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Hong Kong

Retail Foods

Retail Food Sector Annual 2015

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Report Highlights:

2014 retail food sector sales in Hong Kong reached \$11.47 billion, representing growth of 6.7% from 2013. The U.S. maintained its ranking as the largest supplier of consumer-oriented retail foods to Hong Kong in 2014, with exports valued over \$4 billion. Hong Kong continues to be a major sourcing hub and transshipment center to other Asian Pacific markets expanding the potential reach for U.S. agricultural exports to retail food sectors in Asia.

Post:

Hong Kong

SECTION I. MARKET OVERVIEW

Food Imports

- According to 2014 Hong Kong Agricultural Fisheries and Conservation Department statistics, local production accounted for 1.9 percent of fresh vegetables, 6.1 percent of live swine and 79.6 percent of live poultry consumption in the territory, leaving Hong Kong reliant on imports for 95% of its food requirements.
- In 2014, Hong Kong imported close to \$23 billion in consumer-oriented and seafood products from all sources and re-exported 28% of these products to other Asian markets.
- Total retained imports of consumer-oriented agricultural products (COAP) and seafood products to Hong Kong grew by 6% in 2014. Retained imports of these products from the U.S. and its closest competitor, China, in 2014 were \$2.9 billion and \$2.7 billion, representing market shares of 18% and 16%, respectively.
- The U.S. continued its position as Hong Kong's largest supplier of consumer-oriented agricultural and seafood products in 2014. Major U.S. import items included red meats, fruits, poultry products, seafood and tree nuts.

Table 1 – Hong Kong Imports (2010-2014) of Consumer Oriented Agricultural Products (COAP) & Seafood

Country	(in US\$ Million)	2010	2011	2012	2013	2014	Growth	Share in	% of Re-exports
							14 v 13	2014	of Gross Imports
World	Gross Imports	14,641	17,664	18,166	20,574	22,896	11%	100%	28%
	Re-exports	4,404	5,140	5,185	5,587	6,311	13%	100%	
	Retained Imports	10,237	12,524	12,981	14,987	16,586	11%	100%	
United States	Gross Imports	2,779	3,370	3,450	3,999	4,123	3%	18%	29%
	Re-exports	1,155	1,619	1,476	1,248	1,193	-4%	19%	
	Retained Imports	1,624	1,751	1,974	2,752	2,930	6%	18%	
China	Gross Imports	2,205	2,652	3,044	3,439	3,649	6%	16%	26%
	Re-exports	380	494	747	1,034	931	-10%	15%	
	Retained Imports	1,825	2,158	2,298	2,404	2,718	13%	16%	
Brazil	Gross Imports	1,420	1,650	1,645	2,254	2,544	13%	11%	37%
	Re-exports	658	551	540	658	946	44%	15%	
	Retained Imports	763	1,099	1,105	1,596	1,597	0%	10%	
Netherlands	Gross Imports	387	666	860	1,150	1,453	26%	6%	16%
	Re-exports	91	111	100	129	229	78%	4%	
	Retained Imports	295	555	761	1,021	1,224	20%	7%	
Australia	Gross Imports	666	771	812	835	943	13%	4%	24%
	Re-exports	84	80	99	123	227	85%	4%	

