier of COAP and seafood products to Hong Kong in 2014. Retained imports of these products from the U.S. and China, its closest competitor in 2014, were US\$2.9 billion and US\$2.7 billion, representing market shares of 18% and 16%, respectively.
- Hong Kong's status as a gateway for trade to other regional markets is provides market opportunities for U.S. high-value food products. In 2014, Hong Kong imported close to US\$23 billion COAP and seafood globally and re-exported 28% of these products. Among these re-exports, around 19% were U.S. origin products.

Outlook for the HRI Sector in 2015

- The outlook for spending on food is less optimistic as poorer performance in 2015 for some international chains is expected to continue into 2016 with some readjustments, such as closures and mergers, expected after the Chinese New Year holiday for weaker operations. Hotel restaurant demand seemed stable in 2015 with little change expected in 2016. Competition will remain keen in this sector as sophisticated, busy, affluent consumer's seek high-value, innovative food options. Thus, demand for U.S. agricultural products, well known in the market as safe, high-quality choices, is expected to remain stable.

Import Regulations

Duties

With the exception of spirits, all food and beverage products are imported to Hong Kong duty free.

Certificates & Permits

In Hong Kong, the legal framework for food safety control is defined in part V of the Public Health and Municipal Services Ordinance and the Food Safety Ordinance. The basic tenet is that no food intended for sale should be unfit for human consumption. Technical requirements for imports vary significantly according to the product. Products which require import permits/health certificates include meat, milk and frozen confections. The HKG accepts import applications from Hong Kong importers. In other words, local importers and not U.S. exporters are required to apply for import permits. U.S. exporters need to supply their agents/importers with necessary documentation such as health certificates from the U.S. government.

Labeling

All prepackaged food products in Hong Kong must comply with Hong Kong's labeling regulation.

There are also labeling requirements for allergens and nutrients. U.S. labels may not meet Hong Kong labeling requirements particularly for products with nutritional claims. However, the Hong Kong government allows stick-on food labels, which could be arranged by Hong Kong importers with the permission of the manufacturers.

The marking or labeling of prepackaged food can be in either the English or the Chinese language or in both languages. If both languages are used in the marking and labeling of prepackaged food, the name of the food, ingredient lists and nutrition information must be provided in both languages.

Labeling for Biotech Food

The HKG does not have any specific biotechnology regulations with regard to the labeling of biotech food products. It makes no distinction between conventional and biotech foods. All are subject to the same food safety regulation. The HKG continues to promote voluntary labeling of GMO products as a viable alternative for the trade. The guidelines on labeling for biotech foods, released in 2006, are advisory in nature and do not have any legal effect. The threshold level applied in the guidelines for labeling purpose is 5 percent, in respect of individual food ingredient. Negative labeling is not recommended.

Organic Certification

While the Hong Kong Organic Center provides organic certification for local produce, Hong Kong does not have a law regulating organic food products. U.S. organic products can be sold in Hong Kong with the USDA organic logo.

Others

Under the food ordinances, there are regulations governing the use of sweeteners, preservatives, coloring matters, and metallic contaminants. The Hong Kong government enforces its food safety control according to Hong Kong’s food regulations. In the absence of a particular provision in Hong Kong food regulations, the HKG would draw reference from Codex and/or conduct risk assessments to determine whether a food meets the food safety standard.

Hong Kong’s first-ever pesticide residue regulation became effective August 2014. Its framework is largely built on Codex’s standard, supplemented by standards adopted in China, Thailand the U.S.

For details on Hong Kong’s general import regulations for food products, please refer to [FAIRS report](#).

