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Voluntary - Public

Date: 9/3/2019

GAIN Report Number: HK1938

Hong Kong

Post: Hong Kong

Hong Kong Fresh Fruit Market

Report Categories:

Fresh Fruit

Agriculture in the Economy

Approved By:

Alicia Hernandez

Prepared By:

Caroline Yuen

Report Highlights:

Fresh fruit is one of the top U.S. food exports to Hong Kong, valued at USD347 million in 2018, and one of the best prospects for U.S. exports to Hong Kong. Hong Kong imported a total of USD3.16 billion worth of fruits from all over the world, buying a mix of expensive and price-competitive fruits. U.S. fruit has huge potential in the market, presently accounting for 11 percent of Hong Kong's fresh fruit market. The market is receptive to novelty and premium fruits, while value for money is the key purchasing consideration for average households.

Summary of Hong Kong's Fresh Fruit Market

The market is characterized by diverse suppliers and fruit types.

In 2018, Hong Kong imported USD3.16 billion worth of fresh fruit. Hong Kong's fruit market is very vibrant, having an average annual growth rate of 10 percent between 2014 and 2018 (Table 1). The market size enlarged 1.5 times, resulting in an increase in total value close to USD1 billion in five years' time. In the first half of 2019, total fruit imports had a remarkable growth of 17 percent in value terms, compared to the same period of last year. These impressive trade figures vindicated that the market has a strong demand for fresh fruits, providing huge opportunities for U.S. products.

Hong Kong ranked as the fifth-largest market for U.S. fruit exports and the United States was the third-largest supplier for Hong Kong by value in 2018. The United States exported USD347 million worth of fresh fruits to Hong Kong. Though U.S. fresh fruit exports to Hong Kong remain strong, its performance is not as vibrant as competitors. U.S. fruit exports to Hong Kong dropped 14 percent in value terms in 2018 (Table 2) and the decline continued into 2019. Between January – June 2018 and the same period in 2019, U.S. exports declined 18 percent, while most major competitors' exports to Hong Kong showed positive growth.

The trade figures reflect the dimension of the negative trade impact of China's increasing tariffs on U.S. fruit.

Hong Kong is a re-export hub for fruit trade to China. An average of 61 percent of Hong Kong's fruit imports are re-exported (Table 3) and China is the largest re-export market, accounting for 97 percent of Hong Kong's fruit re-exports. With the trade tensions between the United States and China, the drop in U.S. fruit exports to Hong Kong is not surprising. In 2017, when China did not impose any retaliatory tariff on U.S. fruits, about 59 percent of U.S. fruit exports to Hong Kong were re-exported, but the re-export percentage dropped to 37 percent in 2018 (Table 3), and dropped further to 26 percent in the first six months of 2019.

Table 1: Hong Kong's Fresh Fruit Imports			
USD million	2018	Annual Growth	Absolute change
Partner	Value	2014 – 2018	2014 -2018
World Total	3,161	10%	975
Chile	1,142	27%	736
Thailand	462	1%	30
United States	347	-6%	-136
Australia	240	11%	76
South Africa	204	9%	43
China	160	14%	65

Source: Hong Kong Census & Statistics Department

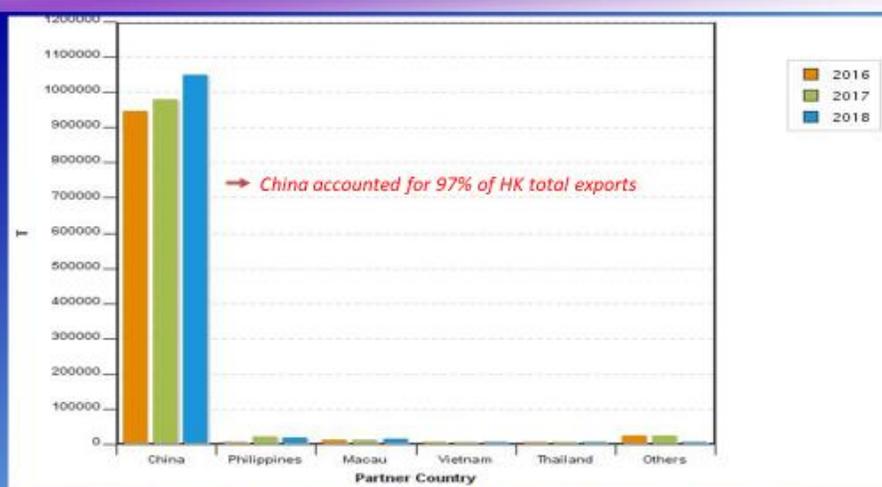
Table 2: Hong Kong's Fresh Fruit Imports							
	United States Dollars			% Share			% Change
	2016	2017	2018	2016	2017	2018	2018/2017
World	2,595	2,635	3,161	100.00	100.00	100.00	19.95
Chile	759	640	1,142	29.23	24.27	36.14	78.57
Thailand	495	442	462	19.07	16.76	14.63	4.66
United States	393	406	347	15.16	15.41	10.99	- 14.44
Australia	197	231	240	7.59	8.76	7.60	4.09
South Africa	155	220	204	5.97	8.33	6.45	- 7.13
China	131	144	160	5.05	5.47	5.06	10.91
Japan	68	84	100	2.63	3.19	3.16	18.86
Peru	83	98	95	3.18	3.71	3.00	- 3.21
Philippines	70	72	75	2.70	2.72	2.38	4.76
New Zealand	46	50	63	1.76	1.88	2.00	27.73
Egypt	17	44	49	0.65	1.66	1.54	11.62
Korea South	20	27	28	0.77	1.02	0.89	4.12
Taiwan	20	18	26	0.76	0.67	0.84	48.98

