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## Hong Kong

### Exporter Guide

### Exporter Guide 2010

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**Report Highlights:**

U.S. exports of high value food products and seafood to Hong Kong are expected to reach a record level at over US\$2 billion in 2010, making it our 5<sup>th</sup> largest market for these products after Canada, Mexico, Japan and South Korea. The global financial crisis did not have a significant impact on Hong Kong's food & beverage imports and spending on food. Economic growth in Hong Kong is expected to be around 5% in 2010, benefitting from the continued economic growth in Mainland China. In addition, it is expected that Hong Kong will remain as one of the top 5 markets for U.S. consumer ready food products in 2011, continuing to be a major buying center and transshipment point for China and Southeast Asia. However, rents and wages are on the rise in Hong Kong and inflation may limit Hong Kong's future economic growth. In addition, Mainland China may take austerity measures to cool down its economy which would then affect Hong Kong's economic growth prospect. Regardless of the rate of growth, Post expects that U.S. products will continue to fair well due to competitive prices and consumer confidence in the quality and safety of U.S. products. In addition, the Hong Kong dollar link to the U.S. dollar provides much needed foreign exchange stability among food importers.

**Post:**

Hong Kong

**Author Defined:**

**SECTION I. MARKET OVERVIEW**

**U.S. Food Exports to Hong Kong**

- Overall U.S. agricultural exports are expected to reach record levels in 2010, eclipsing the previous record of US\$2.1 billion in 2009.
- For the first 7 months of 2010, U.S. exports of high value consumer-oriented food products to Hong Kong reached US\$907 million, making it our 5<sup>th</sup> largest export market after Canada, Mexico, Japan and South Korea.
- The top prospects for U.S. food exports to Hong Kong include: red meat, poultry meat, fresh fruits, tree nuts, processed fruit, vegetables and wine.
- With a population of just 7 million, its nominal agricultural and food production leave Hong Kong almost entirely dependent on food imports, and the U.S is Hong Kong's second largest supplier behind China.
- U.S. food products are considered to be among the highest in quality, reliable in terms of food safety.

**Hong Kong Food Imports**

- Due to limited land resources and having a population of 7 million, Hong Kong relies on imports for over 95% of its food supply. In 2009, the local agricultural industry produced US\$72 million worth of products. It is comprised of US\$30 million in crop production (mainly vegetables), US\$19 million in livestock production, and US\$23 million in poultry production. Local production accounted for 2.4 percent of fresh vegetables, 53.7 percent of live poultry and 6.2 percent of live pigs consumed in the territory. (Source: Agricultural Fisheries and Conservation Department)
- Due to its central location, free port status and position as a regional purchasing and distribution center, a significant amount of Hong Kong imports are re-exported.

**Table 1. Hong Kong: Imports (2006-2010) of Consumer Oriented Agricultural**

**Products (COAP) & Seafood**

<b>Ran k</b>	<b>Supplier</b>	<b>(US\$ Million)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010 *</b>	<b>Shar e 2010</b>	<b>Growt h 10 v 09</b>	<b>2010 Re- exports / Gross Imports</b>
	The World	Gross Imports	7,647	9,098	11,544	12,826	14,496	100%	13%	
		Re-exports	1,775	2,435	3,409	3,824	4,030	100%	5%	
		Retained Imports*	5,873	6,663	8,135	9,001	10,466	100%	16%	28%
1	China	Gross Imports	1,854	2,007	2,215	2,446	2,594	18%	6%	
		Re-exports	296	309	356	334	337	8%	1%	
		Retained Imports	1,558	1,698	1,859	2,112	2,257	22%	7%	13%
2	United States	Gross Imports	875	1,042	1,615	1,972	2,415	17%	22%	
		Re-exports	220	328	609	752	955	24%	27%	
		Retained Imports	655	715	1,006	1,220	1,460	14%	20%	40%
3	Brazil	Gross Imports	645	989	1,441	1,575	1,563	11%	-1%	
		Re-exports	273	491	630	737	613	15%	-17%	
		Retained Imports	372	498	811	838	950	9%	13%	39%
4	Japan	Gross Imports	485	573	603	709	870	6%	23%	
		Re-exports	38	36	41	43	45	1%	4%	
		Retained Imports	446	536	562	665	825	8%	24%	5%
5	Australia	Gross Imports	485	529	613	682	702	5%	3%	
		Re-exports	41	58	59	91	81	2%	-11%	
		Retained Imports	444	470	553	591	621	6%	5%	12%
6	France	Gross Imports	147	251	385	446	587	4%	32%	
		Re-exports	39	88	111	115	142	4%	24%	

		Retained Imports	108	164	274	331	445	4%	34%	24%
7	Thailand	Gross Imports	338	410	486	590	567	4%	-4%	
		Re-exports	161	226	267	350	323	8%	-8%	
		Retained Imports	177	184	219	240	244	2%	2%	57%
8	Canada	Gross Imports	208	217	342	312	390	3%	25%	
		Re-exports	26	43	133	104	117	3%	12%	
		Retained Imports	182	173	209	207	273	3%	32%	30%
9	Netherlands	Gross Imports	166	211	306	323	373	3%	16%	
		Re-exports	34	60	100	95	87	2%	-8%	
		Retained Imports	132	151	206	228	286	3%	26%	23%
10	New Zealand	Gross Imports	191	217	251	257	334	2%	30%	
		Re-exports	75	28	28	36	42	1%	16%	
		Retained Imports	116	189	223	221	292	3%	32%	13%
	Total from Top 10 Suppliers	Gross Imports	5,393	6,447	8,256	9,312	10,395	72%	12%	
		Re-exports	1,203	1,668	2,335	2,658	2,742	68%	3%	
		Retained Imports	4,190	4,779	5,922	6,654	7,653	73%	15%	26%
	Total from Rest of The World	Gross Imports	2,254	2,651	3,288	3,514	4,101	28%	17%	
		Re-exports	571	767	1,075	1,166	1,288	32%	10%	
		Retained Imports	1,683	1,884	2,213	2,347	2,813	27%	20%	31%

(Source: Calculations based on World Trade Atlas data)

(\* Figures for 2010 were estimated based on figures for the first 7 months & market trend information)

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

- Thanks to the fast-recovering economy and consumer affluence, retained imports of consumer-oriented agricultural products (COAP) and Seafood products in Hong Kong are expected to grow by 16% in 2010. The U.S. is Hong Kong's second largest supplier of COAP and Seafood products following China. Retained imports of products from China and the U.S. in 2010 are expected to reach US\$2.26 billion and US\$1.46 billion, representing market shares of 22% and 14% respectively.