**Table 6 – Hong Kong
Summary of the Key Strengths and Challenges for the Market**

Strengths	Weaknesses
Hong Kong is one of the top markets in the world for food and beverages, processed, fresh and frozen gourmet products.	U.S. food products are not always price competitive. China is the largest competitor of U.S. food products.
Hong Kong is a major trading hub where buyers make purchasing decisions for a vast range of consumer oriented products that are	Transportation time and costs plus product availability due to seasonality (e.g. fresh produce) associated with importing U.S. food and beverage

transshipped to China and other parts of Asia.	products to Hong Kong can make them less competitive than products available in the region or from China, Australia, and New Zealand (favorable in terms of location).
U.S. food products enjoy an excellent reputation among Hong Kong consumers being renowned for high-quality and food safety standards.	The importance of Hong Kong as a transshipment point and buying center for China and elsewhere is not widely known to U.S. exporters.
Technical barriers to imports of U.S. products are generally very low.	Hong Kong labeling and residue standards differ in some cases, which can impede trade.
A wide variety of U.S. products are available to Hong Kong consumers (over 30,000 different items).	Numerous Hong Kong food regulations are not in line with Codex, which can complicate import clearances.
The link between the Hong Kong Dollar (HKD) and the U.S. dollar helps insulate the HKD from currency fluctuations.	While Hong Kong has one of the busiest container terminals in the world, it also has the most expensive port handling charges.
In general, implementation and application of regulations is transparent and open.	Hong Kong's top supermarkets are a duopoly that often request slotting fees.
Hong Kong exporters choose to work with Hong Kong importers and distributors to re-export products to Mainland China because of Hong Kong's dependable legal system, financial system and rule of law.	Inflation is on the rise in Hong Kong. The increase in food prices may cause some consumers to turn to more lower-price lower-quality food products where U.S. products do not enjoy strong competitive advantage.
Most trans-shipments to Macau are purchased, consolidated, and shipped via Hong Kong.	
Demand is increasing rapidly for "healthy", high-quality foods, market segments where the United States is especially strong.	
Hong Kong concerns over food safety have made U.S. food products a top choice for quality and safety.	
Hong Kong's modern and efficient port terminal and free port status make it an attractive destination and for re-exports.	
Hong Kong is a "quality" and trend driven market so price is not always the most important factor for food and beverage purchases.	
Hong Kong is a dynamic market with a sophisticated international community where new high-quality products are readily accepted.	
Hong Kong is entirely dependent on imports	

for meeting its food needs. With continued economic growth, U.S. HVFB exports to Hong Kong grew by 11% in 2014 compared to 2013 and consolidated its position as our 4 th largest market for HVFB products in the world.	
Lack of local production means virtually no protectionist pressures for food and agricultural products.	
Hong Kong is in an economically stable region and its economy is expected to grow by 2% in 2015.	
Cold chain and distribution channels for food products are generally efficient and dependable, as is the customs clearance process.	
Asia is the fastest growing region for wine consumption with average per capita consumption of 5.3 liters/year by 2016 in Hong Kong. Forecast to consume 4.78 million cases of wine by 2016. In 2012, 54% of HK wine exports were to mainland China.	

SECTION II. ROAD MAP FOR MARKET ENTRY

Exporting and Selling

- Since very few hotels, restaurants or institutions import directly from exporters, most suppliers sell to importers for further distribution to the HRI sector in this market.

Establishing a Business in Hong Kong

If U.S. restaurant chains or caterers want to establish a stronger foothold in Hong Kong, they are allowed to incorporate freely. However, there are two market entry channels that U.S. companies may consider in their attempt to establish a presence in Hong Kong's HRI sector.

1. Franchising

- The concept of franchising has been growing in Hong Kong for the past decade. Nearly 80 % of the franchise operations in Hong Kong are of U.S. origin. Home-grown franchises have also developed, especially in catering.

2. Joint Ventures

- Joint ventures or strategic alliances can be very helpful in entering the market, and are particularly important in competing for major catering projects.
- To attract foreign investment, the HKG established “Invest Hong Kong” to help overseas companies establish a presence in Hong Kong by providing all the support needed to establish and expand their operations (www.investhk.gov.hk).
- Entering the Hong Kong market with products suitable for the HRI trade can be handled in a number of ways. Certainly the end customer, the hotel, restaurant, institution or caterer has an influence on the selection of products or ingredients but the choice is all very much guided by a network of reliable and trusted suppliers.

