

**Voluntary Report** – Voluntary - Public Distribution

**Date:** December 15, 2022

**Report Number:** HK2022-0083

**Report Name:** Third Quarter 2022 US Agricultural Trade Data Highlights

**Country:** Hong Kong

**Post:** Hong Kong

**Report Category:** Agricultural Situation, Agriculture in the News, Agriculture in the Economy

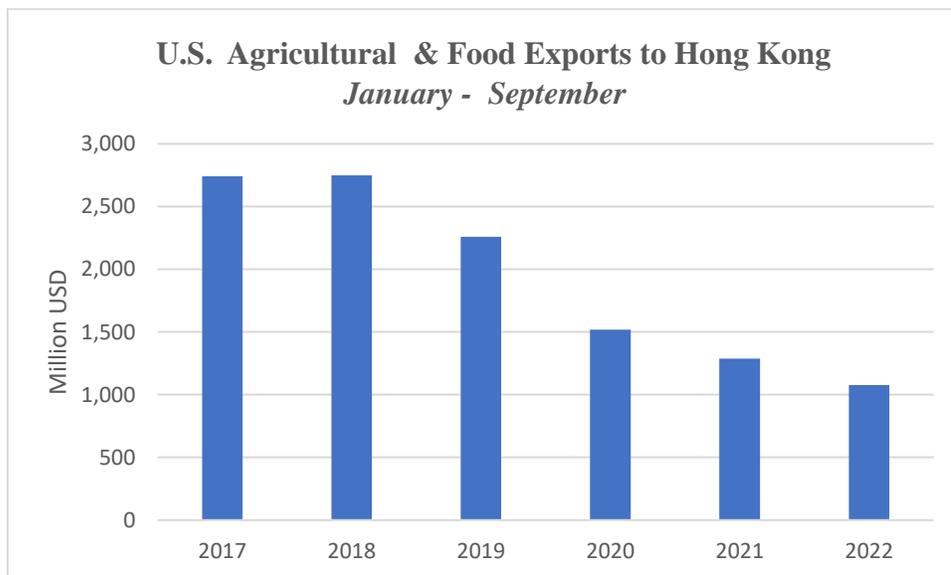
**Prepared By:** Caroline Yuen

**Approved By:** Jennifer Clever

**Report Highlights:**

From January – September 2022, U.S. agricultural and food exports to Hong Kong declined 16 percent to \$1 billion compared to the same period last year. During this same period, Hong Kong’s ranking as a U.S. agricultural and food export market slid from 15th in 2021 to 25th in 2022. However, the city held its rank as the 7th largest export market for U.S. consumer-ready food products. Compared to imports from other suppliers such as Australia, Brazil and France, imports from the United States performed relatively better. In addition to the traditional top sales categories, export growth in other less common product sectors signal opportunities for products such as ginseng, cough drops, processed vegetables, hops, proteins, essential oils, and others. The recent easing of pandemic-related measures in mainland China has sparked anticipation about the return of cross border travel and the city’s potential economic recovery.

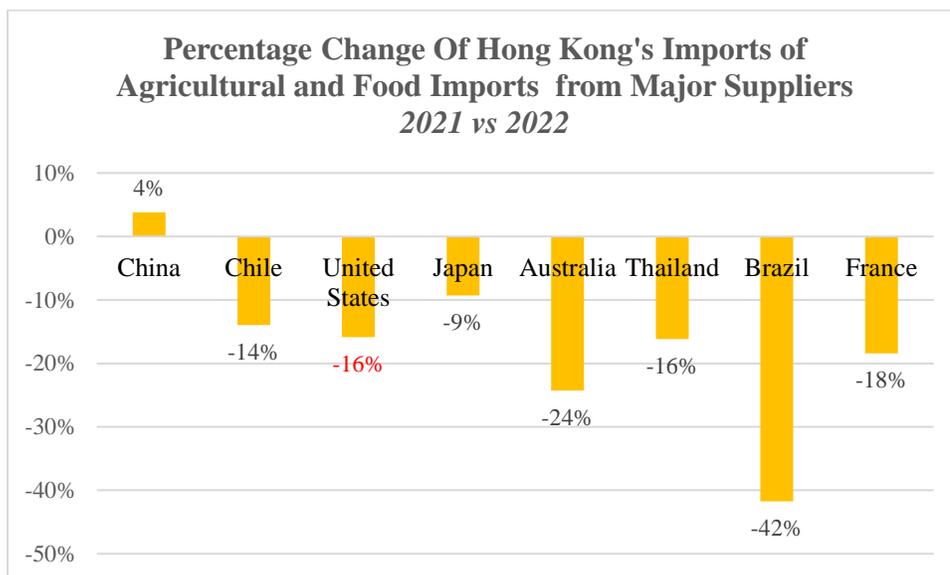
From January – September 2022, U.S. agricultural and food exports to Hong Kong declined 16 percent to \$1 billion compared to the same period in 2021, representing the lowest since 2008. U.S. exports to Hong Kong have been declining since 2018. Several compounding factors continue to support the decline in U.S. exports to the city. The continuing shifting of direct exports from the United States to mainland China (no longer passing through Hong Kong), the city’s weakened economy and constant disruptions to business activities such as the food and hospitality sectors as a result of the COVID-19 pandemic. In addition, in the recent two years, unreliable supply chains and logistical issues have prompted local traders to source more products from within the region. Comparing 2022 figures to last year by quarter, in the first quarter, U.S. agricultural and food exports to Hong Kong declined 22 percent, 11 percent in the second quarter, and 16 percent in the third quarter. Cumulative trade data for the first three quarters of 2022 did not indicate any distinct signs of this declining trend reversing. As a result, for the first nine months of 2022, Hong Kong’s ranking as a U.S. agricultural and food export market slid from 15<sup>th</sup> in 2021 to 25<sup>th</sup>.



