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## **Hong Kong**

**Post:** Hong Kong

### **Hong Kong Imports of U.S. Wine Set New Record 2010**

**Report Categories:**

Market Development Reports

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**Report Highlights:**

Hong Kong imports of US wines set a new record at US\$40 million and 4.1 million liters in 2009, a surge of 138% and 13% respectively over 2008. The U.S. is currently the 4<sup>th</sup> largest wine producing country behind France, the UK (mainly auction sales) and Australia exporting wines to Hong Kong. In terms of US wine exports, Hong Kong has become the 4<sup>th</sup> largest market behind Canada, the EU and Japan, up from the 15<sup>th</sup> largest in 2007 and 7<sup>th</sup> largest in 2008. 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 traders re-exported 19% of wine imports from around the world and retained 81% for local consumption. Hong Kong's prominence as a buying hub allows U.S. exporters to access China and other Asian markets while remaining protected by the sanctity of a Hong Kong contract. Wine imports from all sources are expected to reach US\$600 million and 35 million liters in 2010. 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.

## General Information:

### 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 2009, reaching US\$491 million and 32.4 million liters, representing an increase of 44% and 20% respectively over 2008.
- US wine imports into Hong Kong reached US\$40 million and 4.1 million liters in 2009, a surge of 138% and 13% respectively over 2008. As a result, the US is the 4<sup>th</sup> largest wine supplying country to Hong Kong after France, the UK (mainly auction sales) and Australia.
- Growth of US wine imports was more spectacular than the other major wine producing countries (except UK where their wines were mainly imported from other countries and for auction sales). US wine imports into Hong Kong reached US\$40 million and 4.1 million liters in 2009, an increase of 138% and 13% respectively over 2008. In terms of retained imports (gross imports less re-exports), the U.S. overtook Australia as the 3<sup>rd</sup> largest wine supplying country to Hong Kong.

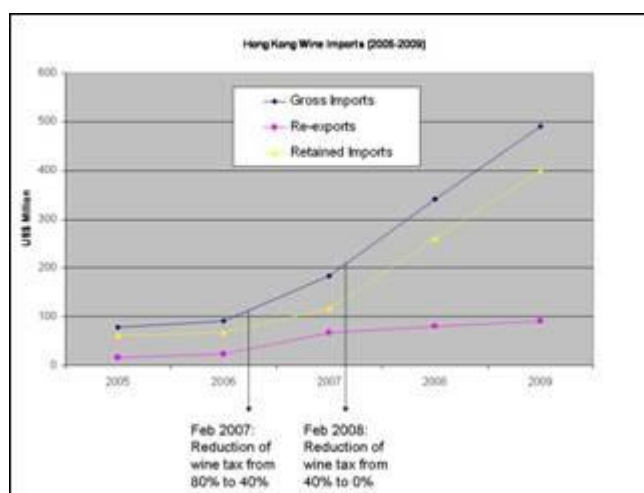
**Table 1: Hong Kong Wine Imports (Value) (HS Code: 220421)**

Country	(US\$ Million)	2005	2006	2007	2008	2009	Growth 09 v 08	Share of World (09)	Retained Imports v Gross Imports (09)
The World	Gross Imports	78	91	185	341	491	44%	100%	81%
	Re-exports	16	23	68	81	91	13%	100%	
	Retained Imports	62	68	117	261	399	53%	100%	
France	Gross Imports	35	42	99	204	270	32%	55%	75%
	Re-exports	10	16	51	61	68	13%	75%	
	Retained Imports	25	26	49	143	202	41%	50%	
United Kingdom	Gross Imports	4	5	15	22	71	219%	14%	98%
	Re-exports	0	1	3	1	2	27%	2%	
	Retained Imports	4	4	12	21	69	231%	17%	
Australia	Gross Imports	15	16	25	32	42	31%	9%	80%
	Re-exports	2	3	6	7	8	20%	9%	
	Retained Imports	12	13	19	25	34	33%	8%	
United States	Gross Imports	6	6	8	17	40	138%	8%	95%
	Re-exports	0	0	1	1	2	59%	2%	
	Retained Imports	5	6	7	16	38	144%	10%	
Italy	Gross Imports	5	5	7	10	13	25%	3%	87%
	Re-exports	0	1	1	2	2	4%	2%	
	Retained Imports	4	4	6	9	11	29%	3%	
Chile	Gross Imports	6	7	9	12	13	8%	3%	76%
	Re-exports	0	1	2	2	3	42%	3%	
	Retained Imports	5	6	7	10	10	1%	2%	
Switzerland	Gross Imports	0	0	2	7	8	15%	2%	100%
	Re-exports	0	0	0	0	0	NA	0%	
	Retained Imports	0	0	2	7	8	15%	2%	

