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Report Highlights: US exports of high value food products to Hong Kong are expected to grow by 28% and top the \$1 billion mark in 2008. The demand for U.S. products continues to grow, given the weakened U.S. dollar, and climbing food inflation, making U.S. food products more competitive. U.S. food products are well-known for their high quality and Hong Kong consumers are becoming more health and safety conscious due to food scares, primarily from Mainland China. Tightened food supplies in Mainland China and the appreciation of the Chinese Renminbi (RMB) have caused prices for Chinese products to escalate significantly since late 2007. Hong Kong's affluent consumers, among the richest in the world, patron Hong Kong's 12,910 restaurants each day. The average Hong Kong consumer spends 13% of his/her income on dining out. The Hong Kong Government (HKG) has laid down long term plans in developing its infrastructure to maintain its competitiveness as the region's trading hub. In addition, the 2008 Olympic Games are expected to bolster Hong Kong's tourism to 35 million tourists this year. Given the positive developments in Hong Kong, restaurant receipts are expected to grow by 14% and reach US\$10.3 billion in 2008. Products in Hong Kong's HRI sector that offer good potential for U.S. suppliers include fish and seafood, fresh fruit, poultry, pork, processed fruit and vegetable, beef, wine, beer, fruit and vegetable juices and organic products. Wine and beer offer special opportunities as the HKG just eliminated its excise tax on these products, which is set to stimulate the growth of the HRI sector in 2008.

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SECTION I. HONG KONG MARKET PROFILE

HRI Food Service Sector

1. Restaurants

- Hong Kong restaurants enjoyed a very good year in 2007, as the value of total restaurant receipts was over US\$9 billion and the value of restaurant purchases was US\$3.1 billion, representing an increase of 13.5 % and 16.8 % respectively over 2006. As the economy is expected to grow by 5% in 2008, restaurant receipts are expected to continue to grow by 14% in 2008 to reach US\$10.3 billion.

(Value in US\$ million)	2006	2007	Growth 06 vs 07	2008*
Restaurant Receipts	7,948	9,021	+13.5%	10,300
Restaurant Purchases	2,658	3,105	+16.8%	3,500

(Source: Quarterly Restaurant Receipts and Purchases, Hong Kong Census & Statistics Department)
(* Estimated figures based on analysis of the economy, market trends and interviews with HRI traders)

As a “Gourmet Paradise”, Hong Kong has around 12,190 restaurants serving a wide range Eastern and Western cuisines along with a wide variety of culinary delights. 45% of them are Chinese restaurants, 40% are non-Chinese restaurants and 15% are fast food shops. In addition, there are over 1,000 bars and other eating and drinking establishments¹.

- Chinese restaurants:** Chinese restaurants are popular among local citizens and tourists. There are a variety of Chinese restaurants in Hong Kong serving different regional cuisines: Canton, Shanghai, Beijing, Sichuan...etc. A typical lunch at a nice Chinese restaurant costs around HK\$100-300 per person and a typical dinner costs around HK\$150-400 per person².
- Non-Chinese restaurants:** Many Hong Kong consumers enjoy western food, as do the over 35 million tourists expected in 2008. Western restaurants are always full of customers of all ages and classes. 5-Star and other high-end western restaurants are as likely to be dominated by local citizens as visiting business people. Japanese food, fast food chains, coffee and snack and casual dining establishments are also increasing their presence. A typical lunch at a nice western restaurant costs around HK\$100-300 per person and a typical dinner costs around HK\$200-500 per person³.
- Fast food shops:** Fast food outlets are popular among Hong Kong consumers. The most popular fast food chains in Hong Kong are McDonald's, KFC and Pizza Hut. There are also some large local fast food chains such as Café De Coral, Maxim's and Fairwood that serve both Chinese and western foods. Competition among fast food chains is intense and keeping the price for a meal at a very low level. The average cost is around HK\$25 for breakfast, HK\$30 for lunch, HK\$20 for afternoon tea and HK\$50 for dinner (US\$1 = HK\$7.8). To further meet competition, many fast food operators have renovated their outlets to make them look more modern, spacious and attractive. To meet the demand of a growing number of health-conscious customers,

¹ Source: Hong Kong Census & Statistics Department

² Source: menus of selected Chinese restaurants in Hong Kong's Central District and interviews with consumers (US\$1=HK\$7.8)

³ Source: menus of selected western restaurants in Hong Kong's Central District and interviews with consumers (US\$1=HK\$7.8)

fast food chains have also introduced more new ingredients and developed healthy-food options such as salads, fruits, and fresh juices.

- **Coffee Shops:** The coffee shop market is growing in Hong Kong, especially among younger professionals. In recent years, the trend has been to open upstairs cafes to save on rental costs. They are largely located in commercial areas. Starbucks (95 outlets) and Pacific Coffee (62 outlets) are Hong Kong's two largest coffee shop chains. Virtually all offer high end muffins, pastries, cakes, health bars, prepackaged cold sandwiches, and bottled beverages (juices and water). McDonalds has also vigorously expanded its McCafe in order to gain share in this growing market. Of its 152 outlets, 47 have already included McCafes inside their shops.
- **Growing Trend – Healthy Eating:** Due to the increasing number of food safety scares, particularly from Mainland China, Hong Kong diners prefer to eat fresh foods rather than processed, chilled, frozen etc. Hong Kong consumers have become increasingly aware of food safety and nutrition. These issues have been used successfully as marketing points for various food commodities and specific products. The growth of "Mix" and other similar juice bars are good examples of specialty restaurants for healthy products. Organic foods are also gaining popularity as evidenced by the growth of specialized retail outlets for organic foods. There is increasing opportunity for U.S. products and ingredients in this sector.

2. Hotels

- Growth in the number of hotels, hostels and guesthouses (2006-2007):

	2006	2007	Growth
Number of hotels/guesthouses	612	650	+6%
Number of rooms	52,512	56,573	+8%
Room occupancy rate	87%	86%	-

(Source: Hong Kong Census & Statistics Department)

- Hotel and boarding houses receipts are estimated at US\$3.2 billion in 2007, an increase of 15.6% over 2006. According to the Hong Kong Tourism Board, 31.1% of receipts came from food and beverage sales, revenues from food and beverage sales at hotels were close to US\$1 billion in 2007 (=US\$3.2 billion x 31.1%)⁴.
- Many five-star hotels serve U.S. beef, chicken, turkey, pork, eggs, fish and seafood products, as well as a wide range of fruits and vegetables, which has clearly benefited the United States as a supplier. Among all hotels/hostels/guesthouses, about 21 of them are classified as the "High Tariff A Hotels" with average room rate over US\$230/night⁵. In 2007, room rate for some of these top-end hotels in Central District even exceeded US\$300/night for a standard room.
- The Hong Kong Government (HKG) provides a searchable list of licensed Hotels & Guest Houses at: http://www.hadla.gov.hk/index_en.htm
- A list of Hong Kong hotels is available at: http://www.discoverhongkong.com/eng/mustknow/search/mk_sear_inde.jsp

⁴ Calculation based on latest statistics from the Hong Kong Tourism Board

⁵ Calculation based on latest statistics from the Hong Kong Tourism Board (US\$1=HK\$7.8)

- Hong Kong's tourism industry faces keen competition from Macau and neighboring cities. The HKG plans to invest over US\$1.4 billion for tourism infrastructure development over the next five years, including the redevelopment of the Ocean Park (a major marine park and conservation center), a new cruise terminal, an extension of the Hong Kong Convention and Exhibition Centre, as well as enhancing the existing facilities across the city⁶.

