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## Hong Kong

**Post:** Hong Kong

### Hong Kong Imports of U.S. Wine Set New Record

**Report Categories:**

Market Development Reports

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**Report Highlights:**

Hong Kong imports of U.S. wines set a new record at US\$70 million in 2011, a surge of 52% over 2010. The U.S. is currently the 4<sup>th</sup> largest wine exporter to Hong Kong behind France, the UK (mainly auction sales) and Australia. In terms of U.S. wine exports, Hong Kong consolidated its position as the 3<sup>rd</sup> largest market in 2011 after Canada and the UK, up from the 15<sup>th</sup> largest in 2007, 7<sup>th</sup> largest in 2008 and 4<sup>th</sup> in 2009. In addition to being a vibrant local market, Hong Kong also serves as a gateway to wine markets in the region because of its prime geographical location, superior logistical infrastructure and sound legal and financial system. Trade statistics indicated that Hong Kong traders re-exported 19% of wine imports from around the world and retained 81% for local consumption. Exporters of U.S. wine are encouraged to contact ATO Hong Kong or check the ATO Hong Kong website for information on upcoming trade shows and other promotion opportunities.

## SECTION I. MARKET OVERVIEW

- Hong Kong wine imports have soared since the Hong Kong Government's (HKG) elimination of its excise tax on wine in February 2008, making Hong Kong one of the few tax free markets for wine in the world.
- World wine imports into Hong Kong hit a new record in 2011, reaching US\$1.2 billion and 45.5 million liters, representing an increase of 41% and 23% respectively over 2010.
- The U.S. was the 4<sup>th</sup> largest wine supplying country to Hong Kong after France, the UK (mainly auction sales) and Australia. According to official Hong Kong Government statistics, U.S. wine imports into Hong Kong reached US\$70 million and 4.6 million liters in 2011, a surge of 52% and 29% respectively over 2010.
- According to official U.S. statistics, U.S. wine exports to Hong Kong have been even greater in 2011, having reached US\$124 million for an increase of 41% from 2010.

*[Note: A thorough examination of the discrepancy between the data sets has not been completed. However, for consistency in comparing U.S. figures with those of other exporting countries, official Hong Kong trade statistics are cited in this report.]*

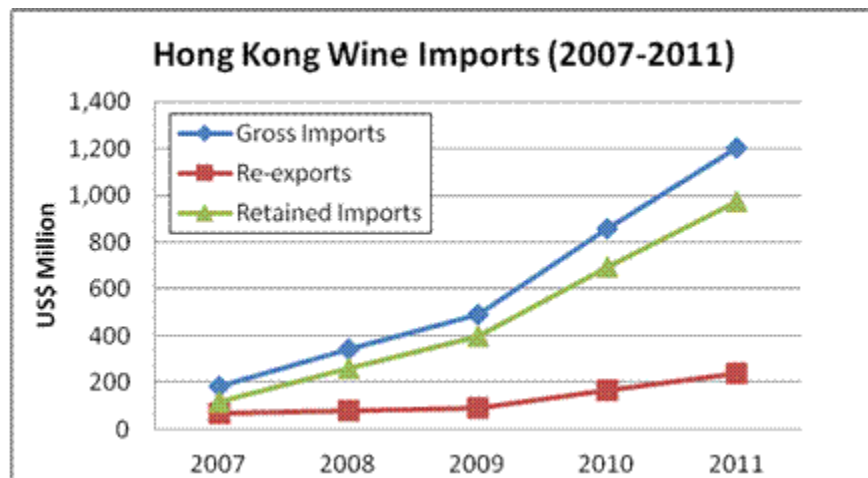
**Table 1: Hong Kong Wine Imports (Value) (HS Code: 220421)**

(Source: Calculations based on World Trade Atlas data)

