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## Hong Kong

### Exporter Guide

### Exporter Guide 2016

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**Report Highlights:**

The Hong Kong market continues to be a strong destination for U.S. food and beverage products, with restaurant receipts and food retail sales of US\$13.38 billion and US\$11.92 billion in 2015, an increase of 3.96% and 3.92%, respectively, over 2014. Furthermore, Hong Kong provides additional market opportunities as a major hub for global sourcing and transshipment point to major Asia-Pacific markets.

**Post:**

Hong Kong

#### SECTION I. MARKET OVERVIEW

## U.S. Food and Beverage Exports to Hong Kong

- Total U.S. agricultural exports to Hong Kong reached US\$3.8 billion in 2015, making Hong Kong as the 6<sup>th</sup> largest export market.
- U.S. exports of consumer-oriented agricultural products to Hong Kong reached US\$3.3 billion, maintaining Hong Kong as the 4<sup>th</sup> largest export market after Canada, Mexico and Japan.
- The top prospects for U.S. food exports to Hong Kong include: red meat, poultry meat, fresh fruits, tree nuts, processed foods, fruits, wine, fish and seafood.
- With a population of just 7.3 million nominal agricultural and food production leave Hong Kong almost entirely dependent on food imports.
- 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, Hong Kong relies on imports for over 95% of its food requirements. According to the Agricultural Fisheries and Conservation Department 2015 statistics, local agricultural production was valued at US\$121 million, including US\$37 million in crop (mainly vegetables), US\$33 million in livestock, and US\$51 million in poultry production. Local production accounted for 1.8 percent of fresh vegetables, 95.1 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 are re-exported.

**Table 1 – Hong Kong Imports (201-2015) of Consumer Oriented Agricultural Products (COAP) & Seafood**

Country	(in US\$ Million)	2011	2012	2013	2014	2015	Growth 15 v 14	Share in 2015	% of Re-exports of Gross Imports
World	Gross Imports	17,664	18,166	20,574	22,896	21,222	-7%	100%	
	Re-exports	5,140	5,185	5,587	6,311	6,778	7%	100%	32%
	Retained Imports	12,524	12,981	14,987	16,586	14,444	-13%	100%	
United States	Gross Imports	3,370	3,450	3,999	4,123	3,833	-7%	18%	
	Re-exports	1,619	1,476	1,248	1,193	1,209	1%	18%	32%
	Retained Imports	1,751	1,974	2,752	2,930	2,624	-10%	18%	
China	Gross Imports	2,652	3,044	3,439	3,649	3,598	-1%	17%	
	Re-exports	494	747	1,034	931	767	-18%	11%	21%
	Retained Imports	2,158	2,298	2,404	2,718	2,831	4%	20%	
Brazil	Gross Imports	1,650	1,645	2,254	2,544	1,776	-30%	8%	
	Re-exports	551	540	658	946	1,131	20%	17%	64%
	Retained Imports	1,099	1,105	1,596	1,597	645	-60%	4%	

Netherlands	Gross Imports	666	860	1,150	1,453	1,257	-13%	6%	23%
	Re-exports	111	100	129	229	288	26%	4%	
	Retained Imports	555	761	1,021	1,224	969	-21%	7%	
France	Gross Imports	986	815	837	824	1,079	31%	5%	39%
	Re-exports	215	190	199	233	424	82%	6%	
	Retained Imports	771	625	639	590	655	11%	5%	
Japan	Gross Imports	958	870	947	919	1,038	13%	5%	8%
	Re-exports	51	45	58	54	86	60%	1%	
	Retained Imports	908	826	889	865	951	10%	7%	
Australia	Gross Imports	771	812	835	943	1,008	7%	5%	32%
	Re-exports	80	99	123	227	326	43%	5%	
	Retained Imports	691	712	712	716	682	-5%	5%	
Thailand	Gross Imports	568	612	641	783	831	6%	4%	60%
	Re-exports	312	358	377	471	499	6%	7%	
	Retained Imports	256	254	264	312	332	6%	2%	
Chile	Gross Imports	373	425	434	515	512	-1%	2%	72%
	Re-exports	279	314	284	297	370	25%	5%	
	Retained Imports	94	110	150	217	142	-35%	1%	
Canada	Gross Imports	402	379	529	493	506	3%	2%	13%
	Re-exports	96	78	87	53	68	29%	1%	
	Retained Imports	306	301	443	440	438	-1%	3%	
Total of Top 10 Suppliers	Gross Imports	12,396	12,912	15,064	16,245	15,438	-5%	73%	33%
	Re-exports	3,807	3,947	4,196	4,635	5,169	12%	76%	
	Retained Imports	8,589	8,965	10,868	11,610	10,268	-12%	71%	
Total of Rest of World	Gross Imports	5,268	5,254	5,510	6,651	5,785	-13%	27%	28%
	Re-exports	1,333	1,238	1,391	1,675	1,609	-4%	24%	
	Retained Imports	3,935	4,016	4,119	4,976	4,176	-16%	29%	