3. Setting up a Representative Office

- Establishing a representative office in Hong Kong is an effective method that U.S. companies can use to sell their products to this market. Information on how to set up a new business in Hong Kong can be found at:
https://www.success.tid.gov.hk/english/bus_sta_up_inf_ser/bus_sta_up_inf_ser.html

4. Appointing Agents

- U.S. exporters may consider hiring a local agent. A key consideration is whether the prospective agent has a good marketing record and widespread distribution network. Some companies may secure a very competitive price package with TV, magazine and radio for advertisements. In addition, well-established companies have extensive distribution networks not limited to the HRI sector but also to retail outlets.
- Importers and distributors tend to focus on specific categories of products and end markets. Research should be carried out to ensure the importer/distributor selected is appropriate for your products.

Marketing Strategies

- Identify key players for the products - ATO Hong Kong can provide lists of importers, distributors, commodity cooperators and regional business groups.
- Test marketing maybe required prior to establishing a presence in the market.
- Communicate product benefits to end-users - although distributors maintain the relationships with their customers, end users assert influence over the buying decisions. It is important to directly educate all stakeholders as to the features and benefits of your products.
- Participate in or visit trade shows – Hong Kong has an excellent reputation for hosting international trade shows. In cooperation with cooperators and regional groups, the shows demonstrate the versatility and safety of U.S. food products. Some major shows include:

**Table 7 – Hong Kong:
Trade Shows Featuring Food & Agricultural Products**

Date	Name of Show (check the <u>hyperlink</u> below for more details)
Mar 10-12, 2016	LOHAS Expo
May 24-26, 2016	Vinexpo
Aug 11-15, 2016	Hong Kong Food Expo
Aug 31-Sep 2, 2016	Natural & Organic Products Asia
Sep 7-9, 2016	Asia Fruit Logistica*
Sep 6-8, 2016	Seafood Expo Asia
Sep 6-8, 2016	Restaurant and Bar
Nov 10-12, 2016	Hong Kong Int'l Wine & Spirits Fair

(* USDA-endorsed trade shows, more information on USDA-endorsed trade shows can be found at: <http://www.fas.usda.gov/topics/exporting/trade-shows>)

- Stage menu promotions with major restaurant chains - Menu promotion dollars will be maximized if spent on promotion events held with the major restaurant chains.
- Invite restaurant owners/chefs to seminars and/or to the U.S. - ATO Hong Kong works collaboratively with representatives to organize seminars and trade missions to the U.S. to introduce U.S. products, meet U.S. exporters, and experience food service operations in the U.S.