Country	(US\$ Million)	2007	2008	2009	2010	2011	Growth		Share		Re-exports v Gross Imports	
							11 v 07	11 v 10	2007	2011	2007	2011
World	Gross Imports	185	341	491	858	1,206	552%	41%	100%	100%		
	Re-exports	68	81	91	165	235	246%	42%	100%	100%	37%	19%
	Retained Imports	117	261	399	693	971	731%	40%	100%	100%		
France	Gross Imports	99	204	270	495	748	652%	51%	54%	62%		
	Re-exports	51	61	68	119	178	250%	50%	75%	76%	51%	24%
	Retained Imports	49	143	202	376	570	1069%	51%	42%	59%		
United Kingdom	Gross Imports	15	22	71	123	161	956%	30%	8%	13%		
	Re-exports	3	1	2	3	2	-19%	-9%	5%	1%	20%	2%
	Retained Imports	12	21	69	121	158	1203%	31%	10%	16%		
Australia	Gross Imports	25	32	42	53	70	178%	32%	14%	6%		
	Re-exports	6	7	8	11	19	190%	74%	9%	8%	25%	26%
	Retained Imports	19	25	34	43	52	174%	22%	16%	5%		
United States	Gross Imports	8	17	40	46	70	803%	52%	4%	6%		
	Re-exports	1	1	2	3	4	331%	45%	1%	2%	12%	6%
	Retained Imports	7	16	38	43	66	865%	52%	6%	7%		
Italy	Gross Imports	7	10	13	19	27	259%	39%	4%	2%		
	Re-exports	1	2	2	2	2	138%	1%	1%	1%	13%	9%
	Retained Imports	6	9	11	17	24	277%	44%	5%	2%		
Switzerland	Gross Imports	2	7	8	28	25	1436%	-11%	1%	2%		
	Re-exports	0	0	0	0	0	-8%	29%	0%	0%	2%	0%
	Retained Imports	2	7	8	28	25	1469%	-11%	1%	3%		
Chile	Gross Imports	9	12	13	17	18	102%	3%	5%	1%		
	Re-exports	2	2	3	4	5	151%	42%	3%	2%	23%	29%
	Retained Imports	7	10	10	13	13	87%	-7%	6%	1%		
Spain	Gross Imports	3	5	5	7	16	403%	123%	2%	1%		

	Re-exports	0	1	1	1	5	1614%	327%	0%	2%	10%	33%
	Retained Imports	3	5	4	6	11	275%	81%	2%	1%		
Germany	Gross Imports	1	3	4	9	15	1003%	65%	1%	1%	53%	22%
	Re-exports	1	1	1	2	3	350%	91%	1%	1%		
	Retained Imports	1	1	2	8	12	1743%	59%	1%	1%		
New Zealand	Gross Imports	4	5	6	8	11	194%	26%	2%	1%	10%	7%
	Re-exports	0	0	0	1	1	108%	29%	1%	0%		
	Retained Imports	3	5	5	8	10	203%	26%	3%	1%		
Total from Top 10 Suppliers	Gross Imports	174	317	470	807	1,160	568%	44%	94%	96%	38%	19%
	Re-exports	66	76	87	144	219	234%	52%	96%	93%		
	Retained Imports	108	241	383	663	940	770%	42%	92%	97%		
Total from Rest of World	Gross Imports	11	24	20	51	46	312%	-10%	6%	4%	22%	34%
	Re-exports	2	5	4	21	16	542%	-24%	4%	7%		
	Retained Imports	9	20	16	30	30	247%	0%	8%	3%		

- The following graph illustrates the growth of Hong Kong wine imports since the elimination of the wine tax.