3. Institutions

- Institutions like schools, hospitals, and airlines are served by a small number of large catering groups who are generally affiliated with the restaurant sector. These caterers mainly source their ingredients from China where supplies are cheaper and more abundant. They also use ingredients from other countries such as the U.S. when they cannot find the same products in China, or when they want to use products with better quality and taste.
- **Schools:** School regulators prohibit Primary and Lower Secondary students from eating out. Students therefore either pack their lunch boxes or subscribe to school lunch boxes. There are 668 primary schools and 528 secondary schools. The total number of primary students and lower secondary students amounted to 410,516 and 256,076 respectively⁷. About 70 % of students buy lunch at schools. A typical lunch box consists of meat, rice and some cooked vegetables. The annual turnover is estimated at US\$250 million. Healthy eating programs are underway to encourage a change in eating trends for schools. Caterers have to register with the Hong Kong Food and Environmental Hygiene Department (FEHD) before they are eligible to bid tenders provided by individual schools. ATO Hong Kong can provide U.S. exporters with the list of registered caterers for school lunch boxes.
- **Hospitals:** The Hospital Authority operates 40 hospitals with a total of 27,633 beds and staff size of 52,922⁸. The catering services for hospitals are outsourced on a tender basis. The hospitals are served by catering groups, many of which also operate restaurants, fast food chains or school lunch catering services.
- **Airlines:** There are three aircraft catering franchisees at the Hong Kong International Airport, each with a 15-year term. The aircraft caterers provide a comprehensive range of flight catering services. These services include the preparation and assembly of flight meals, loading and unloading of food and other catering loads onto aircraft, and the storage of catering equipment and supplies.

Catering Franchisee	Investment (HK\$)	Size (sq. m.)	Capacity (meals/day)
Cathay Pacific Catering Services	1.6 billion	50,400	80,000
Lufthansa Service Hong Kong Ltd	660 million	15,000	30,000
Gate Gourmet Hong Kong Ltd	382 million	8,850	10,000

(Source: Website of the Hong Kong Airport Authority: <http://www.hongkongairport.com/eng/afacilities/aircatering.html>)

⁶ 2008 Hong Kong Tourism Overview, Tourism Commission, Hong Kong Government

⁷ Source: Education Bureau, Hong Kong Government

⁸ Source: Annual Report of the Hospital Authority

Economy

- The Hong Kong economy continues its spectacular growth in 2007, thanks to the robust performance of its export markets, the external sector and an upsurge of consumer spending and investment. The following figures illustrate the growth of the Hong Kong economy and the purchasing power of its consumers:

	2006	2007	Growth 06 vs 07	2008 (Expected Figures)	Expected Growth 07 vs 08
GDP	US\$189 billion	US\$207 billion	+9.3%	US\$217 billion*	+4.8%
GDP per capita	US\$27,598	US\$29,850	+8.2%	US\$31,340*	+5%
Retail sales on Food	US\$6.7 billion	US\$7.2 billion	+7%	US\$7.7 billion**	+6.9%
Restaurant receipts	US\$7.9 billion	US\$9 billion	+13.5%	US\$10.3 billion**	+14%
No. of tourists	25.2 million	28.1 million	+11.2%	35 million**	+24.6%

(Source: Hong Kong Census and Statistics Department)

(* Estimated figures based on forecast of economic growth by the Hong Kong Government)

(** Estimated figures based on analysis of the economy and interviews with HRI traders)

- Price-Competitiveness of U.S. Products Continues:** Hong Kong is the 8th largest market for U.S. exports of consumer-oriented food products, which reached US\$782 million in 2007, a growth of 28% over 2006⁹. U.S. exports of consumer-ready products are expected to continue their strong growth in 2008. U.S. food traders are aggressively seeking ways to penetrate international markets as well as take advantage of their products' price competitiveness due to the weaker U.S. dollar. In addition, Hong Kong consumers are increasingly concerned about the safety of food imports from China. U.S. food products, organic, health foods and gourmet products are well-known in Hong Kong for their high quality and are therefore likely to enjoy more opportunities as Hong Kong consumers are becoming more health and safety conscious. Tightened food supplies in Mainland China and the appreciation of the Chinese Renminbi, have resulted in escalating food prices in Hong Kong since late 2007. This trend is expected to continue in 2008 and further reduce or eliminate their price advantage over U.S. products. This situation is already leading Hong Kong food traders to seek imports from the U.S.
- Development in Tourism and Infrastructure:** The HKG has plans for infrastructure projects such as the construction of a bridge linking Hong Kong to neighboring cities of Macau and Zhuhai (in China), building up a new container terminal, development of a new cruise terminal and construction of a new subway line to ensure the continued growth of Hong Kong.
- HKG abolished the excise tax on wines and beer in February 2008, which used to be 40% and 20% respectively. This elimination is expected to boost the growth of wine particularly in the HRI sector in 2008¹⁰ (please refer to GAIN Report #8005 for the latest Hong Kong Wine Report). Lastly, tourist arrivals in Hong Kong are expected to reach 35 million in 2008, bolstered by the 2008 Olympic Games. Similarly, the continued boom of Hong Kong's neighboring city of Macau – the "Las Vegas in the Far East" is poised to attract also around 35 million visitors in 2008. Most of these visitors will also stay in Hong Kong before or after their visits to Macau.

⁹Source: BICO trade statistics for U.S. food exports to Hong Kong, FAS website

¹⁰ Budget Speech on February 27, 2008, Financial Secretary, Hong Kong Government

Market Prospect in 2008

- The Hong Kong Dollar has been pegged to U.S. Dollar (US\$1=HK\$7.8 approx.) since 1983. Because the U.S. Dollar has been depreciating against currencies of other suppliers, U.S. products have become more attractive to importers and consumers.
- Supported by the depreciated U.S. dollar, continued economic growth, booming tourism and the fast-paced expansion among its China and Macau neighbors, Hong Kong presents an excellent market opportunity for U.S. food exporters. Given these favorable factors, U.S. exports of COAP to Hong Kong are expected to reach over US\$1 billion in 2008, an increase of 28% over 2007.

Demographics

- Hong Kong's population was 6.9 million at the end of 2007. 1.68 million, or 46% of the total labor force, are women. The large number of employed women are an important influence on the demand in the restaurant business.