	Retained Imports	582	691	712	712	716	1%	4%	
France	Gross Imports	678	986	815	837	824	-2%	4%	28%
	Re-exports	160	215	190	199	233	17%	4%	
	Retained Imports	517	771	625	639	590	-8%	4%	
Thailand	Gross Imports	511	568	612	641	783	22%	3%	60%
	Re-exports	286	312	358	377	471	25%	7%	
	Retained Imports	224	256	254	264	312	18%	2%	
Iran	Gross Imports	366	215	275	247	528	114%	2%	37%
	Re-exports	129	103	131	111	198	78%	3%	
	Retained Imports	237	113	144	136	330	144%	2%	
Chile	Gross Imports	260	373	425	434	515	19%	2%	58%
	Re-exports	181	279	314	284	297	5%	5%	
	Retained Imports	79	94	110	150	217	45%	1%	
Germany	Gross Imports	307	435	392	393	514	31%	2%	17%
	Re-exports	166	146	131	67	85	27%	1%	
	Retained Imports	141	289	261	325	429	32%	3%	
Total of Top 10 Suppliers	Gross Imports	9,579	11,686	12,330	14,227	15,876	12%	69%	30%
	Re-exports	3,291	3,909	4,086	4,230	4,812	14%	76%	
	Retained Imports	6,288	7,778	8,244	9,997	11,064	11%	67%	
Total of Rest of World	Gross Imports	5,061	5,977	5,836	6,347	7,021	11%	31%	21%
	Re-exports	1,113	1,231	1,099	1,357	1,499	10%	24%	
	Retained Imports	3,948	4,746	4,737	4,990	5,522	11%	33%	

(Source: Calculations based on Global Trade Atlas data)

(Retained Imports = Gross Imports into Hong Kong – Re-exports out of Hong Kong)

Economy

Hong Kong's economy continued its upward growth trend in 2014 with GDP (\$288 billion) and per capita GDP (\$39,758) increasing by 5.3% and 4.6%, respectively over 2013.

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

	2013	2014	Growth 14 vs 13
GDP	US\$273 billion	US\$288 billion	+5.3%
GDP per capita	US\$38,025	US\$39,758	+4.6%

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

Outlook of the Retail Food Sector in 2016

- Overall, Hong Kong's economic growth is expected to slow through 2016 as tourist arrivals and spending slows, thus the outlook for food demand is expected to slow as well.

- While the peg between U.S. dollar and HK dollar offers currency stability, the appreciation of U.S. dollar against other currencies in the last two years has reduced the competitiveness of U.S. products. Thus, products from competitor countries from Europe, Australia, New Zealand and Japan are more price competitive vis a vis the U.S.

**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 products. U.S. exports of consumer oriented agricultural products to Hong Kong in 2014 totaled \$3.8 billion to rank as the 4 th largest export market for the United States.	Price competition from global suppliers also in the market.
World's freest economy, sophisticated logistical and financial services sectors and distribution linkages make Hong Kong a major trading hub where buyers source products 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- 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 2014.	Hong Kong labeling and residue standards 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) and 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.	
Hong Kong is entirely dependent on imports for meeting its food needs. With continued economic growth, U.S. HVFB exports to Hong Kong grew by 11% in 2014 compared to 2013..	
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 2% in 2015.	
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.	

Retail Sales and Outlets

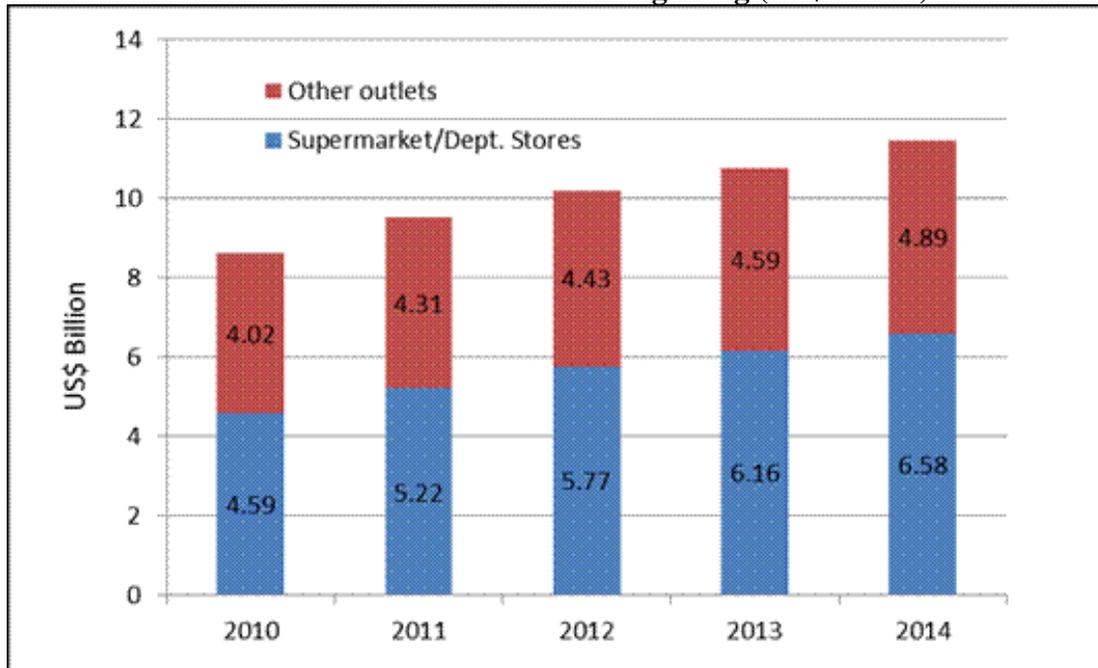
- Total retail sales of food and drinks in Hong Kong for 2014 reached US\$11.47 billion, representing growth of 6.7 percent compared to 2013. Relatively steady economic growth prospects should help maintain growth in the food retail sector and food retail sales.