- Hong Kong's status as a gateway for trade with China and Macau are increasingly opening up greater avenues for U.S. high value food products. In 2010, Hong Kong is expected to import over US\$14.5 billion COAP and Seafood from the world and re-exported 28% of these products. Around 53% of all these re-exports went to China and 10% went to Macau. (Source: Hong Kong Census and Statistics Department)

## Economy

- Hong Kong was only slightly affected by the global financial crisis. GDP and per capita GDP dropped by only 2.5% and 2.8% respectively in 2009. Hong Kong's economy quickly recovered and continued to improve in 2010, particularly with the continued influx of investment from Mainland China. It is expected that GDP and per capita GDP will grow by 5.3% and 5% and reach US\$220 billion and US\$31,400 respectively in 2010.

**Table 2. Hong Kong: Gross Domestic Product and GDP per capita**

	2008	2009	Growth 09 vs 08	2010*	Growth 10 vs 09
GDP	US\$215 billion	US\$209 billion	-2.5%	US\$220 billion*	+5.3%*
GDP per capita	US\$30,779	US\$29,902	-2.8%	US\$31,400*	+5%*

(\* Estimate based on government forecast, analysis of the economy and market trends)

## Outlook in 2010/2011

- Economic growth in Hong Kong is expected to be around 5% in 2010. However, rents and wages are on the rise in Hong Kong and inflation may limit Hong Kong's future economic growth. In addition, Mainland China is expected to take austerity measures to cool down its economy in late 2010 which may also affect Hong Kong's economic growth in 2011.
- However, post expects that U.S. products will continue to fair better than its competitors due to competitive U.S. prices and consumer confidence in the quality and safety of U.S. products. In addition, the Hong Kong dollar link to the U.S. dollar provides much needed foreign exchange stability among food importers. It is expected that Hong Kong will remain one of the top 5 markets for U.S. consumer ready food products in 2011, as it continues to be a major buying center and transshipment point for China and Southeast Asia.

**Table 3. Hong Kong: Summary of the Key Strengths and Challenges for the Market**

Strengths	Weaknesses
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<p>The Hong Kong market is one of the top markets in the world for food and beverages, processed, fresh and frozen gourmet products. U.S. exports of high value food products and seafood to Hong Kong is expected to reach US\$2 billion in 2010, making it the 4th largest market for the U.S.</p>	<p>U.S. food products are not always price competitive. China is the largest competitor for U.S. food products in Hong Kong.</p>
<p>Hong Kong is a major trading hub where buyers make purchasing decisions for hundreds of millions of dollars of consumer oriented products that are transshipped to China and S.E. Asia.</p>	<p>Lengthy transportation time associated with importing U.S. food products to Hong Kong can make them less competitive than products available in the region such as from China, Australia New Zealand. Their proximity allows for quicker delivery of product (processed and fresh).</p>
<p>U.S. food products enjoy an excellent reputation among Hong Kong consumers, as they are renowned for high quality and food safety standards, as well as being healthy and nutritious.</p>	<p>The importance of Hong Kong as a transshipment point and buying center for China and elsewhere is not widely known to U.S. exporters.</p>
<p>The U.S. is the 2<sup>nd</sup> largest food supplier to Hong Kong next to China.</p>	<p>Hong Kong labeling and residue standards differ in some cases with U.S. standards, which can impede trade.</p>
<p>Technical barriers to imports of U.S. products are generally very low.</p>	<p>Numerous HK food regulations are not in line with Codex, which can complicate import clearances.</p>
<p>There is a wide variety of U.S. products available to Hong Kong consumers (over 30,000 different items).</p>	<p>While Hong Kong has one of the busiest container terminals in the world, it also has the most expensive port handling charges.</p>
<p>The link between the Hong Kong Dollar (HKD) to the U.S. Dollar helps insulate the HKD from currency fluctuations.</p>	<p>Hong Kong's top supermarkets are a duopoly that often request slotting fees.</p>

<p>Most trans-shipments to Macau are purchased, consolidated and shipped via Hong Kong.</p>	
<p>In general, HKG is transparent and open in its implementation and application of regulations.</p>	
<p>Hong Kong exporters choose to work with Hong Kong importers and distributors to get their products to China because of Hong Kong's dependable legal system, contracts and rule of law.</p>	
<p>Hong Kong concerns over food safety have made U.S. food products as a top choice for quality and safety.</p>	

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" 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.
In general, products containing biotech ingredients are not controversial in Hong Kong.
Lack of local production means virtually no protectionist pressures for food and agricultural products.
Hong Kong is in an economically vibrant region and its economy is expected to continue its growth in 2011.
Hong Kong's duopolistic supermarkets have a wide distribution network. Cold chain and distribution channels for food products are generally efficient and dependable, as is the customs clearance process.

## **SECTION II. EXPORTER BUSINESS TIPS**

### **Importer Lists**

ATO provides Hong Kong importer lists to U.S. exporters and assists to arrange meeting appointments, provided adequate lead-time is given. Please contact the ATO via [Atohongkong@fas.usda.gov](mailto:Atohongkong@fas.usda.gov) for further information and other business tips.

### **Language**

The official written languages in Hong Kong are Chinese and English. The official spoken languages are Cantonese (the prominent Chinese dialect in Hong Kong and South China) and English. In general, all correspondence can be in English.

### **Travel Visa**

Even though Hong Kong is now part of China, there is still a border boundary between Hong Kong and China. If you are traveling with a U.S. passport, you do not need a travel visa for Hong Kong. However, if you are planning to go to Mainland China, you need to apply for a travel visa into China.

### **Legal System**

Hong Kong's legal system is firmly based on the rule of law and the independence of the

judiciary. Hong Kong's legal system is separate from Mainland China. Also, Hong Kong is a separate customs territory from China.

## **Payment**

Hong Kong importers are willing to pay by letter of credit in the beginning. When a trading relationship has been established, many of them prefer to pay by open accounts so as to cut transaction costs.

## **General Consumer Tastes and Preferences**

- There is a growing popularity of frozen foodstuffs because more and more consumers believe that frozen foods are more hygienic. However, Hong Kong consumers in general still prefer fresh foodstuffs, particularly fish and poultry meat.
- Due to the increasing prevalence of dual income families, ready-to-cook food has become more popular. The major supermarket chains in Hong Kong have been putting more emphasis on convenience foods, especially in their pre-prepared sections that are virtually serving ready-to-eat foods.
- There is most potential for growth in the processed/convenience sectors of Hong Kong's retail food markets for U.S. high value consumer foods such as general grocery items, ingredients for home meal replacement, and health food.
- Hong Kong consumers have become more aware of food safety issues and nutrition values of food products. Clear indications of nutritional value on the package have been a good marketing strategy for health foods.
- The sales of organic products have been increasing steadily. The price discrepancy between conventional and organic foods has also narrowed over the years. Currently, organic products are priced between 20-40% higher. The most popular organic products are baby foods, vegetables, fruits, eggs, fresh meats, and fruit juices.
- Health foods continue to grow in popularity in Hong Kong because of consumers' desire to enhance general health. The latest trend in health foods now is "Low Glycemic Index" and "Antioxidants".
- Foods categorized as natural and having benefits to health are also appealing to Hong Kong consumers. For example, nut suppliers promote nuts as healthy snacks good for the heart, and many cereals are marketed as an effective means of controlling cholesterol.
- Hong Kong eliminated its import duty on wine in February 2008 and stimulated a surge in

volumes and quantity of wines imports into Hong Kong. Consumption of wine is growing in popularity in Hong Kong. Hong Kong's wine imports for the first 7 months in 2010 reached US\$428 million and 19.7 million liters, an increase of 78% in value and 8% in quantity compared with the same period in 2009. For more information on the wine market in Hong Kong, please refer to GAIN Report #HK0004. (This report is available at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>)

- Demand for promotion package and discounts. Consumers are very price sensitive. Marketing tactics such as selling bundled economy packs or enclosing complimentary samples are usually used to stimulate sales. The most direct and effective marketing tool is to offer discounts.
- Because of the limited living space in Hong Kong, it is inconvenient for Hong Kong consumers to store food products. Therefore, bulk-pack food products do not sell well in Hong Kong, and small package food products are preferred.