	2006	% of Total	2007	% of Total
Labor Force-Men	1.95 million	54%	1.96 million	54%
Labor Force-Women	1.63 million	46%	1.68 million	46%
Total	3.58 million	100%	3.64 million	100%

(Source: Hong Kong Census & Statistics Department)

- A typical Hong Kong household spent around US\$2,500 each month, 27% of which was spent on food and beverages¹¹.
- Hong Kong has a culture of eating out. On average, each household spends 63% of its food budget on eating out. The higher the income group, the higher is percentage of food expenditure spent on restaurants¹².

Imported Foods vs. Domestic Products

- Due to limited land resources and rapid urbanization, Hong Kong relies on imports for about 95% of its food supply. Local production contributes only 4% of fresh vegetables, 52% of live poultry, and 18% of live pigs.
- Due to its central location, free port status and position as a regional purchasing and distribution center, a significant amount of Hong Kong imports are re-exported.

Hong Kong's Imports (2003-2007) of Consumer Oriented Agricultural Products¹³ (COAP) & Seafood

Supplier	(in US\$ Million)	2003	2004	2005	2006	2007	2007 Share	Growth 07/06	07 Re-exports/ Gross Imports
World	Gross Imports	6,770	6,976	7,152	7,647	9,098			27%
	Re-exports	1,835	1,529	1,474	1,775	2,435			
	Retained Imports	4,935	5,447	5,678	5,873	6,663	100%	13%	

¹¹ Source: Hong Kong Census and Statistics Department

¹² Source: Hong Kong Census & Statistics Department

¹³ Consumer Oriented Agricultural Products (COAP) refers to agricultural products that require little or no additional processing and are generally ready for final consumption at either the food retail or food service level. Examples of COAP are: red meat, poultry meat, snacks, breakfast cereals, pancake mix, fruits and vegetables, fruit and vegetable juices, tree nuts, wine, beer, cut flowers and pet foods. Source of data: Hong Kong Census & Stat. Dept.

Supplier	(in US\$ Million)	2003	2004	2005	2006	2007	2007 Share	Growth 07/06	07 Re-exports/ Gross Imports
China	Gross Imports	1,614	1,718	1,827	1,854	2,007			15%
	Re-exports	264	267	287	296	309			
	Retained Imports	1,350	1,451	1,541	1,558	1,698	25%	9%	
United States	Gross Imports	1,085	882	824	875	1,042			31%
	Re-exports	428	201	191	220	328			
	Retained Imports	657	681	633	655	715	11%	9%	
Brazil	Gross Imports	363	435	481	645	989			50%
	Re-exports	180	105	124	273	491			
	Retained Imports	183	331	357	372	498	7%	34%	
Japan	Gross Imports	360	382	439	485	573			6%
	Re-exports	38	36	36	38	36			
	Retained Imports	321	346	403	446	536	8%	20%	
Australia	Gross Imports	441	458	440	485	529			11%
	Re-exports	42	38	37	41	58			
	Retained Imports	399	421	403	444	470	7%	6%	
Thailand	Gross Imports	341	328	319	338	410			55%
	Re-exports	130	140	143	161	226			
	Retained Imports	211	188	177	177	184	3%	4%	
France	Gross Imports	105	140	140	147	251			35%
	Re-exports	35	23	27	39	88			
	Retained Imports	70	117	114	108	164	2%	52%	
New Zealand	Gross Imports	152	168	164	191	217			13%
	Re-exports	27	50	42	75	28			
	Retained Imports	125	118	121	116	189	3%	62%	
Canada	Gross Imports	196	210	216	208	217			20%
	Re-exports	55	59	27	26	43			
	Retained Imports	140	151	190	182	173	3%	-5%	
Netherlands	Gross Imports	141	147	156	166	211			29%
	Re-exports	32	32	28	34	60			
	Retained Imports	109	115	127	132	151	2%	14%	
From Top 10 Suppliers	Gross Imports	4,796	4,870	5,006	5,393	6,447			26%
	Re-exports	1,231	950	942	1,203	1,668			
	Retained Imports	3,564	3,920	4,064	4,190	4,779	72%	14%	
From Rest of World	Gross Imports	1,975	2,107	2,146	2,254	2,651			29%
	Re-exports	604	579	532	571	767			
	Retained Imports	1,371	1,527	1,614	1,683	1,884	28%	12%	

- The HRI sector is continually seeking quality fish and seafood supplies. U.S. products are highly respected for their quality and safety. Growing concerns over the safety of Chinese fish and seafood being fished from polluted sources, increase opportunities for high quality fish and seafood.
- Thanks to the fast-growing economy and consumer affluence, retained imports of COAP and Seafood products in Hong Kong grew by 13% in 2007. The U.S. is Hong Kong's second largest supplier of COAP and Seafood products following China. Retained imports of products from China and the US in 2007 were US\$1.7 billion and US\$715 million respectively, representing market shares of 25% and 11%. At the same time, retained imports from these two supplying countries grew by 9%.
- Hong Kong's gateway for trade with China and Macau are increasingly opening up greater avenues for U.S. high value food products. In 2007, Hong Kong imported over US\$9 billion COAP and Seafood worldwide and re-exported 27% of these products. 52% of all these re-exports went to China and 10% went to Macau¹⁴.

¹⁴ Hong Kong Import and Re-export Statistics, World Trade Atlas

Import Regulations

- **Import Duties & Import Certificates**

With the exception of spirits, all food and beverage products can be imported to Hong Kong duty free. Technical requirements for imports vary significantly according to the product. Products which require import permits/health certificates include meat, milk and frozen confections. (Eggs are expected to be subject to the health certification requirements later 2008). The 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. For details on Hong Kong's general import regulations for food products, please refer to GAIN Report #7017.

- **New Nutritional Labeling Law**

Hong Kong's Legislative Council on May 28, 2008 passed the Nutrition Labeling regulation which will take effect July 1, 2010. The regulation requires all prepackaged food sold in Hong Kong have to label energy plus seven nutrients namely protein, total carbohydrates excluding dietary fiber, total fat, saturated fatty acids, trans fatty acids, sodium and sugars, as well as the content of any nutrient for which a nutrition claim is made on the label of the food. Products selling less than 30,000 units a year can apply for small volume exemption provided that the products do not carry any nutrition claims.

The impact on U.S. products will focus on products with claims since the U.S. and Hong Kong have different claims conditions. For example, Hong Kong has a definition of "low fat" as 3 gm per 100 gm of food, while the U.S. standard is 3 gm per serving. Also, Hong Kong regulations require that products carrying claims on vitamins and minerals need to show content of the claimed vitamins in terms of absolute value per 100 gm or per serving size, while FDA does not have such requirement.