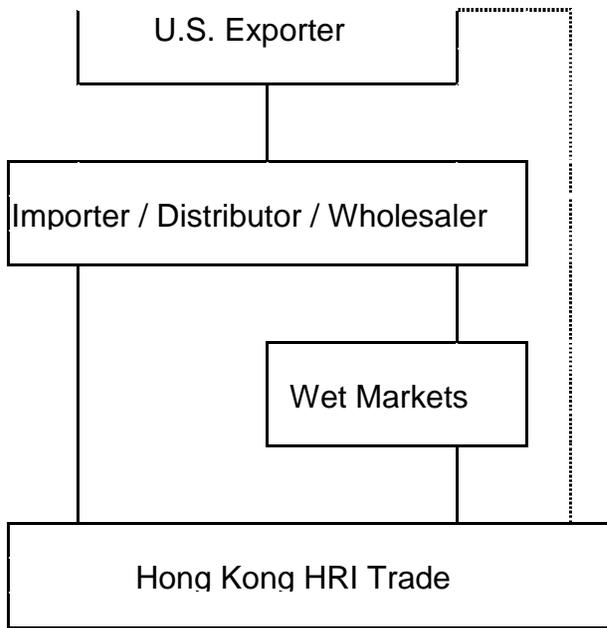
MAP Program

Small to medium-sized U.S. food companies wishing to export their products can get funding assistance from the USDA Market Access Program (MAP). The reimbursement rates for branded promotions are equal to the percentage of U.S. origin content of the promoted agricultural commodity or a rate of 50 percent, whichever is the lesser. If you are a producer or exporter and want to participate in the MAP, please contact a trade association that represents your specific product. If no trade association is applicable, please contact one of the four State regional trade groups: Food Export USA - Northeast (FEUSA), Food Export Association of the Midwest USA (FEA), Southern US Trade Association (SUSTA), and Western US Agricultural Trade Association (WUSATA). For details of the MAP program and a list of trade associations, please contact our office or visit the website:

<http://www.fas.usda.gov/programs/market-access-program-map>

Market Structure





- The market structure for Hong Kong typically involves a dedicated importer/distributor who deals with the U.S. exporter and maintains relationships with local resellers. Some special items are imported directly by large hotels, restaurant chains and institutions but most tend to outsource the import burden.
- Hong Kong is a mature trading port and as such has developed an effective network of importers, distributors and wholesalers that support the HRI trade.
- Most major importers/distributors service multiple reseller sectors including HRI/food service, retail and wet markets.
- ATO Hong Kong maintains a database of Hong Kong importers servicing the HRI trade. For information regarding specific category suppliers, the ATO Hong Kong can provide additional information.
- A partial list of catering franchises in Hong Kong is listed below:

Name of Franchise	No. of Outlets
Ajisen-Ramen (<i>catering - Japanese noodles restaurant</i>)	12
Double Star (<i>catering - coffee shop</i>)	2
Genki Sushi (<i>catering - Japanese restaurant/takeaway</i>)	58
Grappa's Ristorante (<i>catering - Italian restaurant</i>)	3 (+ 1 wine bar)
Hui Lau Shan (<i>catering - herbal tea house and health food</i>)	51
Hung Fook Tong (<i>catering - herbal tea house</i>)	82
Jollibee (<i>catering – restaurant</i>)	1
Kentucky Fried Chicken (<i>catering - fast food restaurant</i>)	60

Kung Wo Tong (<i>catering - herbal tea house</i>)	10
Kung Wo Beancurd Products (<i>catering - beancurd drinks and products</i>)	2
Magic House Superstore Ltd (<i>catering - ice cream and snacks</i>)	46
McDonald's (<i>catering - fast food restaurant</i>)	238
Mian Cafe (<i>catering - cafe</i>)	2
Mrs. Fields Cookies (<i>catering – bakery</i>)	19
Pie & Tart Specialists (<i>catering - pie and tart</i>)	13
Pizza Box (<i>catering - pizza delivery</i>)	13
Pizza Hut Restaurants (<i>catering - restaurants</i>)	79
Saint's Alp (<i>catering – Taiwanese tea house</i>)	5
Strawberry Forever (<i>catering - western dessert house</i>)	1
Yoshinoya (<i>catering - Japanese restaurant</i>)	59

- Below is a partial list of restaurants in Hong Kong:

Company Name	Type of Food	No. of Outlets
Maxims	Chinese Restaurants /Western Restaurants/fast food /bakery	319
McDonalds	Fast Food - Burgers	237 (103 McCafe)
Café de Coral	Chinese fast food	154
Fairwood	Chinese Fast food	117
KFC	Fast Food - Chicken	60
Starbucks	Coffee & snacks	145
Pizza Hut	Pizza, local menu	79
Pacific Coffee	Coffee & Snacks	122
Deli France	Bakery, Fast Food Sandwiches	25
Steak Expert	Steak house	7
Spaghetti House	International	17
Epicurean	International	14
Café Deco Group	International	30
Lan Kwai Fong Entertainment	International	4
Oliver's Super Sandwich	Fast Food Sandwiches / Salads	19
Mix	California Smoothies & Wraps	1
Pret a Manger	Fast Food Sandwiches / Salads	14
Chiram Restaurants Ltd	International	5