## **Import Regulations**

### **1. Import Duties & Import Certificates**

- With the exception of spirits, all food and beverage products can be imported to Hong Kong duty free. Technical requirements for imports vary significantly according to the product. Products which require import permits/health certificates include meat, milk and frozen confections. The Hong Kong Government (HKG) also plans to implement a health certification requirement for eggs and seafood products. Currently, 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. For details on Hong Kong's general import regulations for food products, please refer to GAIN Report #9018. (This report is available at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>)

### **2. New Nutritional Labeling Law**

- Hong Kong's Legislative Council on May 28, 2008 passed a nutrition labeling regulation, which took effect July 1, 2010. Hong Kong's nutrition labeling regulation requires all prepackaged food sold in Hong Kong have to label the contents energy plus seven nutrients namely; protein, carbohydrate, fat, saturated fat, trans fat, sodium and sugars. Products selling less than 30,000 units a year can apply for small volume exemption provided that the products do not carry any nutritional claims. Traders applying for

exemption have to pay HK\$345 (US\$44) per product variety for the first year and HK\$335 (US\$43) for annual renewal.

- Hong Kong's nutrition labeling regulation is unique; as all imported foods making nutrition claims from all sources will have to be re-labeled for the Hong Kong market. Despite the U.S. requiring the labeling of 15 energy/nutrients, U.S. products still cannot meet the Hong Kong nutrition labeling requirements due to different nutrient definitions, rounding practices, and recommendations for daily consumption. Virtually all U.S. products carrying claims will require labeling changes and/or nutrient testing.
- Details of the regulation are contained in the Technical Guidance Notes on Nutrition Labeling and Nutrition Claims, which is available at:  
[http://www.cfs.gov.hk/english/food\\_leg/food\\_leg\\_nl\\_guidance.html](http://www.cfs.gov.hk/english/food_leg/food_leg_nl_guidance.html)
- Further supplementary information will be provided in the form of FAQ on the Hong Kong government's Center for Food Safety website: <http://www.cfs.gov.hk/eindex.html>
- For more information on the impact of Hong Kong's nutrition labeling regulation, please see reports HK8017 & HK7011. (These reports are available at:  
<http://www.fas.usda.gov/scriptsw/AttacheRep/legacy.asp>)

### **3. Preservatives Regulations**

- Hong Kong amended its Preservatives Regulation, which became effective July 1, 2008. A two-year transitional period for compliance ended on June 30, 2010. Compared to the original regulation, the new regulation no longer allows for the use of propyl para-hydroxybenzoate, but additionally allows the use of the following preservatives:

Guaiac resin  
Isopropyl citrates  
Stannous chloride  
Tertiary butylhydroquinone (TBHQ)  
Thiodipropionic acid  
Dimethyl dicarbonate  
Ferrous gluconate  
Formic acid  
Hexamethylene tetramine  
Lysozyme  
Pimaricin

- Another change brought about by the amendment to the regulation is the adoption of a food category system based on Codex's General Standard for Food Additives (GSFA) and

the incorporation of those preservatives and antioxidants, as well as their permitted levels of use, in GSFA.

- To help trade better understand the amended regulation, the HKG issued a “User Guideline”, which provides the definition of each food category of the newly adopted food category system. Also, the Guidelines include some questions and answers pertaining to the amended regulations. The full Guidelines are available at the following website: [http://www.cfs.gov.hk/english/whatsnew/whatsnew\\_fstr/files/User\\_Guideline\\_e.pdf](http://www.cfs.gov.hk/english/whatsnew/whatsnew_fstr/files/User_Guideline_e.pdf)
- Hong Kong’s Preservatives Regulation adopts the principle of a positive list. In other words, Hong Kong does not allow any preservatives or antioxidants in foods if they are not expressly permitted by the Preservatives Regulation. The list of permitted preservatives and their maximum permitted levels may be retrieved from the following website: <http://www.legco.gov.hk/yr07-08/english/subleg/negative/ln085-08-e.pdf>
- More information on the amended Preservatives Regulation, please see gain reports HK#8021 & HK#7018. (These reports are available at: <http://www.fas.usda.gov/scriptsw/AttacheRep/legacy.asp>)

#### **4. Biotech Food Related Regulations**

- The HKG does not have any specific biotechnology regulations with regard to the labeling of biotech food products. The HKG makes no distinction between conventional and biotech foods. All are subject to the same food safety regulation.
- The HKG, after evaluating the impact of its voluntary labeling scheme for biotech food products, released its conclusions to the Legislative Council on July 8, 2008, suggesting there is no need for a mandatory labeling law in Hong Kong. The HKG noted difficulty in carryout a law that currently does not have an international standard to back it up. As a result of its evaluation, the HKG plans to continue to promote voluntary labeling of GMO products as a viable alternative for the trade.
- The HKG released a set of guidelines on voluntary labeling for biotech foods in 2006. The guidelines on labeling for biotech foods are advisory in nature and do not have any legal effect. Adoption is entirely voluntary and is not binding. The guidelines apply to prepackaged food and are based on the following four principles:
  - The labeling of biotech food will comply with the existing food legislation.
  - The threshold level applied in the guideline for labeling purpose is 5 percent, in respect of individual food ingredient.