In general, U.S. products do not have to alter its labels for the Hong Kong market as long as products do not carry claims and sell below 30,000 units per year. U.S. products, whose annual sales volume exceeding 30,000 units, may face a labeling problem if they contain a declaration of zero transfat. The U.S. definition of zero transfat is 0.5 gm per serving. In contrast, Hong Kong's standard is 0.3 grams per 100 grams. Therefore, all U.S. products that are not entitled to exemption (either because of claims made or over 30,000 annual sales volume), the zero declaration of transfat on the nutrition label of the U.S. products has then to be based on 0.3 grams per 100 grams. For further details, please refer to GAIN Report #HK7011.

- **Preservatives Regulations**

U.S. packaged food exports to Hong Kong may be affected by impending amendments to its Preservatives Regulations. The HKG is in the process of bringing its list of permitted preservatives and tolerances into alignment with Codex in early 2008. While the permitted level of preservatives in about 70 specified products will be increased, that in 30 specified products will be lowered. Because U.S. tolerances on preservatives may differ from Codex, some U.S. exports to Hong Kong may be affected by this change. However, even with the amendment, the HKG list remains

incomplete. For example, the proposed amendment fails to include some Codex-approved preservatives which are specifically permitted when used in accordance with Good Manufacturing Practices (GMP) e.g. sodium erythorbate. U.S. exporters are encouraged to review the HKG's proposed preservatives list and tolerance levels with their importers and inform us of any common preservatives used in the U.S. which are allowed under Codex but are not included in Hong Kong's proposed list. This amendment is a continuation of the HKG's attempt to strengthen and update its food import regulations. For details, please refer to GAIN Report #7018.

- **Biotech Food Related Regulations**

Presently, Hong Kong does not have any specific regulations regarding biotech foods. HKG released a set of guidelines on voluntary labeling for biotech foods last year and is planning to conduct a survey to evaluate the effectiveness of voluntary labeling in 2008. The trade said that there is virtually no positive labeling of biotech foods, given the voluntary nature of the guidelines. While the HKG has not announced its decision to implement a mandatory labeling scheme, industry sources have said they believe the HKG is moving in this direction and will use the survey result to support their initiative. Meanwhile, the legislative drafting of the bill for the implementation of Cartagena Protocol has been halted pending the Protocol's developments of detailed implementation requirements. For details, please refer to GAIN Report #HK7016.

- **Certification Requirements for Seafood Products**

The Hong Kong government is in the process of drawing up new certification requirements for all fish and seafood products. In this connection, the Hong Kong government has requested the U.S. government to respond to a very detailed questionnaire on U.S. regulations governing seafood exports. The USG is in the process of coordinating a response. Currently, it is not mandatory to provide health certificates for seafood imports to Hong Kong, though U.S. exporters usually provide health certificates (on a state level) for shipments in order to facilitate customs clearance.

Summary of the Key Strengths and Challenges for the Hong Kong Market

Strengths	Weaknesses
U.S. agricultural and food products are sought after by Hong Kong's HRI sector, as they enjoy an excellent reputation among Hong Kong consumers, as they are renowned for high quality and food safety standards, as well as healthy and nutritious.	U.S. agricultural and food products are more expensive than some regionally available food products. China is the largest competitor to U.S. food products.
The HRI sector is always looking at minimizing costs and maximizing profits. Thus, the weak U.S. dollar has positioned U.S. food products more attractively against other imports to Hong Kong.	Lengthy transportation time and costs associated to importing U.S. food products to Hong Kong can make them less competitive than products available in the region or from Australia and New Zealand
There is a wide variety of U.S. products available to Hong Kong consumers (over 30,000 different items), and consumers demand similar quality products when patronizing HRI establishments.	Lack of awareness of new technologies for food products, such as biotechnology.
Total U.S. exports of high value food products to Hong Kong reached US\$782 million, making it the 8 th largest market for the U.S., growing at a rate of 28% from 2006 to 2007.	The importance of the Hong Kong market as a transshipment point and buying center is not widely known.
Expats as well as the younger generations continue to explore new products, such as health foods, organics, convenience and gourmet foods. Hong Kongers in general, are highly receptive to advertising, marketing and promotions. More and more restaurants are including such products on their menus.	Numerous U.S. food regulations differ from Codex, which can complicate import clearances.
Hong Kong's modern and efficient port terminal and free trade policy make it an attractive location for trade, including re-exports to Asia.	
In general, HKG in its implementation and application of regulations is transparent and open, as it follows and adopts WTO, Codex and OIE guidelines for food safety.	
Lack of local production means virtually no protectionist pressures for food and agricultural products.	
Hong Kong has a very strong economy and is in a rapidly growing region.	
Hong Kong has an exceptionally strong infrastructure and distribution system which renders it as an important trading hub and gateway in the region.	

SECTION II. ROAD MAP FOR MARKET ENTRY

Exporting and Selling

- Since very few hotels, restaurants or institutions import directly from exporters, it is important for suppliers to sell to importers for further distribution to the HRI sector in this market.

Establishing a Business in Hong Kong

If U.S. restaurant chains or caterers want to establish a stronger foothold in Hong Kong, they are allowed to incorporate freely. However, there are two market entry channels that U.S. companies may consider in their attempt to establish a presence in Hong Kong's HRI sector.

1. Franchising

- The concept of franchising has been catching in Hong Kong for the past decade. The number of franchise operations in Hong Kong grew from 52 in 1992, to around 90 in 2006. Nearly 80 % of the franchise operations in Hong Kong are of U.S. origin. Home-grown franchises have also developed, especially in catering.

2. Joint Ventures

- Joint ventures or strategic alliances can be very helpful in entering the market, and are particularly important in competing for major catering projects.
- In order to attract foreign investment, the HKG set up a special department called "Invest Hong Kong" to help overseas companies establish a presence in Hong Kong by providing all the support needed to establish and expand their operations (www.investhk.gov.hk).
- Entering the Hong Kong market with products suitable for the HRI trade can be handled in a number of ways. Certainly the end customer, the hotel, restaurant, institution or caterer has an influence on the selection of products or ingredients but the choice is all very much guided by a network of reliable and trusted suppliers.

3. Setting up a representative office

- One of the most effective but costly means that U.S. companies can use to sell their products to this market is to set up a representative office in Hong Kong.

4. Appointing agents

- U.S. exporters may consider hiring a local agent. A key consideration is whether the prospective agent has a good marketing record and widespread distribution network. The advantage of having an agent is that it can help with marketing and distribution. Some companies may secure a very competitive price package with TV/magazine/radio for advertisements. In addition, well-established companies have extensive distribution networks not limited to the HRI sector but also to retail outlets.
- Importers and distributors tend to focus on specific categories of products and end markets. Research should be carried out to ensure the importer/distributor selected is appropriate for your products.