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

Channel	2010	2011	2012	2013	2014	Growth (14 vs 13)
Supermarket/Dept. Stores	4.59	5.22	5.77	6.16	6.58	6.8%
Other outlets	4.02	4.31	4.43	4.59	4.89	6.6%
Total	8.61	9.53	10.2	10.75	11.47	6.7%

(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 hire less 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 significant growth in the number of supermarkets is not expected, the expansion in 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 57.4 percent in 2014.

Table 5 – Sales by Retail Outlet

Outlet	2010	2011	2012	2013	2014
Supermarkets / Dept. stores	53%	55%	57%	57.3%	57.4%
Other outlets	47%	45%	43%	42.7%	42.6%
Total	100%	100%	100%	100%	100%

(Source: Hong Kong Census and Statistics Department)

- 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 street markets.

Import Regulations

Duties

With the exception of spirit and tobacco products, food and beverage product imports to Hong Kong are 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 meat, milk and frozen confections. The Hong Kong government (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 may be arranged by Hong Kong importers with the permission of the manufacturers.

The marking or labeling of prepackaged food can be in either English or Chinese 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. The HKG continues to promote voluntary labeling of genetically engineered 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 is 5 percent per 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.

Others

Under the food ordinances, regulations govern the use of sweeteners, preservatives, coloring matters, and metallic contaminants. The Hong Kong government enforces its food safety control according to Hong Kong's food regulations. In the absence of a particular provision in the Hong Kong food regulations, the HKG draws reference from Codex and/or conducts a risk assessments to determine whether a food meets the food safety standard.

Hong Kong's first-ever pesticide residue regulation became effective August 2014. Its framework is largely built on Codex's standard, supplemented by standards adopted in China, Thailand the U.S.

For details on Hong Kong's general import regulations for food products, please refer to [FAIRS report](#).

SECTION II. Road Map for Market Entry

A. Market Structure



- U.S. exporters intending to sell to supermarkets can utilize one of the above channels. Some supermarkets source through U.S. consolidators, however, they also source from local agents or importers.
- Convenience stores and traditional retail outlets also purchase goods from local importers and agents.

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	95 shops	Importers/Agents Exporters
DCH Food Mart	Hong Kong	Over 80 DCH Food Mart & DCH Food Mart Deluxe	Importers/Agents Exporters
Market Place by	Hong Kong	31	Importers/Agents