Eclipse Management	International	12
Outback Steakhouse	Australian / American style Steak House	7
Red Ant	Chinese	2
Elite Concepts	International	6
California Pizza Kitchen	American style pizza	4
Dan Ryan's	American Style dining	2
Ruby Tuesday's	American Style dining	6
Burger King	Fast Food - Burgers	2
Jimmy's Kitchen	International	2
Ruth's Chris Steakhouse	American Style Steak House	1
Bubba Gump	American Style dining	1
Harlan's	International	1
Lawry's The Prime Rib	American Steak House	1
Morton's the Steakhouse	American Steak House	1

SECTION III. COMPETITION

Table 8 – Major Product Categories of Hong Kong's Imports of COAP and Seafood Products And Competition

(Note: Trade Statistics for 2014; Market Share in terms of Gross Import Value)
(Source: Global Trade Atlas – Hong Kong Census & Statistics Department)

Product Category	Major Supply Sources**	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Red Meats, chilled/frozen Imports US\$5.11 billion 1,492,673MT Retained Imports US\$4.07 billion 830,036 MT	1. Brazil – 37% 2. U.S. – 24% 3. Germany – 6% 4. China – 5%	Products from Brazil and China are price competitive, but they are of different market segments from U.S. products. U.S. market share dropped from 21% in 2003 to 3% in 2005 as a result of the ban on U.S. bone-in beef. Market share gradually picked up following Hong Kong's opening to U.S. boneless beef since the beginning of 2006. U.S. market share further increased from 15% in 2012 to 24% in 2014 after Hong Kong re-opened its market for U.S. bone-in beef	Local production is largely on freshly slaughtered meats.

		U.S. beef is highly regarded in Hong Kong and is the top choice for high-end restaurants and sophisticated consumers. U.S. beef is largely for the high-end market.	
Red Meats, Prepared/preserved Imports US\$1.25 billion 511,205 MT Retained Imports US\$1.15 billion 443,824 MT	1. China – 28% 2. U.S. – 10% 3. Spain – 6% 4. Poland – 5%	Chinese supplies dominate the market because there is a big demand for price competitive prepared/preserved meatballs and other products typical in Chinese dishes in Chinese restaurants and processing in China is cost effective.	Local production is insignificant.
Poultry Meat Imports US\$1.67 billion 950,536 MT Retained Imports US\$864 million 294,043 MT	1. Brazil – 33% 2. U.S. – 29% 3. China – 17%	Brazil remained the leading supplier of poultry to the Hong Kong market due to the price competitiveness of its products and established business relationship between Brazilian exporters and Hong Kong importers.	Local production is on freshly slaughtered meats. HRI sector tends to use chilled and frozen chicken products rather than freshly slaughtered chickens because the latter are far more expensive.
Dairy Products Imports US\$1.87 billion 261,872 MT Retained Imports US\$1.56 billion 233,781 MT	1. Netherlands – 57% 2. New Zealand – 8% 3. Ireland – 6% 4. Australia – 5% (#12. U.S. – 2%)	Netherlands is strong in dairy product supplies and it has an established position in Hong Kong. Dairy products from major supplying countries primarily include concentrated dairy and cream. Melamine was found in eggs and dairy products from China and that has led consumers to pay more attention to food safety and seek high quality products from other supplying countries.	Local companies supply fresh milk drinks, which are processed in Hong Kong with milk originated from farmlands in the southern part of China. Local companies can easily fulfill local milk registration requirements.
Eggs & Egg Products Imports US\$221million 2.29 billion eggs	1. China – 47% 2. U.S. – 23%	Eggs from China are price competitive, however, suffer from a lack of food safety confidence by consumers. The U.S. consolidated its position as	Local production is insignificant.