Marketing Strategies

- Identify key players for the product/s - ATO Hong Kong can assist with identifying and introducing potential stakeholders from end consumers to importer/distributors, commodity cooperators and regional business groups.
- Test marketing maybe required prior to establishing a presence in the market.
- Communicate product benefits to end-users - although distributors maintain the relationships with their customers, end users assert influence over the buying decisions. It is important to directly educate all stakeholders as to the features and benefits of your products.
- Participate in or visit trade shows – Hong Kong has an excellent reputation of hosting international trade shows. In cooperation with cooperators and regional groups, the shows will demonstrate the versatility and safety of U.S. food products. Some major shows include:

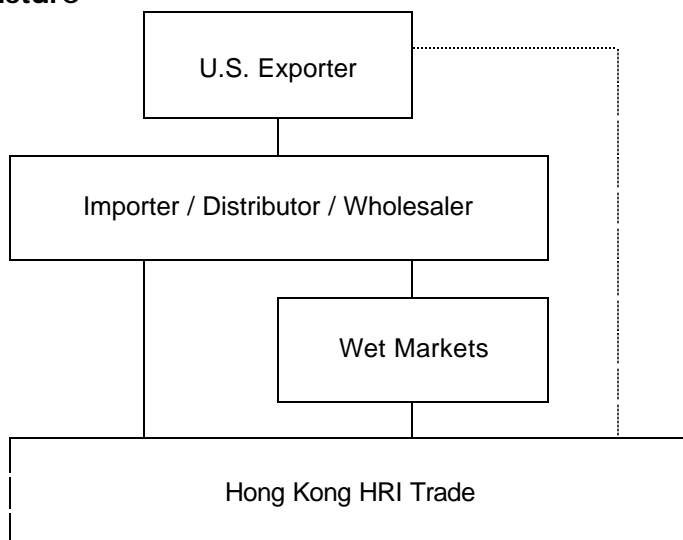
Natural Products Expo Asia (in Hong Kong)	http://www.naturalproductsasia.com	Jun 26-28, 2008
Wine and Gourmet Asia (in Macau)	http://www.wineandgourmetasia.com/	Nov 5-7, 2008
HOFEX 2009 (in Hong Kong)	http://www.hofex.com	May 6–9, 2009

- Stage menu promotions with major restaurant chains - Menu promotion dollars will be maximized if spent on promotion events held with the major restaurant chains. With the restaurant chains' announced intention to have an image overhaul, this provides for an opportunity to introduce new U.S. foods.
- Invite restaurant owners/chefs to seminars and/or to the U.S. - ATO Hong Kong/cooperators organize seminars and trade missions to the U.S. with an intention to introduce U.S. products, meet U.S. exporters, and experience U.S. store formats.

MAP Program

- Small to medium sized U.S. food companies wishing to export their products can get funding assistance from the USDA Market Access Program (MAP). The reimbursement rates for branded promotions are equal to the percentage of U.S. origin content of the promoted agricultural commodity or a rate of 50 percent, whichever is the lesser. If you are a producer or exporter and want to participate in the MAP, please contact a trade association that represents your specific product. If no trade association is applicable, please contact one of the four State regional trade groups: Eastern US Agricultural & Food Export Council (EUSAFEC), Food Export Association of the Midwest USA (FEA), Southern US Trade Association (SUSTA), and Western US Agricultural Trade Association (WUSATA). For details of the MAP program and a list of trade associations, please contact our office or visit the website: <http://www.fas.usda.gov/mos/programs/maptoc.html>

Market Structure



- The market structure for Hong Kong typically involves a dedicated importer / distributor who deals with the U.S. exporter and maintains relationships with local resellers. Some special items are imported directly by large hotels, restaurant chains and institutions but most tend to outsource the import burden.
- Hong Kong is a mature trading port and as such has developed an effective network of importers, distributors and wholesalers that support the HRI trade.
- Most major importer / distributor service multiple reseller sectors including HRI / food service, retail and wet markets.
- ATO Hong Kong has a resourceful database of Hong Kong importers servicing the HRI trade. For information regarding specific category suppliers, the ATO Hong Kong can provide additional information.
- Given below is a partial list of catering franchises in Hong Kong.

Ajisen-Ramen (catering - Japanese noodles restaurant)
 Coffee Chateau (catering - retail of coffee and tea)
 Double Star (catering - coffee shop)
 Genki Sushi (catering - Japanese restaurant/takeaway)
 Grappa's Ristorante (catering - Italian restaurant)
 Hardee's (catering - fast food restaurant)
 Hui Lau Shan (catering - herbal tea house and health food)
 Hung Fook Tong (catering - herbal tea house)
 Jollibee (catering – restaurant)
 Kentucky Fried Chicken (catering - fast food restaurant)
 Kung Wo Tong (catering - herbal tea house)
 Kung Wo Beancurd Products (catering - beancurd drinks and products)
 Magic House Superstore Ltd (catering - ice cream and snacks)
 McDonald's (catering - fast food restaurant)
 Mian Cafe (catering - cafe)
 Mrs. Fields Cookies (catering – specialty bakery)
 Pie & Tart Specialists (catering - pie and tart)
 Pizza Box (catering - pizza delivery)

Pizza Hut Restaurants (catering - restaurants)
 Saint's Alp (catering – Taiwanese tea house)
 Strawberry Forever (catering - western dessert house)
 TCBY, The Country's Best Yogurt (catering - frozen yogurt)
 TGI Friday's (catering - restaurant)
 Xian Zong Lin (catering - Taiwanese tea house)
 Yoshinoya (catering - Japanese restaurant)

- A selection of restaurants¹⁵

Company Name	Type of Food	No. of Outlets
Maxims	Chinese Restaurants / Chinese fast food / lunch boxes	339
McDonalds	Fast Food - Burgers	152 + (47 McCafe)
Café de Coral	Chinese fast food / lunch boxes	134
Fairwood	Chinese Fast food	97
KFC	Fast Food - Chicken	95
Starbucks	Coffee & snacks	90
Pizza Hut	Pizza, local menu	43
Pacific Coffee	Coffee & Snacks	62
Deli France	Bakery, Fast Food Sandwiches	40
Steak Expert	Steak house	34
Spaghetti House	International	18
Epicurean	International	16
Igor's Group	International	29
Lan Kwai Fong Entertainment	International	9
Oliver's Super Sandwich	Fast Food Sandwiches / Salads	13
Mix	California Smoothies & Wraps	12
Pret a Manger	Fast Food Sandwiches / Salads	10
Chiram Restaurants Ltd	International	9
Eclipse Management	International	14
Outback Steakhouse	Australian / American style Steak House	6
Red Ant	Chinese	7
Sushi Tei	Japanese Restaurants	6
Elite Concepts	International	6
California Pizza Kitchen	American style pizza	4
Dan Ryan's	American Style dining	3
Ruby Tuesday's	American Style dining	3
Burger King	Fast Food - Burgers	5
Jimmy's Kitchen	International	2
Ruth's Chris Steakhouse	American Style Steak House	2
Bubba Gump	American Style dining	1
Hard Rock Café	American Style dining	2
Harlan's	International	1
Lawry's The Prime Rib	American Steak House	1
Morton's of Chicago	American Steak House	1
Shooters 52	American food	1
TGI Fridays	American Style dining	1
Tony Roma's	American Style dining	1