- Additional declaration on the food label is recommended when significant modifications of the food, e.g. composition, nutrition value, level of anti-nutritional factors, natural toxicant, presence of allergen, intended use, introduction of an animal gene, etc, have taken place.
  - Negative labeling is not recommended.
- As the guideline is voluntary, U.S. food exports should not be affected if they choose not to have any biotech labeling. However, it should be noted that the HKG does not encourage negative labeling particularly for the use of the following terms:
    - GMO free
    - Free from GM ingredients, etc
- For products with such definite negative labeling, the HKG may take the initiative to test the products against GM ingredients and zero tolerance will be adopted for testing purposes. If products are found to have misleading labeling, a retailer may be subject to prosecution under Section 61 – False Labeling and Advertisement of Food or Drugs of Chapter 132 Public Health and Municipal Services Ordinance. (Available at <http://www.legislation.gov.hk/eng/home.htm>)
  - If the trade chooses to apply negative labeling, the government advises to use less definite terms such as “sourced from non-GM sources” (which contains less than 5 percent of GM content) and to have documentation to substantiate such declaration.
  - For more details on the voluntary labeling guidelines and biotechnology in Hong Kong, please refer to Gain Report HK#8019 & HK#6016 respectively. (These reports are available at: <http://www.fas.usda.gov/scriptsw/AttacheRep/legacy.asp>)
  - Hong Kong passed a Genetically Modified Organisms (Control of Release) Ordinance in March 2010. With the expected commencement of the Ordinance in late 2010 or early 2011, there will be documentation requirements for shipments containing genetically modified organisms (GMOs). GMOs in the Ordinance are referred to as LMOs or living modified organisms. According to the announced information, shipments containing GMOs will need to be accompanied by documentation containing the following information:
    - If the identity of the GMO is known, the shipment contains such a GMO; if the identity of the GMO is not known, the shipment may contain such a GMO;
    - The GMO is not intended for release into the environment;

- The common name, scientific name and, where available, commercial name of the GMO;
  - The transformation event code of the GMO or, where available, its unique identifier code; and,
  - The details of the importer or exporter (such as name, address and contact information) for further information.
- There is no specific requirement regarding the form of documentation accompanying GMO shipments. The use of a commercial invoice or other documents required by existing documentation systems would be sufficient.

### **Section III. Market Sector Structure and Trends**

Among the three major market sectors of Hong Kong: the retail and HRI (hotel, restaurant and institutional) sectors present the best opportunity for U.S. exporters. The food processing sector in Hong Kong is relatively small and presents less opportunity for market development.

#### **Food Retail**

- Total retail sales of food and drinks in Hong Kong for 2010 are expected to reach US\$8.4 billion, representing a growth of around 3.5% compared to 2009.
- Despite a highly centralized supermarket retail network, with two supermarket chains accounting for about 80% of the supermarket turnover, the total number of retail establishments stands at approximately 14,000. Retail shops in Hong Kong generally are very small in size, about 96% of which hire less than 10 employees. (Source: Hong Kong Census and Statistics Department)
- Traditionally, Hong Kong consumers shop for food daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including wet markets and mom-and-pop shops. While both wet market and supermarket sales are increasing, supermarkets are taking a greater share of total sales. The supermarket's share in terms of retail sales rose from 44% of total sales in 1995 to 54% in 2010.
- Although there will not be significant growth of the number of supermarkets, retail sales share of supermarket is expected to continue to expand in the future at the expense of that of traditional markets. Many supermarkets in Hong Kong now have successfully tapped the fresh food market by offering fresh foods at very competitive prices and

providing a comfortable shopping environment, which is very different from traditional wet markets.

- In short, wet markets are strong in fresh foods, while supermarkets are strong in processed, chilled and frozen, high added value, and canned food products. The competition between wet markets and supermarkets has intensified in recent years. Some wet markets have started providing air-conditioning and provide free shuttles to nearby residential areas.

## Supermarkets

**Table 4. - Profiles of Leading Supermarket Chains in Hong Kong**

<b>Name of Retailer</b>	<b>Ownership</b>	<b>Annual Food Sales</b>	<b>No. of Outlets</b>	<b>Type of Purchasing agent</b>
Wellcome	Hong Kong	Over US\$1 billion (est.)	Around 250	Importers/Agents Exporters Consolidators
ParknShop	Hong Kong	Over US\$1 billion (est.)	Around 250	Importers/Agents Exporters Consolidators
CRVanguard Shops	China	Not available	97	Importers/Agents Exporters
DCH Food Mart	Hong Kong	Not available	75	Importers/Agents Exporters
Jusco Stores (HK) Ltd.	Japan	Over US\$250 million (est.)	5 supermarkets within department stores and 5 separate supermarkets	Importers/Agents
CitySuper	Hong Kong	Not available	4 and 1 other called Log-on selling snacks only; 1 convenience store called Pit-in	Importers/Agents Consolidators
Oliver's The Delicatessen	Hong Kong	Not available	1	Importers/Agents Consolidators
Uny	Japan	Not available	1	Importers/Agents

Sogo	Japan	Not available	2	Importers/Agents
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- There are two dominant supermarket chains in Hong Kong: The Wellcome Co. Ltd. (around 250 outlets) and ParknShop (around 250 outlets). ParknShop and Wellcome account for about 80% of all supermarket turnovers in Hong Kong. Both supermarkets are able to work closely with real estate developers to open stores in strategic locations, thus maintaining their significant market share. The other players include: China Resources Vanguard Shops (CRVanguard), Dah Chong Hong (DCH) Food Marts, Jusco and City Super.
- In the past decade, a “superstore” concept has emerged in the operation of supermarkets, blending the Western supermarket style with a traditional Hong Kong wet market. Superstores offer traditional Chinese fresh food like live fish, meats, ready-to-eat foods and market-style fruit and vegetables as well as the most extensive range of international products.
- ParknShop opened its first superstore in 1996 with a floor area of 45,000 sq. ft. Presently, its largest supermarket in Hong Kong has a floor area of 72,000 sq. ft. giving customers a modern one-stop shopping solution. The store sells over 20,000 product categories ranging from snacks to electrical household appliances. The ParknShop supermarket chain carries two of its own-label product lines, namely PARKnSHOP and Best Buy, first introduced in 1995. ParknShop is also associated with three other supermarkets by the name of Great, Taste, and Gourmet. These three high-end supermarkets cater mostly to the expatriates and more affluent clientele. They are ideal outlets for innovative, quality and priced international food products. These stores also carry a wide selection of organic products. Great adopts a stylish international food hall concept and its flagship store offers over 46,000 gourmet items. The first 35,000 square feet TASTE food galleria was opened in November 2004, and features more than 25,000 quality food items sourced from around the world. Gourmet, opened in 2005, occupied 15,000-square-foot store offering a selection of over 20,000 products carried across 30 merchandise categories of quality and premium foods.
- Dairy Farm, which owns another major supermarket chain – Wellcome, has opened an upscale supermarket in Hong Kong’s central commercial area catering to the more affluent clientele. The new store called “Three Sixty” was opened in November 2006. With a floor area of 23,000 square feet, it is Hong Kong’s largest retail outlet for organic and natural products. About 6,000 items or 70% of the items in the store will be organic or natural products. The store includes an organic sector for baby products. “Health” and “natural” are the key concepts of this store. The second “Three Sixty” was opened in October 2007.