Source: Hong Kong Census & Statistics Department

Table 3: 2018 Hong Kong' Fruit Exports to the World, MT				
Country of Origin	Imports	Re-exports	Retained	% re-exported
World	1,777,872	1,087,956	689,916	61%
Thailand	359,463	326,071	33,392	91%
Chile	350,051	325,066	24,985	93%
China	224,060	14,012	210,048	6%
South Africa	186,503	118,563	67,940	64%
United States	181,842	67,850	113,992	37%
Australia	125,065	77,503	47,562	62%
Philippines	82,564	1,818	80,746	2%
Egypt	56,558	40,249	16,309	71%
Peru	44,979	43,939	1,040	98%
New Zealand	28,832	12,296	16,536	43%

Source: Hong Kong Census & Statistics Department

Figure 1 : Hong Kong Fresh Fruit Exports, 2016 - 2017



Source: GTA – Hong Kong Census & Statistics Department

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U.S. Major Fruit Items to Hong Kong

In summary, U.S. fruit enjoys a good reputation in Hong Kong. Consumers associate U.S. fruit with good quality and food safety, particularly in the context of pesticide control. Yet U.S. fruit faces many challenges in this extremely competitive market. First, China has imposed high tariffs on U.S. fruit, which has a huge impact on U.S. fruit exports to China. Catching up to the keen demand for cherries in China, there were efforts to stage charter flights carrying cherries directly to China last year. The plan was finally called off in the wake of the trade dispute. Also, the Hong Kong dollar is pegged to the U.S. dollar. A strong U.S. currency will drive traders to buy fruits from supplying countries other than the United States. Hong Kong buyers are very international and are able to source fruits all over the world looking for most price competitive ones. The United States used to be the largest supplier, before 2014, with a market share of 22 percent. Given a host of factors mentioned above, the market share of U.S. fruits was overtaken by Chile and Thailand in 2015 and dropped to 11 percent in 2018.

Major fruits that Hong Kong imported in 2018 include cherries, grapes, oranges, durians, and apples (Table 4). Of various fruit types, cherries, oranges, plums, apples, and avocados had the highest import growth in the past five years (Table 5). The United States exports all of these products except durians. Thus, the demand for these products provides potential for U.S. products.

The United States exported a total of USD347 million worth of fruits to Hong Kong in 2018. The top six items included oranges, grapes, cherries, apples, plums, and strawberries. The United States is the largest supplier of oranges by value in Hong Kong, followed by South Africa, Australia, and Egypt. South Africa was the largest supplier by volume. The Sunkist brand is well established in Hong Kong enticing consumers to pay a premium price. Particularly, Hong Kong consumers like large-sized “late season” Navel with 48/56 oranges per box. However, consumers hardly can tell the difference of California and South African Sunkist at the point of purchase if they are not familiar with each production season.

While Chile is the largest supplier of Hong Kong's cherries market (88 %), well ahead of U.S. market share of six percent, it is not a direct competitor because of the different harvest season and different quality sector. Australia is the third-largest supplier in terms of value (2%) behind the United States. Unlike cherries from Chile, 99 percent of which are imported to Hong Kong and re-exported, Australian cherries are very upscale and up to 74 percent are retained for consumption in Hong Kong. The United States and Canada are competing in the same season. The latter had a market share of one percent. Its low market share is probably because Canadian cherries are exported to China by direct flight. In addition, Hong Kong might see a greater influx of cherries from Turkey because China started to allow Turkish cherries into the market in 2019. (Reportedly, China reached an agreement with Turkey in 2016 allowing Turkish cherries into China, provided that fruits have been frozen for at least 16 days. This requirement was replaced by fumigation treatment for three hours in 2019, leading to the first entry of Turkish cherries to China this summer.)