¹⁵ Sources: Newspaper reports, telephone calls, annual reports and websites of the restaurants

SECTION III. COMPETITION

Note: 2007 statistics; Market Share in terms of Import Value

Source: World Trade Atlas – Hong Kong Census & Statistics Department

Top Products to Hong Kong (based on import value in US\$)

Product Category	Major Supply Sources (% of Value of Total Imports)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Breakfast Cereals & Pancake Mix</p> <p>Imports US\$33 million 13,327 MT</p> <p>Retained Imports US\$31 million 12,739 MT</p>	<p>1. China – 54%</p> <p>2. U.S. – 12%</p> <p>3. Thailand – 9%</p>	<p>China is the largest supplier, imports include some international brands, which have manufacturing establishments in China.</p> <p>In recent years, Thailand has been a popular tourist resort for Hong Kong residents, who are becoming increasingly receptive to Thai tastes and cuisine. This is conducive to the growth of Thai food exports to Hong Kong.</p>	<p>Local production is insignificant</p>
<p>Red Meats, chilled/frozen</p> <p>Imports US\$1.288 billion 758,888 MT</p> <p>Retained Imports US\$811 million 375,135 MT</p>	<p>1. Brazil – 35%</p> <p>2. China – 15%</p> <p>3. U.S. – 9%</p> <p>4. Germany – 7%</p> <p>5. Australia – 5%</p>	<p>Products from Brazil and China are price competitive, but they are of different market segments from U.S. products.</p> <p>54% of Brazilian red meat exports to Hong Kong are offals, 26% pork and 18% beef.</p> <p>76% of Chinese red meat exports to Hong Kong are pork.</p> <p>For U.S., about 58% of the red meat exports to Hong Kong are offals, 29% and 12% are high-end beef and pork products.</p>	<p>Local production is largely on freshly slaughtered meats.</p>

Product Category	Major Supply Sources (% of Value of Total Imports)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
		<p>U.S. market share dropped from 21% in 2003 to 3% in 2005 as a result of the ban on U.S. beef. U.S. market share increased to 7% in 2006 following Hong Kong's opening its market to U.S. boneless beef derived from animals less than 30 months of age that year.</p> <p>Bone-in beef and offals from the U.S. are not yet allowed entry into Hong Kong. The challenges facing U.S. beef exports to Hong Kong include competition posed by other beef supplying countries and Hong Kong government's zero tolerance on bone fragments.</p> <p>U.S. beef is highly regarded in Hong Kong. It is always the top choice for high-end restaurants and sophisticated consumers.</p>	

Product Category	Major Supply Sources (% of Value of Total Imports)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Red Meats, Prepared/preserved</p> <p>Imports US\$341 million 200,090 MT</p> <p>Retained Imports US\$280 million 152,362 MT</p>	<p>1. China – 41%</p> <p>2. U.S. – 11%</p> <p>3. Spain – 8%</p>	<p>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.</p> <p>About 51% of the U.S. preserved red meat exports to Hong Kong are sausages. The U.S. is the largest supplier of sausages in the Hong Kong market.</p>	<p>Local production is insignificant.</p>
<p>Poultry Meat (Fresh, chilled & frozen)</p> <p>Imports US\$896 million 625,080 MT</p> <p>Retained Imports US\$465 million 267,359 MT</p>	<p>1. Brazil – 54%</p> <p>2. China – 22%</p> <p>3. U.S. – 9%</p>	<p>Brazil has become the leading supplier of poultry for Hong Kong market since 2004 when Hong Kong banned entry of U.S. poultry products on February 11, 2004 due to outbreaks of Avian Influenza cases in the U.S. Though the ban was then lifted on April 30 the same year, Brazil continues to be the largest supplier due to price competitiveness of its products and established business relationship between Brazilian exporters and Hong Kong importers.</p> <p>The reduced supplies of live chickens to Hong Kong have resulted in increased demand for chilled whole chickens from China.</p>	<p>Local production is on freshly slaughtered meats.</p> <p>HRI sector tends to use chilled and frozen chicken products rather than freshly slaughtered chickens because the latter are far more expensive.</p>

Product Category	Major Supply Sources (% of Value of Total Imports)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
		Hong Kong's new certification requirement for U.S. chicken feet, which took effect in May 2005, has reduced U.S. chicken feet supplies to Hong Kong. By the new requirement, U.S. chicken feet are required to have ante mortem and post mortem inspection.	
<p>Dairy Products</p> <p>Imports US\$349 million 166,603 MT</p> <p>Retained Imports US\$300 million 152,843 MT</p>	<p>1. Netherlands – 24%</p> <p>2. China – 15%</p> <p>3. Ireland – 15%</p> <p>4. Australia – 13%</p> <p>5. New Zealand – 9%</p> <p>U.S. – 1%</p>	<p>Netherlands is strong in dairy product supplies and its position has been well established in Hong Kong.</p> <p>Dairy products from Netherlands and New Zealand primarily include concentrated dairy and cream.</p> <p>Chinese dairy products to Hong Kong primarily include non-concentrated milk and cream.</p> <p>Dairy products from the U.S. primarily include ice cream.</p>	<p>Local companies supply fresh milk drinks, which are processed in Hong Kong with milk originated from farmlands in the southern part of China.</p> <p>Local companies can easily fulfill local milk registration requirements.</p>
<p>Eggs</p> <p>Imports US\$100 million 1.778 billion eggs</p> <p>Retained Imports US\$99 million 1.772 billion eggs</p>	<p>1. China – 53%</p> <p>2. U.S. – 22%</p> <p>3. Thailand – 14%</p> <p>4. Germany – 4%</p>	<p>Eggs from China are price competitive. Some Chinese eggs had been found tainted with Sudan red, which is a dye for industrial use, in late 2006. Since then, Hong Kong consumers lost confidence in the safety of all Chinese eggs.</p> <p>U.S. dominates the white egg markets.</p>	<p>Local production is insignificant.</p>

Product Category	Major Supply Sources (% of Value of Total Imports)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Fresh Fruit</p> <p>Imports US\$833 million 943,319 MT</p> <p>Retained Imports US\$532 million 524,296 MT</p>	<ol style="list-style-type: none"> 1. U.S. – 25% 2. Thailand – 23% 3. Chile – 11% 4. Australia – 7% 5. South Africa – 7% 6. China – 7% 	<p>U.S. fresh fruits are highly regarded for their quality. The top U.S. fruit exports to Hong Kong are grapes (US\$48 million), citrus products (US\$39 million), apples, pears, quinces, (US\$33 million), strawberries (US\$12 million), cherries (US\$10 million), plums, sloes, peaches (US\$6.4 million).</p> <p>Thai fruits are very popular in Hong Kong and the Thai Trade commission in Hong Kong aggressively sponsors trade promotion activities.</p> <p>Chile's biggest fruit item to Hong Kong is grapes. The supplying season is different from the U.S.</p>	<p>No local production.</p>
<p>Fresh Vegetables</p> <p>Imports US\$191 million 617,444 MT</p> <p>Retained Imports US\$187 million 610,195 MT</p>	<ol style="list-style-type: none"> 1. China –74% 2. U.S. – 7% 3. Australia – 4% 	<p>Products from China are very price competitive. Due to expensive operation costs in Hong Kong, some Hong Kong farmers have moved to farm in China and sell their harvests back to Hong Kong.</p> <p>Australia's shorter freight time and lower transportation cost have a significant advantage over U.S. products.</p> <p>High-end restaurants and hotels prefer to use high quality U.S. products. A lower U.S. dollar value keeps U.S. exports competitive in Hong Kong.</p>	<p>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 encouraged organic farming so as to find the niche market for local vegetables.</p>