Source: GATS – U.S. Census Bureau Trade Data

Hong Kong’s economy has been stumped by the pandemic. The city’s economy contracted 4.5 percent in the third quarter compared to a year earlier, widening the decline of 1.3 percent in the second quarter. This is the third consecutive quarterly GDP decline in 2022, technically fulfilling the definition of an economy in recession. The local economy suffered from inflation as well as a deteriorating external environment hurting the city’s general merchandise trade. During the third quarter, Hong Kong’s global imports of food and agricultural products dropped 11 percent. Against this backdrop, it is not surprising that U.S. agricultural and food exports to Hong Kong declined 16 percent during the same period. Similarly, during the first nine months of 2022, U.S. exports also declined 16 percent year-on-year. Notwithstanding, when compared with certain key competitors for the Hong Kong market such as Australia, Brazil and France, U.S. exports performed relatively better in terms of the percentage decline. Hong Kong’s greater imports from mainland China and a smaller deceleration in imports from Japan can

be attributed to their geographical proximity to the city. Proximity greatly influenced procurement preferences when supply chains turned unreliable and costly. Although Chile is not close to Hong Kong, the city’s imports of Chilean products declined by a smaller percentage when compared to imports from the United States. During this period, Chile was successful in expanding its supplies for wine, seafood and planting seeds to Hong Kong.



Source: GATS – Trade Date Monitoring- Hong Kong Census & Statistics Department

### U.S. Agricultural and Related Exports to Hong Kong by Categories

	Jan – Sep 2021	Jan – Sep 2022	Percent Change (%)
	Million USD		Jan-Sept 2021 vs Jan-Sept 2022
Consumer-Ready	1,053	874	-17
Agricultural Related	133	101	-25
Intermediate	72	70	-4
Bulk	29	33	12
Total Agricultural and Related	1288	1,077	-16

Source: GATS – U.S. Census Bureau Trade Data

**Consumer-Ready Products:** Between January – September 2022, Hong Kong was the 7<sup>th</sup> largest market for this U.S. product category, maintaining the same rank as in 2021. While remaining the leading driver of U.S. agricultural and food exports to Hong Kong, this product category dropped 17 percent compared to the same period in 2021. Most major items registered double digits drop: beef (-21 percent); fruit (-29 percent), wine (-14 percent), poultry (-25 percent), eggs (-52 percent) and pork (-23 percent). The slackened domestic economy and more direct meat and fruit shipments to mainland China have triggered the remarkable decline in most of these U.S. exports to Hong Kong. On the other hand, the avian influenza outbreak in the United States was the primary reason leading to the decline of U.S.

exports of turkeys and eggs. Sales of U.S. eggs were further impacted by a steep rise in prices. Nonetheless, a number of U.S. consumer-ready products to Hong Kong fared well: tree nuts (9%); processed vegetables (2%); chocolate & cocoa products (8%), confectionery (5%) and peanut butter (24%). U.S. exports of wild ginseng grew a remarkable 30 percent to \$9 million, and exports of cough drops grew 64 times to \$2.5 million. During this period, the United States became Hong Kong's largest supplier of ginseng. For more details, please see [GAIN report](#).

**Ag-related Products:** During the first nine months of 2022, U.S. seafood exports to Hong Kong declined 24 percent and forest products 35 percent. A sluggish property market and importers' growing preference to source within the region have affected demand for U.S. forest products. A weakened Hong Kong economy also inevitably affected U.S. seafood exports to the city. Competition, however, seemed to be another key factor adversely impacting U.S. oyster supplies to Hong Kong which experienced a 45 percent decline during January – September 2022. Trade data indicates keen competition in the oyster market. Hong Kong's oyster imports from France increased five percent while those from Japan increased as acutely as 68 percent.

**Intermediate Products:** This product category dropped slightly by four percent. Within this category, U.S. exports of essential oils, proteins, and hops rose. The growing popularity of these products outweighed the impact of a weakened economy. For more details on the Hong Kong hops market see related [GAIN report](#). However, decrease in U.S. exports of feeds, soybean oil, planting seeds, and hides and skin offset all the increase of other intermediate products.

**Bulk Commodities:** Unlike other product categories experiencing negative growth in sales to Hong Kong, between January – September 2022, U.S. exports of bulk commodities to Hong Kong grew 12 percent. Specifically, U.S. exports of cotton, corn, and wheat rose. In contrast, U.S. exports of tobacco, rice, pulses, and oilseeds declined.

**Outlook:** The Hotel Restaurant and Institutions (HRI) sector is still struggling for survival, with some restaurateurs stating that revenues during the first three quarters are actually worse than the same period in 2021. Lowering food costs has become one of the means to save costs. To combat unreliable food chains, many buyers have shifted to source more within the region. As such, U.S. buyers have to make an extra effort to regain the loss in businesses despite being currently disadvantaged by the strong U.S. currency. For more details please see our latest HRI [GAIN report](#).

Looking ahead, the Hong Kong government expects the city's economic challenges will continue. Specifically, they noted that the city's export performance will be impacted by the worsening global economic prospects and inflation. On a positive note, Hong Kong appears to work in the direction of rebuilding its image as an international city and hub. The government has been on the track to reduce social distancing measures. Most importantly, there are no signs to reintroduced or strengthen these measures despite the recent surge in COVID-19 cases to about 10,000 cases each day. Furthermore, the recent easing of COVID-19-related measures adopted by the Chinese government has raised expectations on the reopening of cross border travel between Hong Kong and China. This border reopening is expected to facilitate the recovery of the city's economy.

**Attachments:**

No Attachments.