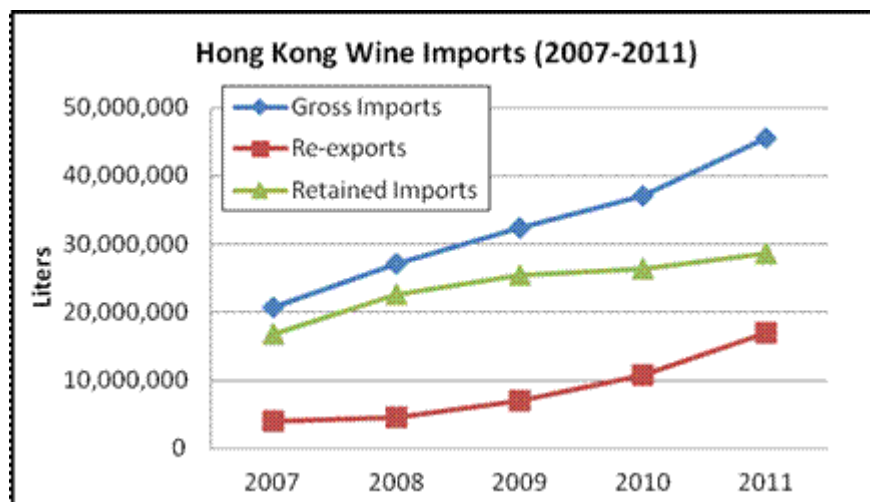
- The table below illustrates Hong Kong wine imports by volume. The growth rate by volume is significantly slower over its surging value in 2011, inferring a rising demand in higher quality and priced wines.

**Table 2: Hong Kong Wine Imports (Volume) (HS Code: 220421)**  
(Source: Calculations based on World Trade Atlas data)

Country	(Liters)	2007	2008	2009	2010	2011	Growth		Share		Re-export v Gross Imports	
							11 v 07	11 v 10	2007	2011	2007	2011
World	Gross Imports	20,659,425	27,139,935	32,433,615	36,979,242	45,511,242	120%	23%	100%	100%		
	Re-exports	3,908,206	4,602,240	7,016,799	10,689,151	17,003,991	335%	59%	100%	100%	19%	37%
	Retained Imports	16,751,219	22,537,695	25,416,816	26,290,091	28,507,251	70%	8%	100%	100%		
France	Gross Imports	6,519,766	8,298,338	10,503,349	13,864,740	18,849,613	189%	36%	32%	41%		
	Re-exports	1,909,463	2,324,981	3,482,744	6,237,573	8,958,238	369%	44%	49%	53%	29%	48%
	Retained Imports	4,610,303	5,973,357	7,020,605	7,627,167	9,891,375	115%	30%	28%	35%		
United Kingdom	Gross Imports	198,924	294,973	658,582	762,058	692,959	248%	-9%	1%	2%		
	Re-exports	16,229	11,884	34,089	34,814	15,499	-4%	-55%	0%	0%	8%	2%
	Retained Imports	182,695	283,089	624,493	727,244	677,460	271%	-7%	1%	2%		