- CRVanguard focuses on local customers. While carrying a variety of products from different countries, a major portion of them comes from China.
- Dah Chong Hong's outlets (DCH Food Marts) are generally located near wet markets. While being an importer of a variety of products, its retail outlets focus on frozen meat and seafood products. Dah Chong Hong is a major food importer too.
- CitySuper and Oliver Delicatessen capture an upscale market. Clientele includes mainly well-off middle class and expatriates. Customers are generally receptive to western foods. Both high-end supermarkets require no listing fees.
- Gateway Superstore and PrizeMart are two supermarkets in Hong Kong selling primarily U.S. products. PrizeMart has 16 stores and Gateway has 1 store. Both supermarkets import directly from US consolidators and do not charge listing fees.
- Jusco, Sogo and Uny are Japanese department stores with a supermarket section. These supermarkets attract many middle-class customers, who are receptive to new products and do not mind to pay for higher prices for higher quality products. These three stores are popular spots for in-store promotions as they are packed with consumers seven days a week.
- Hong Kong supermarkets require listing fees which are fees charged to allow a new product to be put on their shelves. This is a one-off fee for a trial period. The listing fees are extremely negotiable and vary greatly among different supermarket chains. Major supermarket chains, such as Wellcome and ParknShop which have many branch stores, have expensive listing fees. Industry sources revealed that key supermarket chains may charge HK\$1,000 (US\$130) per SKU for each of its store. A 30% discount may be offered to certain suppliers. The discount offered varies tremendously depending on the popularity of the products and the bargaining power of the supplying companies. Agents/importers will not bear this cost as it is normally just transferred to their principals.
- U.S. exporters should be prepared to encounter numerous trading term demands from Hong Kong food retailers, such as promotional discounts (number of discount promotions offered each year); back-end income (flat rebate per year that a U.S. exporter has to pay to the retail chain based on the annual turnover); D.G.A. (Distribution allowance - the fee that the supermarkets charge for distributing the products from its warehouse to its many branch stores); and incentive rebate (a percentage of turnover rebated to the supermarkets in case sales exceed the agreed amount). It can be expected that the bigger the supermarket, the harsher the trading terms. For general reference, about 15% of the annual turnover has to be rebated to the major supermarkets and 8% to small ones. Agents representing very popular items with large turnover usually have a stronger

bargaining power and will be able to negotiate for a lower rebate rate.

- In face of strong competition, major supermarket stores often offer discounts and tend to transfer the cost to suppliers by requesting lower prices for supplies. Given supermarkets' strong bargaining power, many suppliers have to give supermarkets special discounts which ordinary retailers do not enjoy.
- There is excellent growth potential in Hong Kong's retail food market for U.S. grocery store items, particularly new and different items, as food retail outlets continue to increase and diversify. Because of established ties and traditional relationships, most of Hong Kong's supermarket chains traditionally looked to Britain, Australia, New Zealand, and Canada for supplies. In recent years, however, buying habits are shifting and many more American items are now available on local grocery store shelves. Supermarkets tend to use consolidators to help them source new products which are popular in the United States.

#### Market Entry Approach

- Through setting up a representative office in Hong Kong: While this is the most effective approach, it is very costly.
- Through U.S. Consolidators: Major supermarkets in Hong Kong work with U.S. consolidators for some of their products. However, the product quantities requested per shipment are usually small, especially when new products are purchased to test the market.
- Using Hong Kong Agents: This is the most popular approach. The advantage of having an agent is that it can help with marketing and distribution. Some companies may secure a very competitive price package with TV/magazine/radio for advertisements. In addition, well-established companies have extensive distribution networks not limited to one or two supermarkets.
- Direct to Supermarkets: For branded products to sell direct to supermarkets, supermarkets usually require exclusive rights in selling the products in Hong Kong through their own outlets only. Otherwise, they will not consider any direct imports. In this case, expensive listing fees may be waived. For non-branded and large turnover products such as fruit, meat, and vegetables, supermarkets tend to buy direct from overseas exporters to cut costs.
- Direct selling to supermarkets is difficult to handle because they demand strict on-time

delivery and very often will not be able to take a whole container. Logistics is the largest problem that U.S. exporters have to deal with if they want to sell direct to supermarkets. However, they can better test the market if they deal directly with retailers.

## Convenience Stores

**Table 5. - Profiles of Leading Convenience Stores in Hong Kong**

Retailer Name	Ownership	No. of Outlets	Locations	Purchasing agent	Year established	Clients' age
7-Eleven	Hong Kong	963	Hong Kong	Importers Agents	1981	15-35
Circle K	Hong Kong	312	Hong Kong	Importers Agents	1985	15-35

- There are over 1,300 convenience stores in Hong Kong. Two major chains dominate the market: 7-Eleven (963 outlets) and Circle K (312 outlets). They are targeting the customer age group of 15-35. Convenience stores are characterized by round-the-clock operation. Since only a limited choice of brand names is available and prices are generally less competitive, most purchases are "convenience" in nature, i.e. goods are normally bought in small quantities for immediate consumption. Good sales items include packaged drinks, beer and snack food. The average size of a convenience store is 1,000 sq. ft. Listing fees are also required for convenience stores.
- 7-Eleven is owned by Dairy Farm, which is also the parent company of the giant supermarket chain of Wellcome. Many of 7-Eleven stores are strategically located in MTR (subway) and KCR (train) stations, popular shopping malls and housing developments throughout Hong Kong.

### Market Entry Approach

- Convenience stores largely buy goods from local importers and agents. Therefore, U.S. food exporters have to go through Hong Kong importers to have their products sold in convenience stores.

## Traditional Markets

- Traditional markets include wet markets and mom-and-pop shops. They are widespread throughout the territory. Traditional markets used to account for the lion's share of food retail. For example, they occupied around 54% of total retail food sales between 1995 and 1997. Yet supermarkets sales have exceeded traditional markets sales since 1998, and the dominating trend of the former is likely to persist and deepen in the future. Despite the growing significance of supermarkets in terms of food retailing, traditional markets remain key food retail outlets, particularly for seafood, meat and groceries. Wet markets in Hong Kong have changed gradually over the years. The newly built markets are built and managed by the Hong Kong government with air-conditioning and a more hygienic and pleasant environment than the old ones. Some, but not all, stalls in wet markets have freezers and chilling equipment, which is necessary to maintain food quality.
- Mom-and-pop shops around housing estates and schools are ideal retail outlets for drinks and snack foods. Such traditional markets offer small stalls and personal services that many Hong Kong consumers enjoy.
- Yu Kee, a traditional mom-and-pop shop, which started business in 1990, has expanded to 72 stores spreading all over Hong Kong in recent years. The stores have floor area ranging around 1,500 sq. feet each. They sell mainly processed foods and produce. Most of the food supplies in these shops come from China and South East Asia. They also import snack foods and drinks from Europe. However, U.S. foods are not yet on their shelves. The stores feature cheap prices and are after the mass market.

#### Market Entry Approach

- U.S. food exporters must go through local importers or agents that have good distribution networks.

#### **Trends in Promotional/Marketing Strategies and Tactics**

- Supermarkets expanding store size: The supermarket industry is undergoing a face-lift to introduce larger size stores with an objective to provide one-stop shopping and convenience for customers. In addition to traditional grocery and household products, supermarkets are moving towards larger, more modern stores with more fresh food.
- Increasing demand for promotion packages and discounts: Hong Kong consumers are very price sensitive. Marketing tactics such as selling larger economy packs or enclosing complimentary samples are usually used to stimulate sales. The most direct and effective marketing tool is to offer discounts.