Product Category	Major Supply Sources (% of Value of Total Imports)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Processed Fruit & Vegetables</p> <p>Imports US\$297 million 232,822 MT</p> <p>Retained Imports US\$223million 170,084 MT</p>	<p>1. China - 32%</p> <p>2. U.S. – 26%</p> <p>3. Thailand – 10%</p>	<p>Supplies from China are price competitive. Besides, some international brands have operations in China and their exports to Hong Kong are considered as imports from China.</p> <p>Products from the U.S. are more for the high-end market. Potato chips and French fries are major U.S. export categories to Hong Kong, which make up 31% share of the total U.S. processed fruit and vegetables exports to Hong Kong.</p>	<p>Local production is insignificant.</p>
<p>Tree Nuts</p> <p>Imports US\$400 million 122,975 MT</p> <p>Retained Imports US\$204 million 51,490 MT</p>	<p>1. U.S. – 45%</p> <p>2. Iran – 42%</p> <p>3. Australia – 2%</p>	<p>49% of the tree nuts imported to Hong Kong are pistachios.</p> <p>Iran is very strong in supplying pistachios, occupying about 85% of total import supplies in Hong Kong.</p> <p>The U.S. is very strong in supplying almonds and hazelnuts.</p> <p>32% and 12% of the imports are re-exported to Vietnam and China respectively for processing.</p>	<p>No local production</p>

Product Category	Major Supply Sources (% of Value of Total Imports)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Fruit & Vegetable Juices</p> <p>Imports US\$29 million 20,910 MT</p> <p>Retained Imports US\$27 million 18,967 MT</p>	<ol style="list-style-type: none"> 1. U.S. – 44% 2. China – 12% 3. Australia – 7% 	<p>U.S. products are highly regarded in the local market.</p> <p>Products from China include international brands manufactured in China.</p> <p>Australian products are generally perceived as natural.</p>	<p>Local companies are well established in the market with well distribution and marketing network. However, they are rarely considered as premium products.</p>
<p>Wine</p> <p>Imports US\$204 million 23.4 million liters</p> <p>Retained Imports US\$131 million 17.6 million liters</p>	<ol style="list-style-type: none"> 1. France – 57% 2. Australia – 13% 3. U.S. – 4% 4. Chile – 4% 5. Italy – 4% 	<p>Hong Kong abolished its excise tax on wine in February 2008.</p> <p>France is the major supplier for wine. French wine is highly regarded in Hong Kong though expensive.</p> <p>Hong Kong people are becoming more familiar with California wine.</p>	<p>Hong Kong does not have any wine production.</p>
<p>Beer</p> <p>Imports US\$70 million 125 million liters</p> <p>Retained Imports US\$67 million 123 million liters</p>	<ol style="list-style-type: none"> 1. China – 47% 2. S. Korea – 28% 3. Netherlands – 6% 4. U.S. – 5% 	<p>China and Korea are major suppliers for beer.</p> <p>Hong Kong abolished its excise tax on beer in February 2008.</p>	<p>San Miguel is a popular local brand for beer with its major production line in China.</p>

(Source: World Trade Atlas)

SECTION IV. TOP 10 PROSPECTS FOR HRI SECTOR

Notes :

- 1 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.
- 2 Import tariff rate for all food and beverage products in the tables are zero except for spirits, which is 100%.
- 3 Products listed below are either enjoying a large market import value or a significant growth rate for the last 5 years (2003-2007).

Top 10 Prospects in 2008

Product Category	2007 Retained Imports (MT)	2007 Retained Imports (US\$ million)	2003 – 2007 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Fish & Seafood Products	Volume statistics not available	US\$1.8 billion	+32% (value)	<p>Fish and seafood products are perceived cleaner and safer to eat in Hong Kong.</p> <p>Major suppliers are Japan (17%), Australia (11%), China (11%), Indonesia (6%), Thailand (4%), New Zealand (4%) and the US (4%).</p>	<p>US fish and seafood products are perceived to be clean and of high quality.</p> <p>Retained imports of US fish and seafood have grown by over 56% between 2003 and 2007. Many 5-star hotels are carrying Alaska seafood products such as king salmon, king crab, snow crab, black cod and halibut. It is anticipated that these seafood products will continue to be</p>

Product Category	2007 Retained Imports (MT)	2007 Retained Imports (US\$ million)	2003 – 2007 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
					popular among HRI sector in Hong Kong ¹⁶ .
Fresh Fruit	524,296 MT	US\$532 million	-14% (volume) -2% (value)	<p>The Hong Kong fresh fruit market had negative growth over the past 5 years because of bad crops in some categories.</p> <p>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.</p>	<p>US fresh fruit are well known of their large variety, good quality and tastes.</p> <p>US is the largest supplier (25%) of fresh fruit to Hong Kong, followed by Thailand (23%).</p> <p>The top US fruit exports to Hong Kong are grapes (US\$48 million), citrus products (US\$39 million), apples, pears, quinces, (US\$33 million), strawberries (US\$12 million), cherries (US\$10 million), plums, sloes, peaches (US\$6.4 million). These US products will continue to be popular among Hong Kong consumers¹⁷.</p>

¹⁶ In discussion with the Alaska Seafood Marketing Institute

¹⁷ In discussions with various US fruit cooperators in Hong Kong

Product Category	2007 Retained Imports (MT)	2007 Retained Imports (US\$ million)	2003 – 2007 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Poultry Products	267,359 MT	US\$465 million	+3% (volume) +20% (value)	<p>Brazil is the leading supplier of poultry for Hong Kong, which banned entry of U.S. poultry products between February 11, 2004 and April 30, 2004 due to outbreaks of Avian Influenza cases in the U.S. Brazil captured much of the U.S. market share. Prior to the ban in 2004, U.S. market share was 42% (in 2003) compared to 9% in 2007. Brazil's market share grew from 23% in 2003 to 54% in 2007.</p> <p>Though the ban was later lifted, Brazil continues to be the largest supplier due to price advantage of its products and its exporters' relationships with Hong Kong importers. The reduced supplies of live chickens to Hong Kong have resulted in increased demand for chilled whole chickens from China.</p>	<p>U.S. exported US\$81 million worth of chicken products to Hong Kong, accounting for 9% of the market share.</p> <p>U.S. products are highly regarded in food quality and food safety.</p> <p>More popular U.S. chicken products include chicken wing mid joint and chicken leg because of their sizes and quality. These two products are particularly popular among Hong Kong style cafes¹⁸.</p>