(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. The continuous influx of tourists and capital contributed to the economic growth in Hong Kong. Major import items included red meats, fruits, poultry meat, seafood and tree nuts.
- The U.S. consolidated its position as the largest supplier of COAP and Seafood products to Hong Kong in 2015. Retained imports of these products from the U.S. and its closest competitor China in 2015 were US\$2.6 billion and US\$2.8 billion, representing market shares of 18% and 20% respectively.
- Hong Kong's status as a gateway for trade with other markets in the region is increasingly opening up greater avenues for U.S. high value food products. In 2015, Hong Kong imported more than US\$21 billion COAP and Seafood from the world and re-exported 32% of these products.

## Economy

- Hong Kong's economy continued to grow in 2015. GDP and per capita GDP grew by 6.4% and

5.5%, and reached US\$308 billion and US\$42,161 respectively in 2015.

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

	2014	2015	Growth 15 vs 14
GDP	US\$290 billion	US\$308 billion	+6.4%
GDP per capita	US\$39,979	US\$42,161	+5.5%

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

### Outlook in 2016

- The outlook for spending on food (imports) is less optimistic due to a slowing growth rate of 2.4 percent in 2015. However, U.S. agricultural products are well known in the market as safe, high-quality choices. In addition, the peg between U.S. dollar and HK dollar offers currency stability.

**Table 3 – 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. exports of consumer oriented agricultural products to Hong Kong were US\$3.3 billion, consolidating its position as the 4 <sup>th</sup> largest market for the United States in 2015.	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 transshipped to China and other parts of Asia.	Transportation time and costs plus product availability due to seasonality (e.g. fresh produce) associated with importing U.S. food and beverage 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, as they are 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.
The U.S. was the largest supplier of agriculture, fishery, and forestry products to Hong Kong in 2015.	Hong Kong labeling and residue standards differ in some cases, which can impede trade.

Technical barriers to imports of U.S. products are generally very low.	Numerous Hong Kong food regulations are not in line with Codex, which can complicate import clearances.
A wide variety of U.S. products are available to Hong Kong consumers (over 30,000 different items).	While Hong Kong has one of the busiest container terminals in the world, it also has the most expensive port handling charges.
The link between the Hong Kong Dollar (HKD) to the U.S. Dollar helps insulate the HKD from currency fluctuations.	Hong Kong's top supermarkets are a duopoly that often request slotting fees.
In general, implementation and application of regulations is transparent and open.	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.
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.	
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.	
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 1.5% in 2016.	
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, produce and meat.
- Due to increasing prevalence of dual income families, ready-to-cook food has become more popular. 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.

- Potential for growth in the processed/convenience sectors of Hong Kong's retail food markets is strong for U.S. high-value consumer foods such as general grocery items, ingredients for home meal replacement, and health food.
- Hong Kong consumers are increasingly 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 narrowed over the years. Currently, organic products are generally priced between 20-40% higher. The most popular organic products are baby foods, vegetables, fruits, eggs, fresh meats, and fruit juices.
- 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.
- Demand for promotion package and discounts. Consumers are looking for "value for money products". Marketing tactics such as selling bundled economy packs or enclosing complimentary samples are usually used to stimulate sales. The most direct and effective way to boost sales 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**

### **Duties**

With the exception of spirits, all food and beverage products can be 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 egg products, 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.