Australia	Gross Imports	4,907,165	5,719,646	7,225,087	6,606,813	6,944,673	42%	5%	24%	15%	18%	30%
	Re-exports	886,487	816,013	1,089,250	1,532,622	2,066,227	133%	35%	23%	12%		
	Retained Imports	4,020,678	4,903,633	6,135,837	5,074,191	4,878,446	21%	-4%	24%	17%		
United States	Gross Imports	1,863,266	3,625,268	4,102,374	3,600,689	4,630,333	149%	29%	9%	10%	7%	14%
	Re-exports	134,125	209,576	523,994	435,169	648,118	383%	49%	3%	4%		
	Retained Imports	1,729,141	3,415,692	3,578,380	3,165,520	3,982,215	130%	26%	10%	14%		
Italy	Gross Imports	940,436	957,298	1,607,617	2,082,687	2,315,483	146%	11%	5%	5%	14%	17%
	Re-exports	133,560	186,746	315,004	334,375	385,622	189%	15%	3%	2%		
	Retained Imports	806,876	770,552	1,292,613	1,748,312	1,929,861	139%	10%	5%	7%		
Switzerland	Gross Imports	31,826	20,837	68,324	91,961	69,422	118%	-25%	0%	0%	25%	10%
	Re-exports	8,114	0	2,501	166	7,036	-13%	4139%	0%	0%		
	Retained Imports	23,712	20,837	65,823	91,795	62,386	163%	-32%	0%	0%		
Chile	Gross Imports	2,675,371	3,733,643	3,350,718	3,783,646	3,563,929	33%	-6%	13%	8%	15%	26%
	Re-exports	408,607	388,052	516,745	518,262	926,908	127%	79%	10%	5%		
	Retained Imports	2,266,764	3,345,591	2,833,973	3,265,384	2,637,021	16%	-19%	14%	9%		
Spain	Gross Imports	1,351,834	1,643,648	1,570,414	1,895,022	2,811,236	108%	48%	7%	6%	5%	35%
	Re-exports	69,083	101,406	158,546	332,155	985,243	1326%	197%	2%	6%		
	Retained Imports	1,282,751	1,542,242	1,411,868	1,562,867	1,825,993	42%	17%	8%	6%		
Germany	Gross Imports	171,470	346,347	416,923	573,171	1,055,783	516%	84%	1%	2%	59%	55%
	Re-exports	101,440	173,206	129,460	246,244	577,304	469%	134%	3%	3%		
	Retained Imports	70,030	173,141	287,463	326,927	478,479	583%	46%	0%	2%		
New Zealand	Gross Imports	481,485	636,686	649,447	919,706	1,047,975	118%	14%	2%	2%	9%	7%
	Re-exports	41,476	29,351	38,183	45,844	68,937	66%	50%	1%	0%		
	Retained Imports	440,009	607,335	611,264	873,862	979,038	123%	12%	3%	3%		
Total from Top 10 Suppliers	Gross Imports	19,141,543	25,276,684	30,152,835	34,180,493	41,981,406	119%	23%	93%	92%	19%	35%
	Re-exports	3,708,584	4,241,215	6,290,516	9,717,224	14,639,132	295%	51%	95%	86%		
	Retained Imports	15,432,959	21,035,469	23,862,319	24,463,269	27,342,274	77%	12%	92%	96%		
Total from Rest of World	Gross Imports	1,517,882	1,863,251	2,280,780	2,798,749	3,529,836	133%	26%	7%	8%	13%	67%
	Re-exports	199,622	361,025	726,283	971,927	2,364,859	1085%	143%	5%	14%		
	Retained Imports	1,318,260	1,502,226	1,554,497	1,826,822	1,164,977	-12%	-36%	8%	4%		

- The following graph illustrates the growth in the volume of Hong Kong's wine imports.



- **Outlook for 2012:** Hong Kong is the world's largest wine auction center. Its vibrant local market and prime geographic location serve as a platform for growing wine trade in other Asian markets. Hong Kong re-exported 19% by value of its wine imports and retained 81% for local consumption (please refer to Table 1). To help the industry better grasp the business opportunities in the Mainland, the Hong Kong Government (HKG) has signed an agreement with the General Administration of Customs to facilitate exports of wines from Hong Kong to Mainland China. The measures were implemented on a trial basis in Shenzhen in the second quarter of 2010. For more details on these measures, please refer to the following website:  
<http://www.info.gov.hk/gia/general/201002/09/P201002090213.htm>
- U.S. wine is well known in Hong Kong for being a quality product, but at an affordable price. This is partly attributed to the depreciation of the U.S. dollar in the past few years and aggressive promotional efforts by the U.S. Agricultural Trade Office, the U.S. Wine Institute and U.S. wine distributors in the market. Opportunities to increase awareness and sales of U.S. wines are bountiful at the retail and food service level. Wine promotions at leading retail outlets, wine seminars, tastings, food pairings and trade shows are effective means to promote U.S. wines (please also refer to Section VI of this report).
- Growth of U.S. wine imports was 135% in 2009, slowed to 15% growth in 2010 and resumed fast growth at 52% in 2011. The growth variation was due to the economic fluctuation and also keen competition among wine exporting countries. In particular, French and Australian interests strongly promoted their wines throughout the year. Conducting more promotions to increase consumers' knowledge and interest on U.S. wines will help gain more market shares in Hong Kong.
- Hong Kong wine traders are cautiously optimistic about the wine market. As Hong Kong wine imports have reached a larger base and competition is keen, traders expect a slightly slower growth in wine imports in 2012.