Jasons			Exporters, Consolidators
AEON Stores (HK) Ltd.	Japan	8 supermarkets within department stores and 5 separate supermarkets	Importers/Agents
759 Store	Hong Kong	247	Exporters
Best Mart 360 ⁰	Hong Kong	30	Exporters
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
Apita	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 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.
- 759 Store sells a variety of food products including groceries, snacks, wine, frozen meats, and pet food. The first 759 STORE was opened in 2010 and now has a network of about 247 outlets throughout Hong Kong. They primarily sell Japanese snacks, but are keen to widen their supplies to include products from other countries. They focus on direct imports so as to reduce transaction costs and offer competitive pricing to consumers.
- Best Mart 360⁰ is a chain store with 30 plus outlets selling a diverse range of food and household merchandise. They carry over 1000 SKUs with 30 percent coming from the U.S. and the majority from Europe. Most of their merchandise consists of well-established brands in Hong Kong. To offer competitive prices, they rely on parallel imports and import directly from exporters.
- 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 street 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. These high-end supermarkets require no listing fees.
- Gateway Superstore and PrizeMart are two supermarkets in Hong Kong selling primarily U.S. products. PrizeMart has 22 stores and Gateway has 1 store. Both supermarkets import from U.S. consolidators and do not charge listing fees.
- A&M is a retail store (with 3 outlets) featuring U.S. products. This company imports directly from the U.S. and has a shipping company to consolidate shipments.
- AEON, YATA, Sogo and Apita 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.
- "Kai Bo" is a growing local supermarket chain which started in the early 1990s. Kai Bo now has 89 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 with imported snack foods and drinks from Europe. However, only a few U.S. foods are on their shelves as these stores feature cheap prices and are after the mass market.
- Hong Kong supermarkets require slotting fees for product placement as a one-off fee for a trial period. The slotting fees are negotiable and vary among retail chains.
- Hong Kong food retailers may request 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 rebates (a percentage of turnover rebated to the supermarkets in case sales exceed the agreed amount). For general reference, about 15% of the annual turnover must be rebated to the major supermarkets and 8% to smaller ones.
- As a result of strong competition, major supermarkets often offer price discounts and tend to transfer this cost to suppliers by requesting lower prices. Given supermarkets' strong bargaining power, many suppliers provide these discounts to supermarkets but not to other retailers.
- U.S. grocery store items, particularly new and different products, have growth potential in Hong Kong's retail food market as retail outlets continue to increase and diversify.

Market Entry Approach

- Through setting up a representative office in Hong Kong: While this is the most direct and effective approach, Hong Kong rental prices may be high.
- Through U.S. Consolidators: Major supermarkets in Hong Kong work with U.S. consolidators to source some 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: A popular approach as having a local agent helps secure marketing and distribution partners. .
- Direct to Markets: For branded products, supermarkets usually require exclusive rights to sell the products in Hong Kong through their own outlets. 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 300	Hong Kong	Importers Agents	1985
VanGO	China	79	Hong Kong	Importers Agents	2007

(Source: Websites of the above convenience stores)

- Hong Kong has over 1,300 convenience stores. 7-Eleven (over 900 outlets) and Circle K (over 200 outlets) dominate this sector targeting customers from 15-35 and offering round-the-clock operation. Since only a limited choice of brand names is available and prices are generally less competitive, most purchases are convenient 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 usually source goods from local importers and agents. Therefore, U.S. food exporters must work with Hong Kong importers to place products for sale in convenience stores.

Traditional Street Markets

- Traditional street markets, including wet markets and mom-and-pop shops, are widespread and traditionally accounted for the bulk of food retail. For example, they occupied around 54% of total retail food sales between 1995 and 1997. Since 1998, however, supermarket sales have exceeded traditional markets sales and this trend is expected to continue.
- Despite the growing significance of supermarkets in terms of food retailing, traditional street markets remain key food retail outlets, particularly for seafood, meat and groceries. Newly built markets, supported by the Hong Kong government, have air-conditioning and a more hygienic and pleasant environment than the old ones. Some, but not all, stalls in street markets have freezers and chilling equipment, which is necessary to maintain food quality.
- Mom-and-pop shops around public housing areas and schools are ideal retail outlets for drinks and snack foods offering personal attention that many Hong Kong consumers enjoy.