**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**

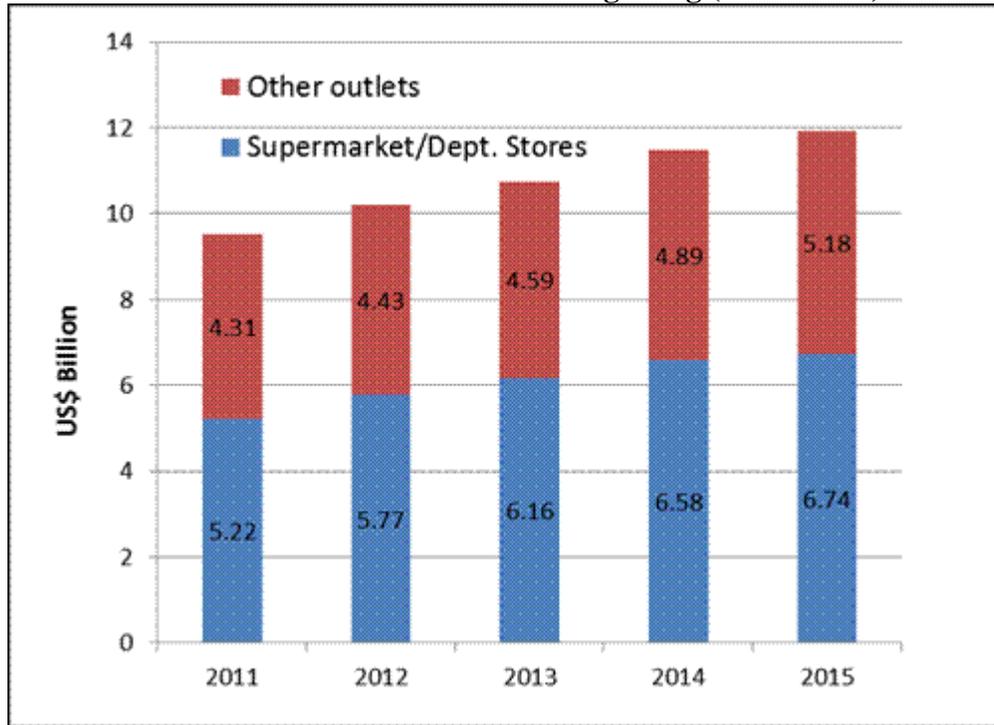
- In 2015, total retail sales of food and beverages in Hong Kong reached US\$11.92 billion, representing growth of 3.9 percent compared to 2014. Relatively steady economic growth prospects should help maintain growth in the food retail sector and food retail sales in 2016.

**Table 4 – F&B Retail Sales in Hong Kong (US\$ billion)**

<b>Channel</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Growth (15 vs 14)</b>
Supermarket/Dept. Stores	5.22	5.77	6.16	6.58	6.74	2.4%
Other outlets	4.31	4.43	4.59	4.89	5.18	5.9%
<b>Total</b>	<b>9.53</b>	<b>10.2</b>	<b>10.75</b>	<b>11.47</b>	<b>11.92</b>	<b>3.9%</b>

(Source: Hong Kong Census and Statistics Department)

**Chart 1 – F&B Retail Sales in Hong Kong (US\$ billion)**



- Hong Kong has a highly centralized supermarket retail network in which two supermarket chains account for about 75 percent of the supermarket turnover. The total number of retail establishments stands at approximately 12,000. Retail shops in Hong Kong generally are very small in size, over 96 percent of which have no more than 10 employees.
- Traditionally, Hong Kong consumers shop daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including street markets and locally-owned shops. Overall, street market sales trend toward fresh foods while supermarkets dominate in processed, chilled and frozen, high-value added and canned food products. The competition between street markets and supermarkets has intensified in recent years.
- Although the number of supermarket outlets is expected to remain stable, the market share for supermarket sales is expected to continue in the future at the expense of traditional street markets. The supermarket’s share in terms of total retail sales rose from 44 percent of total sales in 1995 to 56.5 percent in 2015.