New Zealand	Gross Imports	2	2	4	5	6	14%	1%	94%
	Re-exports	0	0	0	0	0	1%	0%	
	Retained Imports	2	2	3	5	5	15%	1%	
Spain	Gross Imports	1	2	3	5	5	-4%	1%	86%
	Re-exports	0	0	0	1	1	14%	1%	
	Retained Imports	1	2	3	5	4	-7%	1%	
Germany	Gross Imports	1	1	1	3	4	25%	1%	58%
	Re-exports	0	0	1	1	1	9%	2%	
	Retained Imports	0	0	1	1	2	40%	1%	
Total from Top 10 Suppliers	Gross Imports	74	86	174	317	470	48%	96%	81%
	Re-exports	15	22	66	76	87	15%	96%	
	Retained Imports	59	64	108	241	383	59%	96%	
Total from Rest of World	Gross Imports	4	5	11	24	20	-18%	4%	82%
	Re-exports	1	1	2	5	4	-24%	4%	
	Retained Imports	3	4	9	20	16	-16%	4%	

(Source: Calculations based on World Trade Atlas data)

- The following graph illustrates the impact of the elimination of the wine tax on Hong Kong imports of wine by value.



- The table below illustrates Hong Kong wine imports by volume. The growth rate by volume is significantly slower over its surging value in 2009, inferring a rising demand in higher quality and priced U.S. wines.

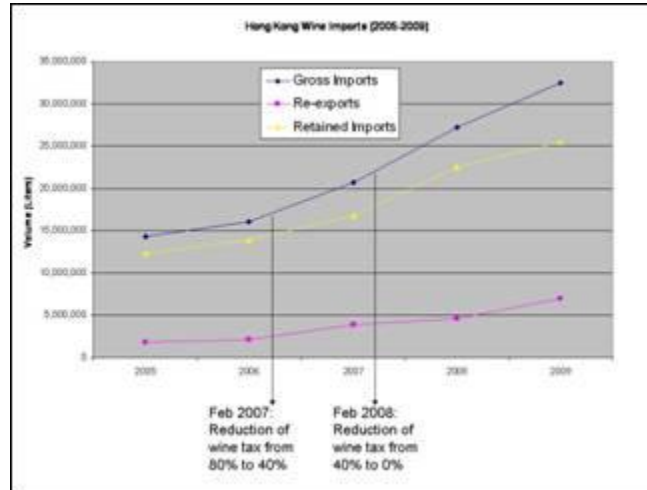
**Table 2: Hong Kong Wine Imports (Volume)**

Country	(Liters)	2005	2006	2007	2008	2009	Growth 09 v 08	Share of World (09)	Retained Imports v Gross Imports (09)
The World	Gross Imports	14,275,834	16,098,533	20,659,425	27,139,935	32,433,615	20%	100%	78%
	Re-exports	1,872,541	2,172,828	3,908,206	4,602,240	7,016,799	52%	100%	
	Retained Imports	12,403,293	13,925,705	16,751,219	22,537,695	25,416,816	13%	100%	
France	Gross Imports	4,598,790	5,113,588	6,519,766	8,298,338	10,503,349	27%	32%	67%
	Re-exports	764,622	1,115,070	1,909,463	2,324,981	3,482,744	50%	50%	
	Retained Imports	3,834,168	3,998,518	4,610,303	5,973,357	7,020,605	18%	28%	

