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## Hong Kong

## Organic Products

## Organics

## 2000

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### **Report Highlights:**

Organic food sales have grown slowly in this market since the early 1990s as local Chinese have become increasingly health conscious. Organic foods are marketed as health foods here, and therefore carry the positive health food image. Best prospects for increased sales are baby food, rice cakes, grains, fruit juice and breakfast cereal.

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Includes PSD changes: No  
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Unscheduled Report  
Hong Kong [HK1], HK

**TABLE OF CONTENTS**

SECTION I. SUMMARY ..... 1  
SECTION II. REGULATIONS AND POLICIES ..... 2  
SECTION III. CONSUMPTION AND MARKET SECTORS ..... 3  
    A. CONSUMPTION ..... 3  
    B. MARKET SECTORS ..... 4  
SECTION IV. PROMOTIONAL ACTIVITIES ..... 6  
SECTION V. POST CONTACTS AND FURTHER INFORMATION ..... 6

## SECTION I. SUMMARY

- Hong Kong's production of organic products is limited to vegetables such as lettuce, melon, beans, carrots, beets, etc. There are about eight organic farms in Hong Kong with a total area of approximately 1,217,312 square feet. All products are for domestic use. No organic foods are processed locally.
- Given Hong Kong's limited production of organic food products, Hong Kong is a market and not a competitor for U.S. organic food products. However, it is also a market for Australia and European products.
- Organic foods have been selling in Hong Kong since the early 1990's. At first the market expanded at a very slow pace, however, business has experienced very encouraging growth for the last two or three years. The major reason is that local Chinese consumers are becoming increasingly health conscious. This has led to a boom in the health food market which has a positive bearing on the awareness of and demand for organic foods.
- In the very beginning, the clientele of organic foods was mostly limited to western and Japanese consumers. The notion of organic foods was new to most Hong Kong Chinese. Yet in recent years, the clientele for organic foods include many well-to-do Chinese who have been educated or have resided overseas. Hong Kong has a population of 6.8 million and per capita GDP of US\$25,000 in 1998.
- Hong Kong does not have any laws or regulations pertaining specifically to organic foods. The importation of organic foods is subject to the Hong Kong food ordinance which applies to all food products.
- Total retail sales of food and drinks in Hong Kong for 1998 reached US\$6.97 billion. There are no specific indications of the size of the Hong Kong organic food market. Hong Kong government does not provide statistics on organics and people in the food industry find it difficult to estimate.
- Best product prospects include baby food, rice cakes, grains, fruit juices and breakfast cereals. Organic foods in Hong Kong are always marketed as health food. Therefore, organic food promoters should emphasize the overall nutritional value and health food image of their organic products to boost consumers' attention and loyalty.
- The major challenges of organic foods in Hong Kong are threefold. First, organic food is still a new notion among general consumers. Second, organic foods in Hong Kong are generally at least 15 percent higher in price than conventional foods. Third, another drawback is the dull and simple packaging that characterizes organic foods.

Advantages	Challenges
World's freest economy (according to the Heritage Foundation's 2000 Index of Economic Freedom). Consistent free trade and free enterprise policies. No import duty except on liquor, cigarettes, hydrocarbon oils and methyl alcohol. Separate custom territory from China.	Severe competition between different supplying countries such as Australia and European countries. U.S. products are relatively more expensive than their competitors. U.S. products are disadvantaged by a higher transport cost when compared with Australian products. An industry source said the U.S. freight cost can be 50% higher than Australia's.
No trade barriers in the form of import regulations pertaining specially to organic foods.	Different food culture regarding taste. Some U.S. organic beverages were tried in the market but failed because of the very sweet taste.
No foreign exchange controls. HK dollar pegged to the U.S. dollar, so U.S. products are not subject to price fluctuations based on exchange rates.	Some importers are of the impression that U.S. companies are only interested in large volume orders. The minimum amounts for trial orders very often are too huge for the Hong Kong organic food market.
Hong Kong consumers are getting more health conscious. There is a general perception that organic foods are health food.	Duplication of distributorship among different Hong Kong companies. More than one Hong Kong company may represent the same U.S. products through different distributors. The same products may sell at different prices in the Hong Kong market. Most importers/retailers do not want such a situation to take place, thus becoming very choosy in representing U.S. products.
In recent years, there are more speciality health food retail outlets in the market, which are ideal retail channels for processed organic foods.	The dull packaging of organic foods (not limited to U.S. products) is not appealing to general consumers.
Confidence in the quality of U.S. products and the U.S. organic certification system.	

## SECTION II. REGULATIONS AND POLICIES

- U.S. organic foods are free to be imported into Hong Kong as long as they conform to Hong Kong food laws. The Hong Kong government does not have any laws or regulations pertaining specifically to organic foods. Organic foods are subject to the same food laws as other conventional foods. For information on the importation of food to Hong Kong, please refer to gain report #HK9078.
- However, Hong Kong importers/retailers usually require suppliers to provide organic certifications. For example, they request OCIA, BSA and ECO certifications for U.S., Australian and European products,

respectively. It is even more desirable if such certification can be incorporated into the product label so as to augment products' credibility.