For grapes, the United States is facing keen competition from countries in the Southern Hemisphere. Major suppliers are Chile (40%), Australia (20%), and Peru (13%). Even with a different supplying season, U.S. grapes only had a market share of 11 percent in 2018. About 84 percent of Hong Kong's imported grapes are re-exported.

The United States ranked as the third-largest supplier (17%) of apples for the Hong Kong market after New Zealand (29%) and China (21%). Products from the United States and New Zealand are competing in the same niche market. A variety of New Zealand apples, such as Royal Gala and Rockit apples are well-accepted in the market. Red Delicious apples from the United States are very popular, particularly during Chinese festival seasons, because of its red appearance. Chinese regard red as a lucky color associated with happiness. Average households regard apples from China as good value for money because both the quality and price of Chinese Fuji are very competitive.

Table 4: Hong Kong's Major Fresh Fruit Imports					
USD'000			% Share		% Change
	2017	2018	2017	2018	2018/2017
Fresh Fruit	2,635,005	3,160,590	100	100	19.95
Cherries	445,554	836,828	16.91	26.48	87.82
Grapes	493,834	496,918	18.74	15.72	0.62
Oranges	334,463	368,364	12.69	11.65	10.14
Durians	297,526	351,683	11.29	11.13	18.2
Apples	182,083	198,119	6.91	6.27	8.81
Plums, Prune	97,079	101,109	3.68	3.2	4.15
Cranberries, Blueberries	50,805	73,302	1.93	2.32	44.28
Strawberries	62,134	64,127	2.36	2.03	3.21
Peaches	43,625	62,484	1.66	1.98	43.23
Avocados	56,617	58,335	2.15	1.85	3.03

Source: Hong Kong Census & Statistics Department

Table 5: Hong Kong's Fruit Types with Top Absolute Growth, 2014 - 2018

Hong Kong Major Fruit Types

US\$ 000	HK's Imports from the World			HK's Imports from the U.S.		
	2018 Value	Annual Growth 2014 - 2018	Absolute change 2014 -2018	2018 Value	Annual Growth 2014 - 2018	Absolute change 2014 -2018
Fresh Fruit	3,161	10%	975	347	-6%	-136
Cherries, Other	837	23%	498	53	-4%	-19
Oranges	368	14%	140	124	2%	3
Durians, Fresh	352	4%	73	0	0%	0
Plums, Sloes, Fresh	101	27%	61	25	26%	14
Apples, Fresh	198	6%	50	34	-8%	-15
Avocados	58	60%	49	6	24%	3

Source: Hong Kong Census & Statistics Department

Table 6 : Major U.S. Fruit Exports to Hong Kong vs Hong Kong's Total Imports

USD'000	HK Imports From the U.S.		HK Imports From the World		U.S. Shares		
	2018	Market share %	% Change 18/17	2018		Market share %	% Change 18/17
Fresh Fruit	347,337	100	-14.44	3,160,590	100	19.95	11%
Oranges, Fresh	123,702	35.61	6.72	368,364	11.65	10.14	34%
Grapes, Fresh	55,329	15.93	-19.37	496,918	15.72	0.62	11%
Cherries	53,070	15.28	-26.34	836,828	26.48	87.82	6%
Apples, Fresh	33,912	9.76	-30.32	198,119	6.27	8.81	17%
Plums, Prune	25,240	7.27	-32.94	101,109	3.2	4.15	25%
Strawberries	18,730	5.39	-14.09	64,127	2.03	3.21	29%
Lemons & Limes	12,539	3.61	-31.22	54,437	1.72	17.97	23%
Cranberries, Blueberries	6,889	1.98	24.83	73,302	2.32	44.28	9%

Avocados	5,552	1.6	49.76	58,335	1.85	3.03	10%
Papayas	3,309	0.95	-0.53	5,380	0.17	-1.87	62%
Peaches, Nectarines	2,618	0.75	6.81	62,484	1.98	43.23	4%
Raspberries/Blackberries	2,450	0.71	20.85	9,046	0.29	61.49	27%
Melons, Papayas	1,494	0.43	2.03	18,186	0.58	4.76	8%
Pears, Fresh	641	0.18	-64.25	47,357	1.5	6.14	1%
Currants	359	0.1	99	612	0.02	33.87	59%
Kiwi Fruit	278	0.08	-62.4	48,222	1.53	- 10.09	1%
Grapefruit	261	0.08	-40.52	34,365	1.09	64.72	1%
Apricots, Fresh	144	0.04	5.31	902	0.03	- 14.09	16%
Bananas,	120	0.03	6339	54,122	1.71	1.87	0%
Guavas, Mangoes	108	0.03	-65	49,212	1.56	- 15.34	0%