<p>Retained Imports US\$216 million 2.25 billion eggs</p>	<p>3. Thailand – 11%</p>	<p>the second largest eggs supplier to Hong Kong. U.S. dominates the white egg markets.</p>	
<p>Fresh Fruit</p> <p>Imports US\$2.20 billion 1,613,463 MT</p> <p>Retained Imports US\$1.07 billion 677,978 MT</p>	<p>1. U.S. – 22%</p> <p>2. Thailand – 20%</p> <p>3. Chile – 18%</p>	<p>U.S. fresh fruits are regarded as good quality.</p> <p>Thai Trade commission in Hong Kong aggressively sponsors trade promotion activities. Thailand’s tropical fruits are popular in Hong Kong.</p> <p>Chile’s biggest fruit items to Hong Kong are cherries and grapes. The supplying season is different from the U.S.</p>	<p>No local production.</p>
<p>Fresh Vegetables</p> <p>Imports US\$428 million 806,412 MT</p> <p>Retained Imports US\$419 million 800,573 MT</p>	<p>1. China – 77%</p> <p>2. U.S. – 7%</p> <p>3. Australia – 3%</p>	<p>Products from China are very price competitive. Due to expensive operation costs in Hong Kong, some farmers in Hong Kong have moved their operations to China and sell their products back to Hong Kong.</p> <p>High-end restaurants and five-star hotels prefer to use high- quality U.S. products.</p>	<p>Local production is about 5 % of total demand. Production costs, both in terms of land and labor, in Hong Kong are high. The Hong Kong Government has encouraged organic farming so as to find the niche market for local vegetables.</p>
<p>Processed Fruit & Vegetables</p> <p>Imports US\$613 million 244,462 MT</p> <p>Retained Imports US\$487 million 201,307 MT</p>	<p>1. China – 37%</p> <p>2. U.S. – 24%</p> <p>3. Thailand – 6%</p>	<p>China is the largest supplier. Their major items are dried mushrooms and truffles. China’s products are price competitive.</p> <p>Since some international brands have operations in China, their exports to Hong Kong are considered imports from China.</p>	<p>Local production is insignificant.</p>
<p>Tree Nuts</p> <p>Imports US\$1.66 billion 257,973 MT</p> <p>Retained Imports US\$940 million 74,946 MT</p>	<p>1. U.S. – 54%</p> <p>2. Iran – 30%</p> <p>3. South Africa – 7%</p>	<p>The U.S. is very strong in supplying almonds, walnuts, hazelnuts and pistachios.</p> <p>Some of the imports are re-exported to Vietnam and China for processing.</p>	<p>No local production</p>
<p>Wine (Wines wine and</p>	<p>1. France – 57%</p>	<p>France is the major supplier for wine. French wine is highly regarded in</p>	<p>Hong Kong has insignificant wine production</p>

sparkling wine)		Hong Kong, though expensive.	
Imports US\$1.09 billion 52.5 million liters	2. U.K. – 11%	U.S. imports of U.S. wine have shown positive growth.	
Retained Imports US\$772 million 30.2 million liters	3. Australia – 10%	The Hong Kong Government abolished the tax on wine in February 2008. The new policy has attracted more wine imports into Hong Kong.	
	4. China – 9%		
	5. U.S. – 5%		

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Notes :

- 1) 95% of Hong Kong food supplies are imported. Since Hong Kong’s domestic production is nominal the market size in the following table is equal to retained imports without taking into account local production. U.S. exports to Hong Kong are also based on imports minus exports.
- 2) Import tariff rates for all food and beverage products in the tables are zero except for spirits with alcohol content greater than 30%, which is 100%.
- 3) Products listed below either enjoy a large market import value or a significant growth rate for the last 5 years (2010-2014).

Table 9 – Hong Kong: Top 10 Prospects

(** Ranking and figures are based on gross import values)

(Source of data: Hong Kong Census and Statistics Department via Global Trade Atlas)

Product Category	2014 Retained Imports (MT)	2014 Retained Imports (US\$ million)	2010 – 2014 Average Annual Retained Import Growth	Key Constraints Over Market Development**	Market Attractiveness For USA **
Fish & Seafood Products	159,949 MT	US\$2.31 billion	-6% (volume) -1% (value)	Major suppliers of fish and seafood products are China (29%), Japan (14%), Norway (5%) and U.S. (5%).	U.S. fish and seafood products are perceived as high quality and safe. Seafood products are expected to in demand in the HRI sector in Hong Kong.
Fresh Fruit	677,978 MT	US\$1.07 billion	+6% (volume)	Hong Kong consumers prefer fresh fruit to frozen	U.S. fresh fruits are well known for their large