¹⁸ Source: Hong Kong Office of USA Poultry and Egg Export Council

Product Category	2007 Retained Imports (MT)	2007 Retained Imports (US\$ million)	2003 – 2007 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
				Hong Kong's new certification requirements for U.S. chicken feet, which took effect in May 2005, has reduced U.S. chicken feet supplies to Hong Kong. By the new standard requirement, U.S. chicken feet are required to have ante mortem and post mortem inspection.	
Pork	154,172 MT	US\$304 million	+0% (volume) +9% (value)	China and Brazil are the top suppliers of pork to Hong Kong because their products are very price competitive. 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.	U.S. exported US\$14.7 million worth of pork to Hong Kong, accounting for 4% of the market share. U.S. pork imports grew over 177% between 2005 and 2006. The growth was primarily in sausages. U.S. is the largest supplier of sausages to Hong Kong. U.S. products are highly regarded for quality and food safety.

Product Category	2007 Retained Imports (MT)	2007 Retained Imports (US\$ million)	2003 – 2007 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Processed Fruit & Vegetables	170,084 MT	US\$223 million	+10% (volume) +22% (value)	<p>China is the largest supplier (32%), followed by the US (26%).</p> <p>Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.</p>	<p>Relative increase in prices for products in China have prompted Hong Kong traders to seek more food supplies, particularly from the US as the Hong Kong dollar is linked to US dollar.</p> <p>US processed fruit and vegetables are well known of their superior quality and tastes. US processed fruit and vegetables such as potatoes, nuts, sweet corn, mushrooms, peaches and pineapples will continue to be in large demand in Hong Kong¹⁹.</p>

¹⁹ Analysis of Hong Kong F&B import statistics and discussions with US fruit & vegetable cooperators in Hong Kong

Product Category	2007 Retained Imports (MT)	2007 Retained Imports (US\$ million)	2003 – 2007 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Beef, Frozen	50,716 MT	US\$151 million	+3% (volume) +5% (value)	<p>Because of BSE cases in the U.S., Hong Kong currently allows boneless beef derived from cattle under 30 months of age from U.S. E.V (Export Verification) approved plants.</p> <p>Bone-in beef and variety beef from the U.S. are not yet allowed in.</p> <p>Currently only 25 plants have been EV approved and are eligible to export beef products to Hong Kong.</p> <p>Short U.S. beef supplies make U.S. beef very expensive.</p>	<p>U.S. exported US\$24.8 million worth of beef exports to Hong Kong in 2007, accounting for 14% of the market share. Although U.S. beef were banned entry in Hong Kong in 2004 and 2005, Hong Kong consumers still have high regards for U.S. beef in terms of quality and safety.</p> <p>More popular U.S. beef products in 2008 include: strip loin, rib eye and tenderloin²⁰.</p>
Wine	14,619,502 Liter	US\$131 million	+15% (volume) +32% (value)	<p>Competition is keen in Hong Kong. Major competitors come from France and Australia. French wine is traditionally more popular in Hong Kong.</p>	<p>U.S. exported US\$9 million of wine to Hong Kong, accounting for 4% of the market share.</p> <p>The HKG abolished the import tax on wine and beer in February 2008.</p>

²⁰ Interview with one of the largest local beef importers

Product Category	2007 Retained Imports (MT)	2007 Retained Imports (US\$ million)	2003 – 2007 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
					<p>The HRI sector in Macau is growing, making it an excellent opportunity for U.S. wine traders to expand their exports.</p> <p>Hong Kong consumers are getting more and more receptive to wine drinking practice. The total elimination of the excise tax on wine would probably help nurture wine drinking culture in Hong Kong.</p>
Beer	123 million liters	US\$67 million	+6% (volume) +1% (value)	China and Korea are major suppliers for beer and their beer have been very price competitive.	<p>Hong Kong abolished the 20% excise tax on beer imports and created opportunity for US beer to gain more market shares in Hong Kong.</p> <p>The weakened US dollar further increases attractiveness and competitiveness of US beer.</p>

Product Category	2007 Retained Imports (MT)	2007 Retained Imports (US\$ million)	2003 – 2007 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Fruit & Vegetable Juices	18,967 MT	US\$27 million	-10% (volume) +50% (value)	<p>Bad citrus crops in 2007 had reduced the supply of US citrus juices. But the continued demand in Hong Kong enabled a healthy growth in import value of 50% over the past years.</p> <p>The US is still the market leader, exported US\$13 million worth of fresh fruit juices to Hong Kong, accounting for a market share of 42%.</p>	<p>Given the high quality of US fruit & vegetable juices and a weakened US dollar, US fruit and vegetable juices such as orange juices, apple juices, grape juices, grapefruit juices, tomato juices and pineapple juices are expected to continue to be very popular in 2008²¹.</p>
Organic Food and Beverage	<p>Statistics not available</p> <p>(The size of the Hong Kong organic food and beverage market is estimated at US\$500 million, with an annual growth of 10-15%²²)</p>	Statistics not available	Statistics not available	<p>Organic F&B products are generally 20-40% higher in prices 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 will continue to grow in 2008.</p>

²¹ Analysis of Hong Kong F&B import statistics and discussions with US fruit & vegetable cooperators in Hong Kong

²² In discussions with leading Hong Kong organic food importers and retailers

Product Category	2007 Retained Imports (MT)	2007 Retained Imports (US\$ million)	2003 – 2007 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
					<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 products²³.</p>

²³ In discussions with leading Hong Kong organic food importers and retailers

SECTION V. POST CONTACT AND FURTHER INFORMATION**Post Contact**

Foreign Agricultural Service (FAS)
Home Page: <http://www.fas.usda.gov>

Agricultural Trade Office
American Consulate General
18th Floor, St. John's Building
33 Garden Road, Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
E-Mail: ATOHongKong@usda.gov
Internet Homepage : <http://www.usconsulate.org.hk>
<http://www.usfoods-hongkong.net>

Department to implement food safety control policy

Food & Environmental Hygiene Department
43/F., Queensway Govt 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
5-8/F., Cheung Sha Wan Govt Offices
303, Cheung Sha Wan Rd
Kowloon, Hong Kong
Tel: 852-2708-8885
Fax: 852-2311-3731
Web site: <http://www.afcd.gov.hk>

Department to issue licence for imported reserved commodities

Trade & Industry Department
18/F., 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 licence for imported dutiable commodities

Hong Kong Customs & Excise Department
Office of Dutiable Commodities Administration
6-9th 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
Home Page: 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
Home Page: <http://www.tdctrade.com>