- In face of strong competition, major supermarket stores often offer discounts and tend to transfer the cost to suppliers by requesting lower prices for supplies. Given supermarkets' strong bargaining power as they have many retail outlets, many suppliers have to give supermarkets special discounts which ordinary retailers do not enjoy.
- Consumers becoming increasingly health-conscious and organic products picking up in popularity: There has been a gradual shift in what food consumers want in Hong Kong. The importance of meat, especially red meat, has declined among some consumers, while other food groups, such as fruits and vegetables, are gaining in popularity. Consumers increasingly look for freshness, healthiness, new varieties and shorter meal-preparation time for food. Consumers want foods of higher nutritional value, but also increasingly pay attention to food safety and hygiene. In short, the marketing trend is to position food products as healthy, natural, nutritional, etc.
- Internet direct sales of food: Major supermarkets like ParknShop and Wellcome offer grocery shopping over their websites. The service is however not attracting a lot of interest, due to the convenience of shopping in Hong Kong, security concerns over payment via the internet and the cost of delivery.
- However, the at-work population in Hong Kong is becoming a coveted audience among marketers to leverage the internet as an advertising medium. The at-work online audience is large and growing - out of the total Hong Kong workforce of 3.7 million, about 20 % regularly go online at work. These regular Hong Kong internet users are a demographically attractive group of individuals who have higher than average incomes, educations and tendencies to shop and buy online.
- Growing awareness of U.S. products fit supermarkets' needs to diversify product range: With awareness of the high quality and variety of U.S. food products increasing among supermarkets, there are many opportunities to introduce new U.S. products to the local market. ATO Hong Kong selectively invites key supermarket buyers to the United States on buying missions, which are followed by in-store promotions highlighting U.S. products. Buyers from Hong Kong supermarkets realize the quick-changing consumption temperament of local consumers, and many have expressed the need to source new products to capture changing tastes. With strong support from exporters and state regional trading groups, the ATO continues its efforts to promote U.S. products and help supermarkets expand their range of U.S. products.

- To promote U.S. food products, the ATO participates in major trade shows in Hong Kong, such as:

**Table 6. Hong Kong: Trade Shows Featuring Food Products**

3 <sup>rd</sup> Hong Kong Int'l Wine & Spirits Fair	<a href="http://hkwinefair.hktdc.com">http://hkwinefair.hktdc.com</a>	Nov 4-6, 2010
HOFEX 2011	<a href="http://www.hofex.com">http://www.hofex.com</a>	May 11-14, 2011
Natural Products Expo Asia	<a href="http://www.naturalproductsasia.com">http://www.naturalproductsasia.com</a>	Aug 2011
Restaurant and Bar	<a href="http://www.restaurantandbarhk.com">http://www.restaurantandbarhk.com</a>	Sep 2011
Asian Seafood Exposition	<a href="http://www.asianseafoodexpo.com">http://www.asianseafoodexpo.com</a>	Sep 2011
Asia Fruit Logistica	<a href="http://www.asiafruitlogistica.com">http://www.asiafruitlogistica.com</a>	Sep 2011

- For further information on the Hong Kong food retail sector, please refer to GAIN Report #9024. (This report is available at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>)

### **Hotel, Restaurant and Institutional (HRI)**

- Despite the global financial crisis, Hong Kong restaurant industry's purchases of over US\$3.5 billion in food and beverage generated sales of over US\$10.2 billion in 2009. This represented an increase of 0.6% and a drop of only 2.8% respectively over 2008.
- Hong Kong economy experiences continued growth and it is expected that restaurant purchases and receipts will grow by 4.3% and 5.0%, reaching US\$3.7 billion and US\$10.75 billion respectively in 2010.
- As Asia's most cosmopolitan city, Hong Kong boasts around 11,540 restaurants serving a wide range of world cuisines. These restaurants are comprised of 53% Chinese, 36% non-Chinese restaurants, and 11% fast food outlets. In addition, there are over 1,000 bars, pubs and other eating and drinking establishments.
- Chinese restaurants are popular among local citizens and tourists. There are a variety of Chinese restaurants in Hong Kong serving different regional cuisines: Canton, Shanghai, Beijing, Sichuan...etc. A typical lunch at a nice Chinese restaurant costs around HK\$100-300 (US\$12.82-38.46) per person and a typical dinner costs around HK\$150-400 (US\$19.23-51.28) per person.

- Many Hong Kong consumers enjoy western food, as do the nearly 30 million tourists (in 2009). 5-Star and other high-end western restaurants are as likely to be patronized by locals as tourists/visitors. Japanese food, fast food chains, coffee houses and casual dining establishments are also increasing their presence. A typical lunch at a western restaurant costs around HK\$100-300 per person and a typical dinner costs around HK\$200-500 (US\$25.64-64.10) per person.
- Fast food outlets are popular among Hong Kong consumers. The most popular fast food chains in Hong Kong are McDonald's, KFC and Pizza Hut. There are also some large local fast food 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 they each try to keep meal prices competitive. The average cost is around HK\$25 (US\$3.21) for breakfast, HK\$30 (US\$3.85) for lunch, HK\$20 (US\$2.56) for afternoon tea and HK\$50 (US\$6.41) for dinner. To further meet competition, many fast food operators have renovated their outlets to make them look more modern, spacious and attractive. To meet the demand of a growing number of health-conscious customers, fast food chains have also introduced more new ingredients and developed healthy-food options such as salads, fruits, and fresh juices.
- The coffee shop market continues to grow in Hong Kong's commercial areas. The two largest coffee house outlets are Starbucks – operating 109 outlets and Pacific Coffee 53 outlets. Most shops also offer basic menus consisting of muffins, pastries, cakes, sandwiches, and bottled beverages (juices and water). McDonalds has also vigorously expanded its McCafe in order to gain share in this growing market. Of its 154 outlets, 64 include a McCafe inside their shops.
- Hong Kong's food culture is "fresh". Consumer preference for fresh and live products is due to tradition, as well as concern about food safety. Hong Kong consumers are increasingly health conscious. Hong Kong has over 50 small to medium size health food stores. The two leading supermarket chains (Wellcome and ParknShop) and drug store chains (Manning's and Watson's) also sell natural/organic products at their outlets. The growth of "Mix" – a juice bar that also serves food is a good example of a successful "healthy" restaurant chain. Organic foods are also gaining popularity as evidenced by the growth of specialized retail outlets for organic foods. There is increasing opportunity for U.S. products and ingredients in this sector.

#### Market Entry Approach

- Because of small individual consumption, local hotels, restaurants and most fast food operators usually cannot afford to import directly. The distribution of food and beverages

to these operators is generally through import agents. U.S. exporters should contact Hong Kong importers to explore potential business opportunities.