Source: Hong Kong Census & Statistics Department

Market Structure

The Hong Kong market is a mix of price competitive products on one hand and premium and eye-catching ones on the other. It is an open market and consumers are receptive to new products. Some consumers make purchase decisions based on price and others value quality and safety attributes, seeking organic and novelty products. The increasing diversity and sophistication of the retail market in Hong Kong creates new openings for global marketers, who need to position their products in the market to target the appropriate attributes to attract consumer preferences.

Wet markets are the more traditional retail outlets for fresh fruits, but their market share has decreased from 80 percent of retail sales a decade ago to the prevailing 60 percent today. There are two fresh fruit wholesale markets in Hong Kong. Some importers might own stalls in the wholesale market are engaged in wholesale business as well. Most wet market fruit retail operators source their supplies in one of the wholesale markets every day before dawn making sure that their fruits are fresh. However, wet markets are losing business to supermarkets.

About 40 percent market share of fresh fruit retail sales go to supermarkets. To increase profit margins, key supermarket chains import directly from overseas suppliers. Supermarket chains carry fruits for general household consumption, but rarely do they carry very high-end products. For example, supermarkets usually sell medium-sized instead of large-sized oranges. They also put out promotional prices during the weekend, therefore, the products they carry will not be at the high-end. However, Japanese department stores sell seasonal premium fruits from Japan, occupying a different niche market.

In recent years, online shopping has emerged. Their business focuses on hampers carrying very expensive fruits and premium seasonal fruits catering for the upscale market. For example, online shops sell 750 grams of Spanish “Candy Heart” red grapes at USD12.60 in contrast to the promotional price of

one pound or 454 grams of California green grapes selling only USD2.20 in a supermarket chain. Even more expensive are the Japanese grapes from Nagano selling USD25 for 350 grams. The website will always give product details educating consumers on fruit features and enticing consumers to buy.

At the same time, Hong Kong also witnessed the opening of produce store chains in residential areas close to wet markets, highlighting value for money. Having a close connection with suppliers in China, these operators import vegetables and fruits from China directly. Hence, their prices are very competitive and these produce chains successfully project a clear market position and are establishing a foothold in the market.

Growth Drivers

Hong Kong's per capita GDP recorded USD48,958 in 2018, increasing six percent compared to 2017. According to the latest government household expenditure survey conducted in 2015, each household spent 0.7 percent of monthly expenditure on fruits. Taking into consideration fruit consumption in HRI, the baking industry, and fruit stalls preparing freshly squeezed fruit juices on site, the monthly expenditure should be much larger than 0.7 percent of the total.

The fruit industry has a number of growth drivers. Hong Kong consumers are increasingly health conscious and the Hong Kong government's public health campaign encouraging the public to eat more produce is supporting the growth trend. Drawing the public's attention to health concerns, some restaurants are blending more produce into the menu for both main dishes and desserts, particularly during summer. Fruits are also widely used in the baking industry. In addition, freshly squeezed fruit juices are available for sale in small stalls around the street corner or in fruit stores city-wide. Such fruit stalls are a city feature echoing consumers' quest for health and Hong Kong's fast pace causing consumers to seek convenience.

Brand-building is taking an increasingly noticeable trend for upscale products. Some enthusiastic retailers are actively engaged in brand-building or highlighting growing regions, so as to portray a premium fruit image. For example, Tasmanian cherries are well-received in Hong Kong these few years, despite rocket prices (2kg selling from USD50 to USD100 around the Chinese New Year). Two brands, 43°south and Reid Fruits, are brands with which Hong Kong consumers are most familiar. Agents are engaged in marketing efforts to teach consumers how to differentiate their products from others. Consumers are provided with information on the features of stone fruits and grapes coming from various Japanese prefectures. Very often, they are well-packaged to the extent of serving as a gift package.