Market Entry Approach

- U.S. food exporters should work with 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 are increasingly health-conscious and organic products are growing 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 large volume of consumer purchases due to the convenience of shopping in Hong Kong, security concerns over payment via the internet and the cost of delivery. The Hong Kong retail market witnessed the emergence this year of an internet sales platform, HKTVMall. Product categories at HKTVMall include food and beverage, among many others such as beauty and electronics, and works with over 300 stores. Given the high transport costs in Hong Kong, many analysts said the result of such an online retail platform is yet to be seen.
- Buyers for Hong Kong supermarkets realize the quick-changing consumption temperament of local consumers and are continually in pursuit of new products. With strong support from exporters and state regional trading groups, ATO Hong Kong supports the promotion of U.S. products to insure retail outlets 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 consider utilizing these platforms to introduce their products to not only Hong Kong but also Asia Pacific buyers who frequent these shows as well.

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

Date	Name of Show (check the <u>hyperlink</u> below for more details)
Mar 10-12, 2016	LOHAS Expo
May 24-26, 2016	Vinexpo
Aug 11-15, 2016	Hong Kong Food Expo
Aug 31-Sep 2, 2016	Natural & Organic Products Asia
Sep 7-9, 2016	Asia Fruit Logistica*
Sep 6-8, 2016	Seafood Expo Asia
Sep 6-8, 2016	Restaurant and Bar
Nov 10-12, 2016	Hong Kong International Wine & Spirits Fair

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

SECTION III. COMPETITION

**Table 9 – Major Product Categories of Hong Kong’s
Imports of COAP and Seafood Products And Competition**

(Note: Trade Statistics for 2014; Market Share in terms of Gross Import Value)
(Source: Global Trade Atlas – Hong Kong Census & Statistics Department)

Product Category	Major Supply	Strengths of Key Supply Countries	Advantages and Disadvantages of Local
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	Sources**		Suppliers
Red Meats, chilled/frozen Imports US\$5.11 billion 1,492,673MT Retained Imports US\$4.07 billion 830,036 MT	1. Brazil – 37% 2. U.S. – 24% 3. Germany – 6% 4. China – 5%	Products from Brazil and China are price competitive, but they appeal to different market segments from U.S. products. U.S. beef is largely for the high-end market, particularly for high-end restaurants and sophisticated consumers. U.S. market share increased from 15% in 2012 to 24% in 2014 after Hong Kong granted market access to all U.S. beef products.	Local production is largely on freshly slaughtered meats.
Red Meats, Prepared/preserved Imports US\$1.25 billion 511,205 MT Retained Imports US\$1.15 billion 443,824 MT	1. China – 28% 2. U.S. – 10% 3. Spain – 6% 4. Poland – 5%	Chinese supplies dominate the market because there is a big demand for price competitive prepared/preserved meatballs and other products typical in Chinese dishes in Chinese restaurants and processing in China is cost effective.	Local production is insignificant.
Poultry Meat Imports US\$1.67 billion 950,536 MT Retained Imports US\$864 million 294,043 MT	1. Brazil – 33% 2. U.S. – 29% 3. China – 17%	Brazil remained the leading supplier of poultry to Hong Kong due to price competitiveness and established business relationships between Brazilian exporters and Hong Kong importers.	Local production is freshly slaughtered meats. HRI sector tends to use chilled and frozen chicken products rather than freshly slaughtered chicken because the latter are more expensive.
Dairy Products Imports US\$1.87 billion 261,872 MT Retained Imports US\$1.56 billion 233,781 MT	1. Netherlands – 57% 2. New Zealand – 8% 3. Ireland – 6%	Netherlands is strong in dairy product supplies and it has an established position in Hong Kong. Dairy products from major suppliers primarily include concentrated dairy and cream. Melamine was found in eggs and dairy products from China and that	Local companies supply fresh milk which is processed in Hong Kong with milk supplied from southern China.. Local companies can easily fulfill local milk registration requirements.