## Trends in Promotional/Marketing Strategies and Tactics

- Participation in trade shows: There are a good number of trade shows that can help promote high quality US F&B products:

**Table 6. Hong Kong: Trade Shows Featuring Food Products**

3 <sup>rd</sup> Hong Kong Int'l Wine & Spirits Fair	<a href="http://hkwinefair.hktdc.com">http://hkwinefair.hktdc.com</a>	Nov 4-6, 2010
HOFEX 2011	<a href="http://www.hofex.com">http://www.hofex.com</a>	May 11-14, 2011
Natural Products Expo Asia	<a href="http://www.naturalproductsasia.com">http://www.naturalproductsasia.com</a>	Aug 2011
Restaurant and Bar	<a href="http://www.restaurantandbarhk.com">http://www.restaurantandbarhk.com</a>	Sep 2011
Asian Seafood Exposition	<a href="http://www.asianseafoodexpo.com">http://www.asianseafoodexpo.com</a>	Sep 2011
Asia Fruit Logistica	<a href="http://www.asiafruitlogistica.com">http://www.asiafruitlogistica.com</a>	Sep 2011

- The above shows provide showcases for U.S. food ingredients, wine and beverages to Hong Kong's food and beverage trade including hotels and restaurants. In cooperation with cooperators and regional groups, the show will demonstrate the versatility and safety of U.S. food products.
- Menu promotions with major restaurant chains: Menu promotion dollars will be maximized if spent on promotion events held with the major restaurant chains. With the restaurant chains' announced intention to have an image overhaul, this provides for an opportunity to introduce new U.S. foods.
- Inviting restaurant owners/chefs to seminars and/or to the United States: ATO Hong Kong/cooperators organize seminars and trade missions to the U.S. with an intention to introduce U.S. products, meet U.S. exporters, and experience U.S. store formats.
- For more information on Hong Kong's HRI sector, please refer to Gain Report #0012. (This report is available at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>)

## Food Processing

- The food processing industry in Hong Kong is relatively small compared to food retail and HRI sectors. The total output of the local food processing industry is estimated at below US\$1 billion. Major local production includes instant noodles, macaroni, spaghetti, biscuits, pastries and cakes for both domestic consumption and export. Other significant sectors

include canning, preserving and processing of seafood (such as fish, shrimp, prawns, and crustaceans); manufacture of dairy products (fresh milk, yogurt and ice cream); seasoning and spirits.

- Based on the trade agreement between Hong Kong and China (called Closer Economic Partnership Arrangement, or CEPA in short), all foods and beverages made in Hong Kong, subject to the CEPA's rules of origin, can enjoy duty-free access to the Chinese mainland. Non-Hong Kong made processed food and beverages products remain subject to tariff rates of up to 35%, and 65% for alcoholic drinks, according to China's tariff schedule.
- The CEPA zero tariff product list includes aqua – marine products, food and beverages, (certain dairy products such as yogurt and cheese, certain prepared meats, certain sugar confectioneries and cocoa preparations; certain preserved meats and seafood, bread, biscuits and cakes; preserved vegetables and fruits, fruit juices; sauces, water, etc.) and leather and fur products.
- Processed food and beverages items have to comply with Hong Kong's rules of origin in order to be imported to China tariff free. The rule of origin of individual products is basically determined by the manufacturing or processing operation. For example, milk and cream products are considered as "made in Hong Kong" only when the manufacturing processes of mixing, freezing sterilization and cooling are conducted in Hong Kong. The origin criteria for nuts is that the baking, seasoning, and/coating have to be done in Hong Kong. In the case of ginseng, the principal manufacturing processes of cutting and grinding have to be conducted in Hong Kong.
- China's zero import tariff applications for products made in Hong Kong certainly encourage food production in Hong Kong. The expansion of the local food processing industry will then trigger a demand for raw materials. Such demand may provide additional export opportunities for U.S. food ingredients suppliers.
- More information on CEPA can be found at: <http://www.tid.gov.hk/english/cepa/index.html>

#### Market Entry Approach

- Food ingredients are sourced both through direct import by food processors and through middleman traders. Hong Kong traders and end-users tend to stay with suppliers with whom they know well and have done business with for some time. While exporters would do well exploring all channels, patience and understanding are required to establish a relationship of trust before trading can commence.

## 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 an alcohol content greater than 30%, which is 100%.
  - 3 Products listed below are either enjoying a large market import value or a significant growth rate for the last 5 years (2005-2009).

**Table 11. Hong Kong: Top 10 Prospects in 2010**

<b>Product Category</b>	<b>2009 Retained Imports (MT)</b>	<b>2009 Retained Imports (US\$ million)</b>	<b>2005 – 2009 Average Annual Retained Import Growth</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
<b>Fish &amp; Seafood Products</b>	Volume statistics not available	US\$2.2 billion  <b>Expected to reach US\$2.5 billion in 2010</b>	+8.8% (value)	Major suppliers of fish and seafood products are Japan (17%), China (15%), Australia (11%), Indonesia (5%), and the US (4%).	U.S. fish and seafood products are perceived as high quality and safe.  Many 5-star hotels in Hong Kong are carrying Alaska seafood products such as king salmon, king crab, snow crab, black cod and halibut. It is anticipated that these seafood products will continue to be popular among HRI sector in Hong Kong.
<b>Fresh Fruit</b>	541,822 MT	US\$613 million	-0.8% (volume)	The Hong Kong fresh fruit market had negative volume growth over the	U.S. fresh fruit are well known for their large variety, good

	<b>Expected to reach 574,000 MT in 2010</b>	<b>Expected to reach US\$730 million in 2010</b>	+6.6% (value)	<p>past 5 years because of bad crops in some categories.</p> <p>Hong Kong consumers prefer fresh fruit to frozen fruit. 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 render their products "fresh" to Hong Kong consumers.</p>	<p>quality and tastes.</p> <p>U.S. was the largest supplier (25%) of fresh fruit to Hong Kong, followed by Thailand (22%).</p> <p>The top U.S. fruit exports to Hong Kong (in 2009) were citrus products (US\$97 million), grapes (US\$77 million), apples (US\$47 million), cherries (US\$34 million), plums, sloes &amp; peaches (US\$11 million) and strawberries (US\$13 million).</p> <p>These U.S. products will continue to be popular among Hong Kong consumers.</p>
<b>Poultry Products</b>	316,491 MT  <b>Expected to reach 426,000 MT in 2010</b>	US\$609 million  <b>Expected to reach US\$930 million in 2010</b>	-2.4% (volume)  +10% (value)	<p>Brazil is the leading supplier of poultry for Hong Kong. Brazil moved in as the no. 1 poultry exporter to Hong Kong when U.S. poultry imports were temporarily banned during February 11 to April 30, 2004 due to Avian Influenza cases in the United States. Though the ban was later lifted, Brazil continues to be the largest supplier due to its price advantage and its exporters' relationships with Hong Kong importers. The reduced supplies of live chickens from China</p>	<p>U.S. exported US\$168 million worth of chicken products to Hong Kong, accounting for 14% of the market share.</p> <p>U.S. products are highly regarded in food quality and food safety. More popular U.S. chicken products include chicken wing mid joints and chicken legs because of their sizes and quality. These two products are particularly</p>