Australia	Gross Imports	3,133,037	3,480,378	4,907,165	5,719,646	7,225,087	26%	22%	85%
	Re-exports	354,766	428,605	886,487	816,013	1,089,250	33%	16%	
	Retained Imports	2,778,271	3,051,773	4,020,678	4,903,633	6,135,837	25%	24%	
United States	Gross Imports	1,695,721	1,750,978	1,863,266	3,625,268	4,102,374	13%	13%	87%
	Re-exports	146,510	76,447	134,125	209,576	523,994	150%	7%	
	Retained Imports	1,549,211	1,674,531	1,729,141	3,415,692	3,578,380	5%	14%	
Chile	Gross Imports	1,771,486	2,177,620	2,675,371	3,733,643	3,350,718	-10%	10%	85%
	Re-exports	106,748	200,142	408,607	388,052	516,745	33%	7%	
	Retained Imports	1,664,738	1,977,478	2,266,764	3,345,591	2,833,973	-15%	11%	
Italy	Gross Imports	628,705	691,072	940,436	957,298	1,607,617	68%	5%	80%
	Re-exports	56,938	93,169	133,560	186,746	315,004	69%	4%	
	Retained Imports	571,767	597,903	806,876	770,552	1,292,613	68%	5%	
Spain	Gross Imports	789,236	1,123,361	1,351,834	1,643,648	1,570,414	-4%	5%	90%
	Re-exports	41,287	42,675	69,083	101,406	158,546	56%	2%	
	Retained Imports	747,949	1,080,686	1,282,751	1,542,242	1,411,868	-8%	6%	
Argentina	Gross Imports	148,354	400,901	667,367	494,664	823,228	66%	3%	73%
	Re-exports	22,904	40,039	72,941	116,075	224,695	94%	3%	
	Retained Imports	125,450	360,862	594,426	378,589	598,533	58%	2%	
United Kingdom	Gross Imports	179,740	165,682	198,924	294,973	658,582	123%	2%	95%
	Re-exports	12,776	13,446	16,229	11,884	34,089	187%	0%	
	Retained Imports	166,964	152,236	182,695	283,089	624,493	121%	2%	
New Zealand	Gross Imports	244,811	377,249	481,485	636,686	649,447	2%	2%	94%
	Re-exports	9,285	19,966	41,476	29,351	38,183	30%	1%	
	Retained Imports	235,526	357,283	440,009	607,335	611,264	1%	2%	
South Africa	Gross Imports	422,007	275,636	381,137	456,633	570,195	25%	2%	88%
	Re-exports	13,561	15,334	66,517	58,447	69,435	19%	1%	
	Retained Imports	408,446	260,302	314,620	398,186	500,760	26%	2%	
Total from Top 10 Suppliers	Gross Imports	13,611,887	15,556,465	19,986,751	25,860,797	31,061,011	20%	96%	79%
	Re-exports	1,529,397	2,044,893	3,738,488	4,242,531	6,452,685	52%	92%	
	Retained Imports	12,082,490	13,511,572	16,248,263	21,618,266	24,608,326	14%	97%	
Total from Rest of World	Gross Imports	663,947	542,068	672,674	1,279,138	1,372,604	7%	4%	59%
	Re-exports	343,144	127,935	169,718	359,709	564,114	57%	8%	
	Retained Imports	320,803	414,133	502,956	919,429	808,490	-12%	3%	

(Source: Calculations based on World Trade Atlas data)

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



- Outlook for 2010:** Hong Kong has surpassed London as the second largest wine auction centre in the world. 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 measures for wines exported from Hong Kong to Mainland China. The measures will be 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 a much cheaper price. This is partly attributed by depreciation of U.S. dollars in the past few years and aggressive promotional efforts by the US 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).
- Hong Kong importers and consumers are growing more receptive of US wines. US wine imports into Hong Kong are expected to fare better than the world average and reach another new record at US\$60 million and 4.5 million liters in 2010, a surge of 50% and 10% respectively over 2009.