**Table 5 – Sales by Retail Outlet**

Outlet	2011	2012	2013	2014	2015
Supermarkets / Dept. Stores	55%	57%	57.3%	57.4%	56.5%
Other outlets	45%	43%	42.7%	42.6%	43.5%

Total	100%	100%	100%	100%	100%
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(Source: Hong Kong Census and Statistics Department)

- Although there will not be significant growth of the number of supermarkets, the retail sales share of supermarkets is expected to continue to expand in the future at the expense of traditional markets. Many supermarkets in Hong Kong now have successfully tapped the fresh food market by offering foods at very competitive prices and providing a comfortable shopping environment, which is different from traditional wet markets.
- Overall, 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 even elected to offer air-conditioned, free shuttle rides to nearby residential areas to increase competition.

## Supermarkets

**Table 6 – Profiles of Leading Supermarket Chains in Hong Kong**

Name of Retailer	Ownership	No. of Outlets	Type of Purchasing agent
Wellcome	Hong Kong	Over 280	Importers/Agents Exporters Consolidators
ParknShop	Hong Kong	Over 260	Importers/Agents Exporters Consolidators
CR Vanguard Shops	China	57 shops	Importers/Agents Exporters
DCH Food Mart	Hong Kong	Over 70 DCH Food Mart & DCH Food Mart Deluxe	Importers/Agents Exporters
Market Place by Jasons	Hong Kong	37	Importers/Agents Exporters Consolidators
AEON Stores (HK) Ltd.	Japan	9 department stores with supermarkets and 3 separate supermarkets	Importers/Agents
YATA	Japan	7	Importers/Agents
CitySuper	Hong Kong	4	Importers/Agents Consolidators

Sogo	Japan	2	Importers/Agents
Oliver's The Delicatessen	Hong Kong	1	Importers/Agents Consolidators
Uny	Japan	1	Importers/Agents

(Source: Websites of the above supermarkets)

- Two supermarket chains dominate the Hong Kong market: The Wellcome Co. Ltd. (over 280 outlets) and ParknShop (over 260 outlets). ParknShop and Wellcome account for about 75% 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, Market Place by Jasons, AEON, YATA and CitySuper.
- CRVanguard focuses on local customers. While carrying a variety of products from different countries, a major portion of them are of Chinese origin.
- Dah Chong Hong's outlets (DCH Food Marts) are generally located near wet markets. Dah Chong Hong is a major food importer with retail outlets that focus on frozen meat and seafood products.
- Market Place by Jasons, CitySuper and Oliver's The Delicatessen capture an upscale market. Clientele includes mainly affluent middle class and expatriate consumers. 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 24 stores and Gateway has 1 store. Both supermarkets import from U.S. consolidators and do not charge listing fees.
- AEON, YATA, Sogo and Uny are Japanese department stores with supermarket sections. These supermarkets attract many middle-class customers who are receptive to new products and will pay more 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 slotting 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 slotting 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 slotting 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.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 the 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 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 direct and 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 they 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 slotting 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 because of strict on-time delivery and very often they 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 7 – Profiles of Leading Convenience Stores in Hong Kong**

Retailer Name	Ownership	No. of Outlets	Locations	Purchasing agent	Year established
7-Eleven	Hong Kong	Over 900	Hong Kong	Importers Agents	1981
Circle K	Hong Kong	Over 330	Hong Kong	Importers Agents	1985
VanGO	China	58	Hong Kong	Importers Agents	2007

(Source: Websites of the above convenience stores)

- There are over 1,300 convenience stores in Hong Kong. Two major chains dominate the market: 7-Eleven (over 900 outlets) and Circle K (over 330 outlets). They target 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. Slotting fees are also required for convenience stores.

## 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.
- “Kai Bo” is a growing local supermarket chains which started business in the early 1990s. Kai Bo now has 92 stores. A typical store has a floor area ranging around 1,500 sq. feet. Their stores 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. “Kai Bo” featured more on frozen products. However, only a few U.S. foods are on their shelves as these stores feature cheap prices and are after the mass market.
- “759 Store” is another fast growing local supermarket chains which started business in 2010. “759” used to operate small stores like convenience stalls selling pre-packaged products, particularly snacks. The shop has now expanded to over 260 outlets including some larger-sized stores selling more food items including frozen foods, baby foods and other groceries.