	4. Australia – 5% (#12. U.S. – 2%)	has led consumers to pay more attention to food safety and seek high- quality products from other supplying countries.	
Eggs & Egg Products Imports US\$221million 2.29 billion eggs Retained Imports US\$216 million 2.25 billion eggs	1. China – 47% 2. U.S. – 23% 3. Thailand – 11%	Eggs from China are price competitive. However, since 2006, when some Chinese eggs were found tainted with Sudan red (which is a dye for industrial use), Hong Kong consumers lost confidence in the safety of all Chinese eggs. The U.S. consolidated its position as the second largest eggs supplier to Hong Kong. U.S. dominates the white egg markets. Melamine was found in eggs and dairy products from China and that has led consumers to pay more attention to food safety and seek high- quality products from other supplying countries.	Local production is insignificant.
Fresh Fruit Imports US\$2.20 billion 1,613,463 MT Retained Imports US\$1.07 billion 677,978 MT	1. U.S. – 22% 2. Thailand – 20% 3. Chile – 18%	U.S. fresh fruits have a positive reputation. Thai tropical fruits are popular and the Thai Trade Commission in Hong Kong aggressively sponsors trade promotion activities. Chile exports cherries and grapes to Hong Kong are cherries and grapes but in the alternate season to the U.S.	No local production.
Fresh Vegetables Imports US\$428 million 806,412 MT	1. China – 77% 2. U.S. – 7% 3. Australia	Chinese vegetables are very price competitive. However, high-end establishments prefer to use high-quality U.S. products.	Local production is about 5 % of total demand. Production costs, both in terms of land and labor, in Hong Kong are high. The Hong Kong Government has

Retained Imports US\$419 million 800,573 MT	- 3%		encouraged organic farming so as to find a niche market for local vegetables.
Processed Fruit & Vegetables Imports US\$613 million 244,462 MT Retained Imports US\$487 million 201,307 MT	1. China – 37% 2. U.S. – 24% 3. Thailand – 6%	China is the largest supplier. Their major items are dried mushrooms and truffles. China’s products are price competitive. Since some international brands have operations in China, their exports to Hong Kong are considered imports from China.	Local production is insignificant.
Tree Nuts Imports US\$1.66 billion 257,973 MT Retained Imports US\$940 million 74,946 MT	1. U.S. – 54% 2. Iran – 30% 3. South Africa – 7%	Hong Kong is the largest export market for U.S. tree nuts.. Some imports are re-exported to Vietnam and China for processing.	No local production
Wine (Wines, wine and sparkling wine) Imports US\$1.09 billion 52.5 million liters Retained Imports US\$772 million 30.2 million liters	1. France – 52% 2. U.K. – 11% 3. Australia – 10% 4. China – 9% 5. U.S. – 5%	France is the major supplier for wine. European wines are popular in Hong Kong. The Hong Kong Government abolished the tax on wine in February 2008. The new policy has attracted more wine imports into Hong Kong.	Hong Kong has insignificant wine production.

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Notes :

- 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.

- 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%.
- Products listed below either enjoy a large market import value or a significant growth rate over the last 5 years (2010-2014).

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	2014 Retained Imports (MT)	2014 Retained Imports (US\$ million)	2010 – 2014 Average Annual Retained Import Growth	Key Constraints Over Market Development**	Market Attractiveness For USA**
Fish & Seafood Products	159,949 MT	US\$2.31 billion	-6% (volume) -1% (value)	Major suppliers of fish and seafood products are China (29%), Japan (14%), Norway (5%) and U.S. (5%).	U.S. fish and seafood products are perceived as high quality and safe. These seafood products will continue to be popular among the HRI sector in Hong Kong.
Fresh Fruit	677,978 MT	US\$1.07 billion	+6% (volume) +13% (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 travel 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 large variety, good quality and tastes. The U.S. was the largest supplier (22%) of fresh fruit to Hong Kong, followed by Thailand (20%) and Chile (18%) in 2014.
Poultry Meat	294,043 MT	US\$864 million	-6% (volume) +1% (value)	Brazil is the top poultry supplier to Hong Kong and is the U.S.’s largest competitor due to price competitiveness of its products and established	Hong Kong import of poultry products from the U.S. increased significantly by 118% in 2014 to US\$488 million. While Brazil