## **SECTION II. COMPETITION**

- French wine still dominates the market, accounting for 59% of total retained wine imports value and 35% of import volume in 2011 (please refer to Table 1 and 2). However, New World wines, including those from the U.S. continue to gain popularity and growth in the market.
- The growth of New World wines is attributed to the boom of the wine appreciation culture and consumers beginning to realize that they can buy high quality New World wine at competitive prices.
- It should be noted that wine represents a much larger portion of France's overall food and beverage exports (~70%) to Hong Kong when compared to the United States (slightly over 1%). Thus French wines may continue to enjoy substantial marketing resources to maintain and grow market share given the relative importance of the wine industry to its overall food and beverage trade.

## **SECTION III. MARKET SECTOR OPPORTUNITIES AND THREATS**

### **Consumption Patterns Driving the Market**

- Most consumers believe that drinking about two glasses of wine a day is beneficial to health and that is a major influence on the boom of the wine market in Hong Kong.
- Trade statistics revealed that Hong Kong consumers prefer red wine to white wine. In 2011, gross imports of red wine were US\$1.17 billion, constituted over 96% of total wine imports into Hong Kong. In contrast, gross imports of white wine were only US\$37 million (3% of total wine imports). Wine traders and retailers pointed out that it is because they like the flavor of the wine, the color of the wine and more perceived health benefits associated with drinking red wine.
- Cabernet Sauvignon, Merlot and Shiraz are the three most popular grape varieties for red wine in Hong Kong. Together they accounted for around 80% of total volume sales. Of these, Cabernet Sauvignon is the most popular, accounting for around 50% of total red wine sales.
- For white wine, Chardonnay is the most popular grape type, accounting for over 60% of total white wine sales.

## **Sales Channels**

- Hong Kong's retail markets, such as supermarkets, specialty stores and convenience stores, account for approximately 60% of the wine sales in terms of volume, and 40% in value terms. The remainder is sold through the restaurants and bars. Generally, wine mark-ups are high in the food service market, resulting in prices being three to four times higher than in the retail market.

## **Retail Market**

- Supermarkets account for the greatest share of wine volume sales among retailers, accounting for 50% of all retail sales. The two largest supermarket chains – Wellcome Supermarkets and ParknShop (each has over 250 outlets), because of their large turnovers, usually import wine directly from overseas suppliers to reduce middlemen's mark-ups. Therefore they can price their wines more competitively to their customers, who are generally more price-conscious and rank wine quality, country-of-origin and age as secondary for importance in selection.
- Wine specialty stores account for 35% of wine retail sales. Watson's Wine Cellar is largest wine specialist in Hong Kong with 20 outlets. Specialty stores serve a consumer group who pay more attention to wine quality, country of origin, and age, rather than just price. Wine specialty stores offer greater opportunities for moderate and high price point U.S. wine. Other high-end retailers such as Oliver's, Three-Sixty, Taste, Market Place by Jasons...etc that also carry higher priced wines, but at a much smaller scale due to their fewer number of outlets.

## **Restaurant and Bar**

- Price points of wine sold in restaurants and bars vary according to the overall price point of the outlet. A glass of low-end wine normally costs between US\$4-9, whereas a medium-end one costs US\$8-20 and a high-end one costs US\$20 and above. As is the case almost

anywhere, the higher-end the restaurant, the more premium the wine it will serve and vice versa.