- In Hong Kong there is an Organic Farming Association (HOFA) which comprises representatives of the organic farms. HOFA is currently working on a preliminary guideline for organic farming. This is simply a voluntary guideline for its members who are all engaged in local production. It does not apply to imports.
- So far, there are no imminent signs that the Hong Kong government is going to adopt any laws pertaining to organic foods.

## **SECTION III. CONSUMPTION AND MARKET SECTORS**

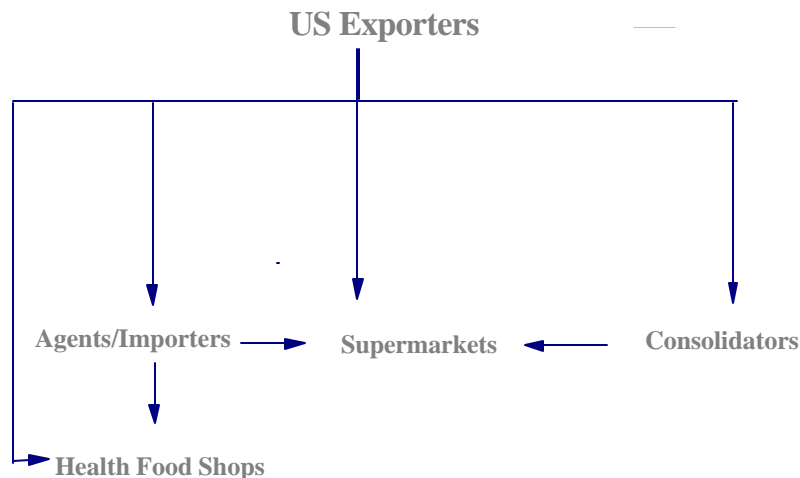
### **A. CONSUMPTION**

- Hong Kong has a population of 6.8 million. When organic foods first came to Hong Kong in the early 1990, consumers were largely Americans, Europeans, Japanese and Chinese who had spent some time living overseas. Today, organic foods already have reached a far wider clientele who are usually well-educated, aged between 30 - 45 and who are better-off financially.
- Consumers of organic foods tend to read labels very carefully and are very health conscious. In other words, the nutritional value of the organic foods counts a lot. For example, organic foods with high calories or fat may not have a good market in Hong Kong. Good labeling on nutritional value and organic certification is important.
- Hong Kong people are becoming more aware of GM (genetically modified) foods. GM free labeling on the packaging is noted by consumers.
- People in the industry expect that the consumption of organic foods will rise gradually in Hong Kong. The following factors help. First, people are getting more health conscious. Second, more GM foods are appearing in the market. Consequently, more people opt for simple and natural organic foods. Third, the popularity of health foods has led to the opening of more speciality shops which are also ideal retail outlets for organic foods. Fourth, with more supplies of organic foods in the market, prices are less likely to rise. For example, a U.S. organic drink called Very Fine sold HK\$6 for 250 ml 3 years ago and the price remains the same today.
- The organic food consumption pattern and trends in Hong Kong are very much affected by development of the Japanese market.

## B. MARKET SECTORS

### 1. Retail Foods

#### Entry Strategy



- There are several alternative channels for U.S. organic products to gain access to the Hong Kong market. One of the popular channels is for supermarkets to import products through grocery product consolidators. Consolidators are popular because they allow supermarkets to receive frequent supplies in small quantities appropriate for the Hong Kong market. Additionally, consolidators can have valuable input on sourcing new products, which may turn out to be good selling items here.
- There are less than 20 importers of organic products in Hong Kong. Major importers of conventional foods do not necessarily engage in organic foods imports. A quick telephone survey showed that only one big importer has set up a small section looking into the possibility of expanding organic foods.
- There are around 50-60 speciality health shops in Hong Kong. Some import directly from overseas suppliers. Since it is very unlikely that they can utilize a full container, they also act as a wholesaler for other health food shops.

#### Market Summary

- There are no figures available for the size of the organic market in Hong Kong. Even people in the industry said it is impossible to estimate. However, the market is expanding. It is about 30 percent larger than 2 years ago, but still is a very small market.
- The domestic production of organic products is limited only to vegetables. There are no processed organic products manufactured locally. For the organic vegetable market, imports and domestic production each share half of the market.

- The merits of local supplies are the more economical prices when compared with imports from Australia or the U.S. Certain supermarkets sell imported organic produce because supplies overseas are more reliable and more diverse.

## **Company Profiles**

There are mainly three categories of retailers in Hong Kong handling organic foods:

### 1 Supermarkets

There are two major supermarket chains-- ParkNshop (180 stores) & Wellcome (221 stores).