				<p>to Hong Kong have resulted in increased demand for chilled whole chickens from China as an alternative.</p> <p>Hong Kong's certification requirements for U.S. chicken feet, which took effect in May 2005, reduced U.S. chicken feet supplies to Hong Kong. By the requirement, U.S. chicken feet are required to have ante mortem and post mortem inspection.</p>	<p>popularly among Hong Kong style cafes.</p>
<b>Pork</b>	<p>157,850 MT</p> <p><b>Expected to reach 160,480 MT in 2010</b></p>	<p>US\$462 million</p> <p><b>Expected to reach US\$425 million in 2010</b></p>	<p>+3% (volume)</p> <p>+16% (value)</p>	<p>China and Brazil are the top suppliers of pork to Hong Kong because their products are very price competitive.</p> <p>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 the advantage of low processing cost.</p>	<p>U.S. exported US\$62 million worth of pork to Hong Kong, accounting for 12% of the market share.</p> <p>U.S. products are highly regarded for quality and food safety.</p>
<b>Processed Fruit &amp; Vegetables</b>	<p>176,228 MT</p> <p><b>Expected to reach 180,000 MT in 2010</b></p>	<p>US\$262 million</p> <p><b>Expected to reach US\$255 million in 2010</b></p>	<p>+3% (volume)</p> <p>+7% (value)</p>	<p>The U.S. is the largest supplier (32%), closely followed by China (29%).</p> <p>Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.</p>	<p>U.S. processed fruit and vegetables are well known of their superior quality and tastes. U.S. processed fruit and vegetables such as potatoes, nuts, sweet corn, mushrooms, peaches and pineapples will continue to be in large demand in</p>

					Hong Kong.
<b>Beef, Frozen</b>	91,829 MT  <b>Expected to reach 119,000 MT in 2010</b>	US\$317 million  <b>Expected to reach US\$435 million in 2010</b>	+20% (volume)  +31% (value)	<p>Because of BSE cases in the U.S., Hong Kong currently allows boneless beef derived from cattle under 30 months of age from U.S. E.V (Export Verification) approved plants.</p> <p>Bone-in beef and variety beef from the U.S. are not yet allowed in.</p> <p>Currently only 25 plants have been EV approved and are eligible to export beef products to Hong Kong.</p> <p>Short U.S. beef supplies make U.S. beef very expensive.</p> <p>Brazil beef took the opportunity to gain market share. Brazil beef imports grew from US\$49 million in 2004 to US\$211 million in 2009.</p>	<p>U.S. exported US\$69 million worth of frozen beef to Hong Kong in 2009, accounting for 17% market share. Although U.S. beef was banned in Hong Kong in 2004 and 2005, Hong Kong consumers still have high regards for U.S. beef in terms of quality and safety.</p>
<b>Wine</b>	25.4 million liters  <b>Expected to reach 24 million liters in 2010</b>	US\$399 million  <b>Expected to reach US\$590 million in 2010</b>	+20% (volume)  +59% (value)	<p>Competition is keen in Hong Kong. Major competitors come from France and Australia. French wine is traditionally more popular in Hong Kong.</p>	<p>U.S. exported US\$40 million of wine to Hong Kong in 2009, accounting for 8% of the market share.</p> <p>The HKG abolished the import tax on wine and beer in February 2008. The HRI sector in Macau is growing, making it an excellent opportunity for U.S. wine traders to expand their</p>

					<p>exports.</p> <p>Hong Kong consumers are more and more receptive to wine. The total elimination of the excise tax on wine would probably help nurture wine drinking culture in Hong Kong.</p>
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<b>Tree Nuts</b>	<p>85,779 MT</p> <p><b>Expected to reach 77,500 MT in 2010</b></p>	<p>US\$397 million</p> <p><b>Expected to reach US\$400 million in 2010</b></p>	<p>+19% (volume)</p> <p>+20% (value)</p>	<p>38% of the tree nuts imported to Hong Kong are pistachios.</p> <p>The U.S. is very strong in supplying almonds, hazelnuts and pistachios.</p> <p>Some of the imports are re-exported to Vietnam and China for processing.</p>	No local production
<b>Fruit &amp; Vegetable Juices</b>	<p>18,683 MT</p> <p><b>Expected to reach 16,900 MT in 2010</b></p>	<p>US\$25 million</p> <p><b>Expected to reach US\$21 million in 2010</b></p>	<p>+0.4% (volume)</p> <p>-1% (value)</p>	<p>The U.S. is still the market leader, exported US\$9.6 million worth of fresh fruit juices to Hong Kong, accounting for a market share of 34%.</p>	<p>Given the high quality of U.S. fruit &amp; vegetable juices, U.S. fruit and vegetable juices such as orange juices, apple juices, grape juices, grapefruit juices, tomato juices and pineapple juices are expected to continue to be very popular in 2010.</p>
<b>Organic Food and Beverage</b>	<p>Statistics not available</p> <p>(The size of the Hong Kong organic food and beverage</p>	<p>Statistics not available</p>	<p>Statistics not available</p>	<p>Organic F&amp;B products are generally 20-40% higher in prices compared to non-organic products.</p>	<p>As Hong Kong consumers are becoming more health-conscious, the demand for organic products will continue to grow in 2010.</p>

	<p>market is estimated at US\$500 million, with an annual growth of 10-15%)</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>USDA Organic enjoys an excellent reputation among consumers in Hong Kong. Consumers generally have more confidence on USDA Organic standards than other countries'.</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

18<sup>th</sup> Floor, St. John's Building

33 Garden Road, Hong Kong

Tel: (852) 2841-2350

Fax: (852) 2845-0943

E-Mail: [ATOHongKong@fas.usda.gov](mailto: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

43/F., Queensway Govt Offices  
66 Queensway, Hong Kong  
Tel: (852) 2868-0000  
Fax: (852) 2834-8467  
Web site: <http://www.fehd.gov.hk>

**Department to Control the Importation of Plants & Live Animals**

Agriculture, Fisheries & Conservation Department  
5-8/F., Cheung Sha Wan Govt Offices  
303, Cheung Sha Wan Rd  
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  
18/F., 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  
18<sup>th</sup> 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  
6-9th 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  
9<sup>th</sup> - 11<sup>th</sup> floors, Citicorp Center,  
18 Whitfield Road, North Point, Hong Kong  
Tel: (852) 2807-6543  
Fax: (852) 2806-0303  
Web site: [www.hktourismboard.com](http://www.hktourismboard.com)

**Semi-Government Organization Providing Hong Kong Trade Information**

Hong Kong Trade Development Council  
38<sup>th</sup> 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>