				business relationship between Brazilian exporters and Hong Kong importers.	<p>was still the leading supplier, the U.S. has caught up from market share of 17% in 2013 to 29% in 2014, consolidating the position of the 2nd largest supplier of poultry meat to Hong Kong.</p> <p>U.S. products are highly regarded in food quality and food 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 among Hong Kong style cafes.</p>
Pork	267,130 MT	US\$1.05 billion	0% (volume) +12% (value)	<p>China and Brazil are the top suppliers of pork to Hong Kong because their products are very price competitive.</p> <p>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.</p>	<p>Hong Kong imported pork products valued at \$100 million from the U.S., accounting for 8% of the market share in 2014.</p> <p>U.S. products are highly regarded for quality and safety.</p>
Processed Fruit & Vegetables	201,307 MT	US\$487 million	+3% (volume) +16% (value)	China and the U.S. were the two largest suppliers, accounting for 37% and 24% market share, respectively. in 2014.	U.S. processed fruit and vegetables are well known of their superior quality. U.S. processed fruit and vegetables.

				Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.	such as potatoes, nuts, sweet corn, mushrooms, peaches and pineapples will continue to be in large demand in Hong Kong.
Beef	461,328 MT	US\$2.26 billion	+43% (volume) +47% (value)	U.S. beef products have had full access to the Hong Kong market since August 2014.	Hong Kong consumers have high regard for U.S. beef in terms of quality and safety. The re-opening of the Hong Kong market for U.S. bone-in beef presents good opportunities.
Wine (Wines, wine, and sparkling wine)	30.2 million liters	US\$772 million	+2% (volume) +1% (value)	Competition is keen in Hong Kong with old world wines having an established reputation as high-quality products.	Hong Kong imported \$58 million of U.S. wine in 2014, accounting for 5% of the market share. Hong Kong consumers are more and more receptive to wine. The HRI sector in Macau is growing, making it an excellent opportunity for U.S. wine traders to expand their exports.
Tree Nuts	74,946 MT	US\$940 million	-12% (volume) +7% (value)	The U.S. is a key supplier of tree nuts to Hong Kong, including almonds, hazelnuts and pistachios. Some of the imports are re-exported to Vietnam and China for processing.	No local production
Fruit & Vegetable Juices	22,271 MT	US\$59 million	+4% (volume) +25% (value)	The U.S. is the market leader in Hong Kong with exports of \$39 million in fruit & vegetable juices in 2014, accounting for a market share of 59%.	Given the high quality of U.S. fruit and vegetable juices, orange juice, apple juice, grape juice, grapefruit juice, tomato juice and pineapple juices are

					expected to continue to be in demand.
Organic Food and Beverage	<p>Statistics not available</p> <p>(The size of the Hong Kong organic food and beverage market is estimated at \$500 million, with an annual growth of 10-15%)</p>	Statistics not available	Statistics not available	<p>Organic food and beverage products are generally 20-40% higher in price compared to non-organic products.</p> <p>There are many organic standards in the market and the poor quality of a country's organic products may negatively affect the image of organic products from all supplying countries.</p>	<p>As Hong Kong consumers are becoming more health-conscious, the demand for organic products is expected to grow.</p> <p>USDA Organic enjoys an excellent reputation among consumers in Hong Kong. Consumers generally have more confidence on USDA Organic standards than other countries.</p> <p>Grain products, soybeans, cereals, oats, noodles... etc are in good demand.</p> <p>Other products such as organic meat (beef and pork), condiments, poultry, eggs etc. are starting to have more interest in the market.</p> <p>There is also a strong demand for organic vegetables and fruits, organic coffee and tea products.</p>

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 to Hong Kong and Macau

18th 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
Web site: <http://www.usconsulate.org.hk>
<http://www.usfoods-hongkong.net>

Department to Implement Food Safety Control Policy

Food & Environmental Hygiene Department
43rd 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
5th – 8th 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
18th 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
18th 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
6th - 9th 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
24th and 25th 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
9th - 11th 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
38th 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>