#### 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 due to strong competition amongst retailers: Marketing tactics such as selling larger economy packs or enclosing complimentary samples are usually used to stimulate sales. The most direct and effective way to boost sales is to offer discounts.
- Discounts: In the 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 growing 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 online grocery shopping platforms. 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.
- ATO Hong Kong organizes in-store promotions with major supermarkets to increase awareness of the high quality and variety of U.S. food products among customers. Buyers from Hong Kong supermarkets realize the quick-changing consumption temperament of local consumers, and many have expressed the need to source new products from the U.S. 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, ATO participates in major trade shows in Hong Kong. U.S. exporters may wish to consider participating in these trade shows so as to introduce their products to Hong Kong buyers as well as buyers from other countries in the region.

**Table 8 – Hong Kong:  
Trade Shows Featuring Food & Agricultural Products**

<b>Date</b>	<b>Name of Show (check the <u>hyperlink</u> below for more details)</b>
Feb 23-25, 2017	<a href="#">LOHAS Expo</a>
Feb 23-25, 2017	<a href="#">Vegetarian Food Asia</a>
May 8-11, 2017	<a href="#">HOFEX*</a>
Aug 17-21, 2017	<a href="#">Hong Kong Food Expo</a>
Aug 30-Sep 1, 2017	<a href="#">Natural &amp; Organic Products Asia</a>
Sep 5-7, 2017	<a href="#">Seafood Expo Asia</a>
Sep 5-7, 2017	<a href="#">Restaurant and Bar</a>
Sep 6-8, 2017	<a href="#">Asia Fruit Logistica*</a>
November 2017	<a href="#">Hong Kong International Wine and Spirits Fair</a>
December 2017	<a href="#">Agri Pro Asia</a>
December 2017	<a href="#">Hong Kong International Bakery Expo</a>

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

## Hotel, Restaurant and Institutional (HRI)

- In 2015, Hong Kong restaurant food and beverage purchases, valued at US\$4.51 billion, generated estimated sales of US\$13.38 billion, an increase of 2.2 and 3.9 percent, respectively, over 2014. Sales prospects for purchases in 2016 remain strong.

**Table 9 – Hong Kong Restaurants Receipts and Purchases (US\$ Billion)**

	2014	2015	Growth (15 vs 14)
Restaurant Receipts	12.87	13.38	3.9%
Restaurant Purchases	4.41	4.51	2.2%

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

- For Hong Kong statistical purposes, restaurants are grouped into five broad categories: Chinese, non-Chinese, fast food, bars and other establishments.
- **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.
- **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.
- **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.
- 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.

### 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

- Identify key players for the products - ATO Hong Kong can provide lists of importers, distributors, commodity cooperators and regional business groups.
- Test marketing may be 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 will demonstrate the versatility and safety of U.S. food products. Please refer to Table 8 for a list of major shows in 2015.
- Stage 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.
- Invite restaurant owners/chefs to seminars and/or to the U.S. - 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 share with them food service operations in the U.S.

### 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 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 rates 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 must comply with Hong Kong 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 must take place in Hong Kong. In the case of ginseng, the principal manufacturing processes of cutting and grinding must 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/>

#### 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

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 (2011-2015).

**Table 10 – 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	2015 Retained Imports (MT)	2015 Retained Imports (US\$ million)	2011 – 2015 Average Annual Retained Import Growth	Key Constraints Over Market Development**	Market Attractiveness For USA**
<b>Fish &amp; Seafood Products</b>	248,742 MT	US\$2.41 billion	4% (volume) -3% (value)	Asian countries enjoy advantages of proximity. Major suppliers of fish and seafood products in 2015 were China (27%), Japan (14%), U.S. (5%), Vietnam (5%) and Norway (4%).	U.S. fish and seafood products are perceived as high quality and safe. It is anticipated that these seafood products will continue to be popular among HRI sector in Hong Kong.
<b>Fresh Fruit</b>	690,610 MT	US\$998.5 million	+4% (volume) +7% (value)	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 transit time for shipments from these countries to Hong Kong also render their products “fresh” to Hong Kong consumers.	U.S. fresh fruit are well known for their variety, good quality and tastes.  In 2015, U.S. was the third largest supplier (18%) of fresh fruit to Hong Kong. Chile and Thailand were the top two suppliers and took up 20% of import values respectively.
<b>Poultry Meat</b>	205,830 MT	US\$525.8 million	-20% (volume) -17% (value)	Although Brazil stepped down from the first to have become the second largest supplier of poultry meat to Hong Kong, Brazil is still a very strong competitor due to price competitiveness and established business relationship between Brazilian exporters and Hong Kong importers. Similar scenario also applies to China where products are price competitive, and Chinese exporters also enjoy advantages	U.S. products are highly regarded in quality and 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 popular in local cuisines.