## SECTION II. COMPETITION

- French wine still dominates the market, accounting for 50% of total retained wine imports value and 28% of import volume in 2009 (please refer to Table 1). 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.

## **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 2009, gross imports of red wine were US\$464 million, constituted 94.5% of total wine imports into Hong Kong. In contrast, gross imports of white wine were only US\$25 million (5% 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.
- Hong Kong wine traders are generally optimistic about the wine market. As Hong Kong wine imports have reached a larger base, traders expect a slightly slower growth in wine imports in 2010 to US\$600 million and 35 million liters, an increase of 22% and 9% respectively over 2009.
- 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 (253 outlets) and ParknShop (260 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 13 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 limited 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 HK\$30-70, whereas a medium-end one costs HK\$60-150 and a high-end one costs HK\$150 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 HK\$200-\$300 per bottle (approximately=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 to spread of 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**

- Since the abolition of its wine tax, the Hong Kong wine market became widely open and competition became intense, having downward pressure on retail prices of wines. A study of the wines available at the two largest local supermarket chains revealed the 64% of the red wines on offer were priced below HK\$100, 20% were priced between HK\$100-200 and only 16% were priced above HK\$200.
- As for white wines, 74% were priced at below HK\$100, 20% were priced between HK\$100-200 and only 6% were priced above HK\$200.
- 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.wellcome.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

- Food products can be imported to Hong Kong duty free except for cigarettes and some alcoholic beverages. The taxes on alcoholic beverages are as follows:

Liquor with an alcoholic strength of more than 30% by volume measured at a temperature of 20 °C	100%
Beer, liquor, other than wine, with an alcoholic strength of not more than 30% by volume measured at a temperature of 20 °C	0%
Wine	0%

- Hong Kong does not have specific labeling requirements for wine imports. For the general labeling requirements and a general guideline to Hong Kong's food import regulations, please refer to Gain Reports #HK9018 & HK9021 or contact our office.

## 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. In 2010, there will be two wine trade shows in Hong Kong:

	<b>Vinexpo Asia Pacific</b>	<b>Hong Kong Int'l Wine &amp; Spirits Fair</b>
Organizer	Vinexpo	Hong Kong Trade Development Council
Frequency	Biennial	Annual
Last show	May 27-29, 2008	Nov 4-6, 2009
<u>Information on last show</u>		
Nature	Trade only	First 2 days for trade, last day for public
No. of exhibitors	692	525
No. of US exhibitors	18	25
No. of TRADE visitors	8,868	11,915
Next show	May 25-27, 2010	Nov 4-6, 2010

- Participating in wine promotional activities: The Agricultural Trade Office in Hong Kong organized, co-organized with other US wine promotional associations or participated in promotional activities such as seminars, wine tastings, receptions, food pairings and trade shows to promote US 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 (including the afore-mentioned trade shows) for your reference:





“Virtual Wine Tasting” of Oregon Wines  
At the US Consulate, Hong Kong



Napa Valley Vintners –  
Wine Seminar & Tasting



In-store Promotion of California Wine



Promotional Wine Dinner  
at the HK Culinary Institute  
featuring wines from Washington and Oregon



US Wine Counter at Great American BBQ



US Wine Presentation at the Chinese University



Wine Tasting at ATO Director's Residence



California Wine Pairing with Chinese Food



HOFEX Show – US Wine Day



Wine Tasting at Wine & Gourmet Asia Show



Vinexpo 2008



Hong Kong Int'l Wine & Spirits Fair 2009

## 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)