- Restaurants in Hong Kong normally charge a high mark-up on wine consumption. Restaurants that allow customers to bring their own wine charge high corkage fees around US\$25-38 per bottle.
- Since the abolishment of the wine tax in February 2008, many restaurants and hotels have launched more wine-tasting classes and special promotions. These activities have supplemented sales promotions at the retail market in an effort to spread the wine appreciation culture and increase the demand for more fine wines. U.S. suppliers of high price point wines should expect more opportunities and target this market segment.

## **SECTION IV. PRICING**

### **Retail Price Segments**

- The abolition of its wine tax has created intense competition in the Hong Kong wine market, placing downward pressure on retail prices of wines. A study of the wines available at the two largest local supermarket chains revealed the 61% of the red wines on offer were priced below US\$13, 30% were priced between US\$13-26 and only 9% were priced above US\$26.
- As for white wines, 68% were priced at below US\$13, 29% were priced between US\$13-26 and only 3% were priced above US\$26.
- To see a list of popular wines available in the Hong Kong retail market and their retail prices, please visit the websites of the two leading supermarkets and the leading wine specialist:

Wellcome Supermarket <http://shop.welcome.com.hk>

ParknShop <http://www1.parknshop.com/WebShop/Home.do>

Watson's Wine Cellar <http://www.watsonswine.com>

*(Note: Retail prices of wine you can find on their websites are based in Hong Kong dollars and US\$1 equals to approximately HK\$7.8.)*

## **SECTION V. MARKET ACCESS**

For information on Hong Kong's import regulations on wine, please refer to GAIN Report #HK0033. (This report is available at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>)

## **SECTION VI. ENTRY AND MARKETING STRATEGY**

For new-to-market wineries that wish to enter the Hong Kong market, the following approaches are recommended:

- One-on-one meetings with potential importers: Most local importers are interested in meeting new-to-market exporters in a private environment. A list of local wine importers is

available by contacting our Agricultural Trade Office in Hong Kong.

- Exhibiting in a local trade show: There are trade shows in Hong Kong for U.S. wine exporters to showcase their high quality wine to buyers from Hong Kong, Macau, China and the region.
- For information on Hong Kong's major food and beverage trade shows in 2012, please refer to GAIN Report #HK1147. (This report is available at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>)
- Participating in wine promotional activities: The Agricultural Trade Office in Hong Kong organized, co-organized with other U.S. wine promotional associations or participated in promotional activities such as seminars, wine tastings, receptions, food pairings and trade shows to promote U.S. wines. You can contact our office to check out the dates of confirmed activities and see if you may be able to participate in those activities. Below please find some photos taken at these activities for your reference:



Opening of US Room @ Hong Kong Wine Center



Virtual Wine Tasting



Promoting US wine at HOFEX



US Wine Day at HOFEX





In-store Promotions on US wine



US wine at Hong Kong Wine & Dine Festival



US wine tasting at ATO Hong Kong



Hong Kong Int'l Wine & Spirits Fair



US wine at Great American BBQ



Introducing US wine to university students

## SECTION VII. KEY CONTACTS AND FURTHER INFORMATION

- U.S. wine suppliers, traders, exporters...etc seeking marketing information pertaining to food and beverage import regulations, promotional opportunities, trade inquiries and marketing assistance are welcomed to contact ATO Hong Kong at:

**U.S. Agricultural Trade Office Hong Kong**

18 St. John's Building  
33 Garden Road, Central  
Hong Kong  
Tel: (852) 2841-2350  
Fax: (852) 2845-0943  
E-mail: [ATOHongKong@usda.gov](mailto:ATOHongKong@usda.gov)  
Website: <http://www.usfoods-hongkong.net>

- The Wine Institute of California also has a local representative in Hong Kong who assists its members in promoting U.S. wines in Hong Kong and Macau:

**Wine Institute**

Mr. Phillip C. Holloway  
Ringe Marketing Service Limited  
Room 401, Dannies House  
20 Luard Road, Wanchai  
Hong Kong  
Tel: (852) 2366-3089  
Fax: (852) 2722-6300  
E-Mail: [ringe@netvigator.com](mailto:ringe@netvigator.com)