				of proximity and relationship.	
<b>Pork</b>	305,995 MT	US\$956.8 million	-2% (volume)  -1% (value)	China and Brazil are the top suppliers of pork to Hong Kong. Their products are 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 the advantage of low processing cost.	Hong Kong imported US\$78.5 million worth of pork from the U.S., accounting for 7% of the market share.  U.S. meat products are generally perceived as quality and safe products.
<b>Processed Fruit &amp; Vegetables</b>	205,075 MT	US\$555.5 million	+7% (volume)  +21% (value)	China has consolidated their position of the largest supplier since 2014, accounting for 40% of market share. Chinese mushroom and truffles remain important ingredients in Chinese cuisines. The U.S. was the 2 <sup>nd</sup> largest (24%).  Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.	U.S. processed fruit and vegetables are well known of their superior quality and tastes. U.S. processed fruit and vegetables such as some nut items, potatoes, sweet corn, mushrooms, peaches and pineapples will continue to be in large demand in Hong Kong.
<b>Beef</b>	242,033 MT	US\$1.37 billion	+22% (volume)  +21% (value)	Because of BSE cases in the U.S., Hong Kong banned U.S. beef since 2005. Brazil beef took the opportunity to gain market share.  Market share of U.S. beef gradually picked up following Hong Kong's opening to U.S. beef, first to boneless beef, then to bone-in beef, and finally to all cuts excluding specified risk materials (SRM) in 2014.	Hong Kong consumers have high regards for U.S. beef in terms of quality and safety. The full re-opening of the Hong Kong market for U.S. beef presents good opportunities.
<b>Wine (Wines, wine, and sparkling wine)</b>	36.0 million liters	US\$775.0 million	+5% (volume)  -6% (value)	Competition is keen in Hong Kong. Major competitors come from France and Australia. French wine is traditionally more popular in Hong Kong.	Hong Kong imported US\$64.5 million of U.S. wine in 2015, accounting for 5% of the market share.  The Hong Kong Government abolished

					<p>import tax on wine and beer in February 2008.</p> <p>Hong Kong consumers are more and more receptive to wine.</p> <p>The HRI sector in Macau is growing, making it an excellent opportunity for U.S. wine traders to expand their exports.</p>
<b>Tree Nuts</b>	68,591 MT	US\$834.5 million	39% (volume) +17% (value)	<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>	28,046 MT	US\$91.7 million	+13% (volume) +33% (value)		<p>The U.S. is still the market leader. Hong Kong imported US\$66.5 million worth of fruit &amp; vegetable juices from the U.S. in 2015, accounting for a market share of 68% and growth of 71% in value compared to last year.</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 popular.</p>
<b>Organic Food and Beverage</b>	Statistics not available	Statistics not available	Statistics not available	<p>Organic F&amp;B products are generally 20-40% higher in prices compared to non-organic products.</p> <p>There is no government regulation in organic labeling and standard. Poor quality of a certain organic product may negatively</p>	<p>According to supermarket online stores (#Great Food Hall, Marketplace by Jasons, ParknShop and Wellcome), number of organic items consist of 4.1% of total food and beverage items. Categories with more organic items are</p>

				affect the image of all organic products in the market.	baby food, meat, canned food, condiment, spice, breakfast cereal, and non-alcoholic beverages.
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\*\* Ranking and figures are taken from gross import values

# Figures were taken from the retailers' websites in September 2016

Source of data: Global Trade Atlas by Hong Kong Census & Statistics Department

## 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, Central

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<sup>rd</sup> Floor, Queensway Government 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<sup>th</sup> – 8<sup>th</sup> 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

18<sup>th</sup> 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  
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<sup>th</sup> - 9<sup>th</sup> 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  
24<sup>th</sup> and 25<sup>th</sup> 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: <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>