ParkNshop : Organic products are sold in only a new stores in commercial areas and in places with a middle/high income clientele. For example, organic produce is available in only 5 stores. All is imported either from Australia or the U.S. Australian products are more popular because of lower freight costs. A baby food called Baby Organic is available in only 26 outlets. This is an organic product that ParkNshop imports directly from England. Sources revealed that ParkNshop is planning to place Gerber's Tender Line organic baby food in more stores because Gerber is a popular baby food brand in Hong Kong. In short, organic products are only available in some core stores with potential patrons of organic products. Comparing the number of all ParkNshop's stores and those carrying organic foods will reflect the insignificance of the local organic market.

Wellcome : This supermarket chain is planning to sell some organic products such as cooking oil, pasta, tea, etc. in one or two stores to test the market. If the result is satisfactory, the company is prepared to widen product categories and to let more stores carry organic products.

### 2 Department stores with food sections e.g. Citysuper, Seibu, Jusco, Uny, Sogo, etc.

There are around 10 of these Japanese-style department store supermarkets in Hong Kong. These department stores have a longer history of selling organic foods because of the need to cater to their Japanese and western customers.

### 3 Speciality Health Food Shops

There are around 50 to 60 shops in Hong Kong carrying organic, health and diet-supplementary foods.

(Fresh and frozen vegetables are only available in supermarkets and department stores. Specialty health food shops generally do not sell these products because of the lack of chilling equipment and freezers. For Purchasing Agent type, please refer to the Entry Strategy Section.)

## **Sector Trends**

- Organic foods available in Hong Kong include: rice cakes (U.S.) ,baby food (U.S., England), frozen produce (local, U.S., Australia, Japan), yogurt (England), rice, breakfast cereals, oats, bran products, wheat, fruit juice (U.S.), cereal bars(U.S.) soy milk (Australia, Canada, Scotland -- the soy milk from Scotland sells best

because it is on average 15% lower in cost than others and is labeled GM free) , olive oil, and eggs (Japan, New Zealand). The list and supplying countries are by no means exhaustive.

- Given the short shelf-life of organic foods, the mark-up is higher than conventional foods. An industry source revealed that the gross profit enjoyed by an importer ranges around 40 percent while a supermarket at the retail level marks items up a further 35 percent. If retail outlets import organic foods directly from suppliers, the gross profit could be double or triple the import prices.
- Major conventional food retailers in Hong Kong are wet markets and supermarkets. Wet markets do not carry organic foods at all. For supermarkets, as discussed in the Company Profiles Section, organic foods are available only in limited core stores of one major chain.

## 2. Food Ingredients

Hong Kong does not have any organic food manufacturing industry. Hence it is not a market for organic food ingredients.

## 3. Food Service Products

Only a few private clubs in Hong Kong buy organic foods. The organic food service sector in Hong Kong is insignificant.

## SECTION IV. PROMOTIONAL ACTIVITIES

The major food show in Hong Kong which takes place every 2 years is:

HOFEX 2001

The 9<sup>th</sup> Asian International Exhibition of Food & Drink

Date : May 8-11 , 2001

Place : Hong Kong Conventional and Exhibition Center

Organizer : Hong Kong Exhibition Services Ltd.

9/F, Shiu Lam Bldg., 23 Luard Road

Wanchai, Hong Kong

Tel : 2804-1500

Fax : 2528-3103

## SECTION V. POST CONTACTS AND FURTHER INFORMATION

- Hong Kong Government Food Regulatory Agency:



Food & Environmental Hygiene Department  
Food and Public Health Branch  
18th floor, Wu Chung House  
213 Queen's Road East  
Wan Chai  
Hong Kong  
Tel : 852-2961-8812  
Fax : 852-2893-3547  
Web site : <http://www.info.gov.hk/dh/index.htm>  
E-mail : [dhenq@dh.gcn.gov.hk](mailto:dhenq@dh.gcn.gov.hk)  
(Website & email address are to be changed)

- Foreign Agricultural Service Office in Hong Kong:

Agricultural Trade Office  
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Internet Homepage: <http://www.usconsulate.org.hk>  
FAS homepage: <http://www.fas.usda.gov>

- ATO Hong Kong provides lists of supermarkets and importers/wholesalers to U.S. exporters and we are happy to line up appointments if U.S. exporters come to Hong Kong exploring the market.
- Information on organic products, including a monthly organic newsletter, can be found at the Horticultural and Tropical Products Division homepage (<http://www.fas.usda.gov/http/organics/organics.html>)
- Organic Farming Association in Hong Kong:

The Chairman  
Organic Farming Association  
c/o Kadoorie & Botanic Garden  
Lam Kam Road  
Taipo  
N.T., Hong Kong  
Tel: 852-2483-9787  
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