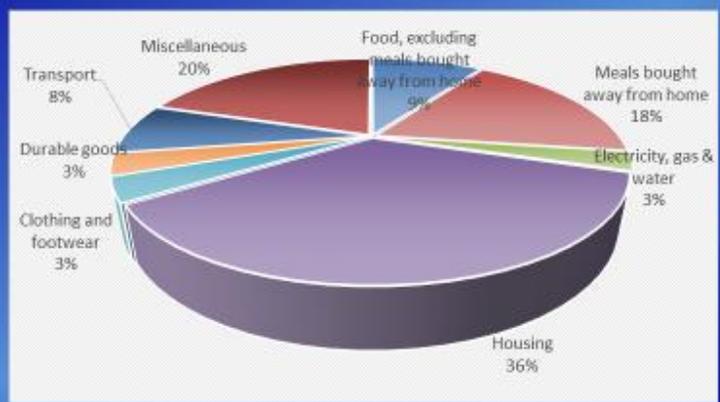
Counterfeiting products do occur for premium products because the profit margin is so attractive. There are anecdotes that empty Tasmania cherry boxes had a market price of HKD50 (USD6.50) each in wholesale markets. Industry people indicated that the most common tactic is to mix different classes of Tasmania cherries. Brand counterfeiting would be too easily detected if Tasmania ones are mixed/replaced with Chilean cherries. Reportedly, the packaging of Tasmania cherries for the 2020 season will include chips for easy identification.

The United States is dedicated to connecting U.S. produce exporters to Hong Kong and regional buyers.

The Agricultural Trade Office (ATO) and produce cooperators in Hong Kong provide trade servicing as well as educational outreach in techniques in product handling and display to Hong Kong buyers. Hong Kongers are getting more demanding in product knowledge. Educating importers and consumers about the products in terms of nutrition value and specialties of U.S. products is an effective means of marketing. In addition, USDA organizes U.S. food promotions at leading food retail stores in Hong Kong and Macau during which U.S. produce is very popular with consumers.

Furthermore, trade missions to the United States allow key contacts to explore U.S. produce production methods, including quality control, and safety aspects of processing and packing, which expands familiarity with U.S. produce and builds confidence in U.S. products.

Figure 2: Household Expenditure
Average Monthly Expenditure HKD27,627 or USD\$3,551 (2015)



Source: Hong Kong Census & Statistics Department 2014/2015 Household Expenditure Survey

Unclassified

Figure 3: Household Expenditure by Food Items

Household Expenditure : 100%

- Meals eating out : 17.9%
- Food, excluding eating out : 9.4%
 - Pork & fresh vegetables : 1.1% each
 - Salt-water fish : 0.8%
 - **Fresh fruit** and Bread & biscuits : **0.7%** each
 - Processed sea products : 0.5%
 - Dairy, Fresh-water fish, frozen meats : 0.4% each
 - Others : 3.3%
 - Sub-total : 9.4%

Source: Hong Kong Census & Statistics Department 2014/2015 Household Expenditure Survey

Unclassified

Hong Kong Food Import Regulations

Hong Kong does not have any tariff or quota restrictions on fruit imports. Hong Kong's implementation of the Pesticide Regulation since August 2014 has not impacted market access for U.S. fruits to Hong Kong.

The key points of the regulatory framework include:

- Adopting Codex's definition of "pesticide" and other related terms
- Adopting Codex's classification of foods
- Adopting a list of MRLs/ EMRLs for certain pesticides –food pairs based on Codex and supplemented by the standards of China, the United States, and Thailand
- Adopting a “modified positive list approach,” i.e., pesticide residues found outside the list will be prohibited unless the food safety authority is satisfied that the level of residue will not be dangerous to human health. The authority will conduct risk assessments to draw a final decision
- Providing a list of exempted substances to allow the trade to use pesticides that are natural and for which the residues are identical to, or indistinguishable from, natural food components
- Providing regular updates on the lists of MRLs/EMRLs and exempted substances¹, and
- Allowing application for revising/adding MRLs and exempted substances.

¹ The Center for Food Safety has not updated the lists after the regulation became effective in 2014.

The Regulation specifies in Schedule 1 a list of maximum residue limits (MRLs) / extraneous maximum residue limits (EMRLs) pesticide-food pairs (i.e. the maximum concentration of specified pesticide residues permitted in specified food commodities). Schedule 2 lists exempted substances.

The Hong Kong Centre for Food Safety (CFS) suggests that exporters propose new MRLs/EMRLs or exempted pesticides for inclusion in Schedules 1 and 2 with supporting information if planning to supply food to Hong Kong containing pesticides not on the list. The CFS will consider applications on a case-by-case basis, depending on the latest international developments, consistent with the existing list, supporting documentation, and risk assessment based on local food consumption patterns.

Updated information on the Regulation, including Users' Guidelines and the database are available at CFS's [pesticide website](#).