			+13% (value)	Competition from Thailand and China is keen as these countries supply tropical fresh fruit at competitive prices. The shorter travel time for shipments from these countries to Hong Kong also renders their products “fresh” to Hong Kong consumers.	variety, high quality and good taste. The U.S. was the largest supplier (22%) of fresh fruit to Hong Kong, followed by Thailand (20%) and Chile (18%).
Poultry Meat	294,043 MT	US\$864 million	-6% (volume) +1% (value)	Brazil is a strong competitor for the U.S. due to price competitiveness of its products and established business relationship between Brazilian exporters and Hong Kong importers.	Hong Kong import of poultry products from the U.S. increased significantly by 118% in 2014 to US\$488 million. While Brazil was still the leading supplier, the U.S. reclaimed market share from 17% in 2013 to 29% in 2014, consolidating its position as the 2 nd largest supplier of poultry meat to Hong Kong. U.S. products are highly regarded for quality and safety. More popular U.S. chicken products include chicken wing mid-joints and chicken legs because of their size and quality. These two products are particularly popular among Hong Kong style cafes.
Pork	267,130 MT	US\$1.05 billion	0% (volume) +12% (value)	China and Brazil are the top suppliers of pork to Hong Kong because their products are very price competitive. There is a big demand for price competitive prepared/preserved meatballs and other products typical in Chinese dishes in Chinese restaurants, which are made from pork. China enjoys an advantage due to low processing costs.	Hong Kong imported US\$100 million worth of pork from the U.S., accounting for 8% of the market share. U.S. products are highly regarded for quality and safety.
Processed	201,307 MT	US\$487	+3%	China and the U.S. were the	U.S. processed fruit and

Fruit & Vegetables		million	(volume) +16% (value)	two largest suppliers, accounting for 37% and 24% market share respectively in 2014. Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.	vegetables are well known for their superior quality and taste. U.S. processed fruit and vegetables such as potatoes, nuts, sweet corn, mushrooms, peaches and pineapples will continue to be in large demand in Hong Kong.
Beef	461,328 MT	US\$2.26 billion	+43% (volume) +47% (value)	Hong Kong has allowed full market access since August 2014. Brazil is a major competitor.	Hong Kong consumers have high regard for U.S. beef in terms of quality and safety. The re-opening of the Hong Kong market for U.S. bone-in beef presents good opportunities.
Wine (Wines, wine, and sparkling wine)	30.2 million liters	US\$772 million	+2% (volume) +1% (value)	Competition is keen in Hong Kong with major competition from France, Italy and Australia. French wine has a strong positive image in Hong Kong.	Hong Kong imported US\$58 million in U.S. wine in 2014, accounting for 5% of the market share. Hong Kong consumers are increasingly receptive to wine. The HRI sector in Macau is growing, making it an excellent opportunity for U.S. wine traders to expand their exports.
Tree Nuts	74,946 MT	US\$940 million	-12% (volume) +7% (value)	The U.S. is very strong in supplying almonds, hazelnuts and pistachios. Some of the imports are re-exported to Vietnam and China for processing.	No local production
Fruit & Vegetable Juices	22,271 MT	US\$59 million	+4% (volume) +25% (value)	The U.S. is the market leader. Hong Kong imported US\$39 million worth of fruit & vegetable juices from the U.S. in 2014, accounting for a market share of 59%.	U.S. fruit and vegetable juices, such as orange, apple, grape, grapefruit, tomato and pineapple juices are expected to continue to be popular in 2015.
Organic Food and Beverage	Statistics not available (The size of	Statistics not available	Statistics not available	Organic food and beverage products are generally 20-40% higher in prices compared to non-organic	As Hong Kong consumers are becoming more health-conscious, the demand for organic products is expected

	<p>the Hong Kong organic food and beverage market is estimated at US\$500 million, with an annual growth of 10-15%)</p>			<p>products.</p> <p>There are many organic standards in the market and the poor quality of a country's organic products may negatively affect the image of organic products from all supplying countries.</p>	<p>to grow in 2015.</p> <p>USDA Organic enjoys an excellent reputation among consumers in Hong Kong.</p> <p>Grain products, soybeans, cereals, oats, noodles...etc. are in good demand.</p> <p>Other products such as organic meat (beef and pork), condiments, poultry, eggs etc. are starting to have more interest in the market.</p> <p>There is also a strong demand for organic vegetables and fruits, organic coffee and tea products.</p>
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SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Post Contact

Foreign Agricultural Service (FAS)
Home Page: <http://www.fas.usda.gov>

Agricultural Trade Office
American Consulate General
18th Floor, St. John's Building
33 Garden Road, Central
Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
E-Mail: ATOHongKong@fas.usda.gov
Web site: <http://www.usconsulate.org.hk>
<http://www.usfoods-hongkong.net>

Department to Implement Food Safety Control Policy

Food & Environmental Hygiene Department
43rd Floor, Queensway Government Offices
66 Queensway
Hong Kong
Tel: (852) 2868-0000
Fax: (852) 2834-8467
Web site: <http://www.fehd.gov.hk>

Email: enquiries@fehd.gov.hk

Hong Kong Federation of Restaurants and Related Trades

Flat A, 7th Floor, Draco Industrial Building

46 Lai Yip St., Kung Tong

Kowloon

Hong Kong

Tel: (852) 2523 6128

Fax: (852) 2523 2638

Email: hkfort@netvigator.com

Website: www.hkfort.gov.hk

Department to Control the Importation of Plants & Live Animals

Agriculture, Fisheries & Conservation Department

5th – 8th Floor, Cheung Sha Wan Government Offices

303 Cheung Sha Wan Road

Kowloon

Hong Kong

Tel: (852) 2708-8885

Fax: (852) 2311-3731

Web site: <http://www.afcd.gov.hk>

Department to Issue License for Imported Reserved Commodities

Trade & Industry Department

18th Floor, Trade Department Tower

700 Nathan Road

Kowloon

Hong Kong

Tel: (852) 2392-2922

Fax: (852) 2789-2491

Web site: <http://www.tid.gov.hk>

Department to Register Health Foods Containing Medicine Ingredients

Department of Health

Pharmaceuticals Registration

Import & Export Control Section

18th Floor, Wu Chung House

213 Queen's Road East, Wanchai

Hong Kong

Tel: (852) 2961-8754

Fax: (852) 2834-5117

Web site: <http://www.dh.gov.hk>

Department to Issue License for Imported Dutiable Commodities

Hong Kong Customs & Excise Department

Office of Dutiable Commodities Administration
6th - 9th Floors, Harbor Building
38 Pier Road, Central
Hong Kong
Tel: (852) 2815-7711
Fax: (852) 2581-0218
Web site: <http://www.customs.gov.hk>

Department for Trade Mark Registration

Intellectual Property Department
Trade Marks Registry
24th and 25th Floors, Wu Chung House
213 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2803-5860
Fax: (852) 2838-6082
Web site: <http://www.ipd.gov.hk>

Semi-Government Organization Providing Travel Information

Hong Kong Tourist Board
9th - 11th Floors, Citicorp Center
18 Whitfield Road, North Point
Hong Kong
Tel: (852) 2807-6543
Fax: (852) 2806-0303
Web site: <http://www.hktourismboard.com>

Semi-Government Organization Providing Hong Kong Trade Information

Hong Kong Trade Development Council
38th Floor, Office Tower, Convention Plaza
1 Harbor Road, Wan Chai
Hong Kong
Tel: (852) 2584-4188
Fax: (852) 2824-0249
Web site: <http://www.tdctrade.com>