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HRI Food Service Sector

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Report Highlights:

US exports of high value food products in 2008 to Hong Kong surged 63% to a record of US\$1.35 billion, making Hong Kong the 7th largest market for these products. Restaurant receipts also reached a high level at US\$10 billion, which is 13% over the previous year. The global financial crisis is expected to have some impact on Hong Kong's food & beverage imports. Though less so than in other markets, rising unemployment, a decline in the demand for luxury products, and tighter credit terms are expected to result in a drop of 5% in Hong Kong's imports of agricultural products to US\$11 billion in 2009. Comparatively, Hong Kong imports of agricultural products from the US are expected to drop by only 2%. Consumer spending habits in 2009 will likely see significant change, as more consumers eat at home versus in restaurants. The food service trade expects that the number of restaurants and restaurant receipts will also drop by 20% in 2009. However, post expects that US products will fair better than its competitors due to competitive US prices and consumer confidence in the quality and safety of US products. In addition, the Hong Kong dollar link to the US dollar provides much needed foreign exchange stability among food importers. It is expected that Hong Kong will remain the 7th largest market for US consumer ready food products in 2009, as it continues to be a major buying center and transshipment point for China and Southeast Asia.

Includes PSD Changes: No
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SECTION I. HONG KONG MARKET PROFILE

HRI Food Service Sector

1. Restaurants

- Hong Kong restaurants enjoyed a good year in 2008. The restaurant industry's purchases of over US\$3.6 billion in foods and beverages generated sales of over US\$10.1 billion. This represents an increase of 17% and 13% respectively over 2007.

(Value in US\$ million)	2007	2008	Growth 08 vs 07
Restaurant Receipts	8,953	10,126	+13%
Restaurant Purchases	3,082	3,613	+17%

(Source: Quarterly Restaurant Receipts and Purchases, Hong Kong Census & Statistics Department)

As Asia's most cosmopolitan city, Hong Kong boasts around 11,116 restaurants serving a wide range of world cuisines. These restaurants are comprised of 45% Chinese, 40% non-Chinese restaurants, and 15% fast food outlets. In addition, there are over 1,000 bars, pubs 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 nearly 30 million tourists (in 2008). 5-Star and other high-end western restaurants are as likely to be patronized by locals as tourists/visitors. Japanese food, fast food chains, coffee houses and casual dining establishments are also increasing their presence. A typical lunch at a western restaurant costs around HK\$100-300 per person and a typical dinner costs around HK\$200-500 per person³.
- Fast food outlets:** 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, as they each try to keep meal prices competitive. 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, fast food chains have also introduced more new ingredients and developed healthy-food options such as salads, fruits, and fresh juices.

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)

- **Coffee Shops:** The coffee shop market continues to grow in Hong Kong's commercial areas. The two largest coffee house outlets are Starbucks – operating 110 outlets and Pacific Coffee 70 outlets. Most shops also offer basic menus consisting of muffins, pastries, cakes, 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 151 outlets, 58 include a McCafe inside their shops.
- **Growing Trend – Healthy Eating:** Hong Kong's food culture is "fresh". Consumer preference for fresh and live products is due to tradition, as well as concern about food safety. More Hong Kong consumers are health conscious. Hong Kong has over 50 small to medium size health food stores. The two leading supermarket chains (Wellcome and ParknShop) and drug store chains (Manning's and Watson's) also sell natural/organic products at their outlets. The growth of "Mix" – a juice bar that also serves food is a good example of a successful "healthy" restaurant chain. 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 (2007-2008):

	2007	2008	Growth
Number of hotels/guesthouses	651	695	+6.8%
Number of rooms	56,649	60,273	+6.4%
Room occupancy rate	86%	85%	-

(Source: Hong Kong Census & Statistics Department)

- Hotel and boarding houses receipts are estimated at US\$3.5 billion in 2008, an increase of 9% over 2007. 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 more than US\$1 billion in 2008 (=US\$3.5 billion x 31.1%)⁴.
- Many five-star hotels serve U.S. beef, chicken, turkey, pork, eggs, fish and seafood products, fruits and vegetables, processed products and beverages. Among all hotels/hostels/guesthouses, about 20 of them are classified as the "High Tariff A Hotels" with average room rate over US\$230/night⁵. In 2008, room rates for five star hotels in Hong Kong's Central District exceeded US\$350/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 are available at:
http://www.hkha.com.hk/doc/mem_eng.pdf
<http://www.discoverhongkong.com/eng/jsp/hotel/search-index.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)

3. Institutions

- Institutions like schools, hospitals, and airlines are serviced 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 quality products in China.
- **Schools:** As school regulators prohibit primary and lower secondary students from eating their lunch out, students must pack their lunch boxes or subscribe to a school lunch box program. There are 631 primary schools and 527 secondary schools, having a total of 385,949 primary students and 253,311 lower secondary students⁶. About 70% of students join a school lunch program. A typical lunch box consists of some kind of meat, rice and some cooked vegetables. The annual cost of Hong Kong's school lunch program is estimated at US\$250 million. Healthy eating programs are underway to encourage a change in eating trends for school children. Caterers must 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 41 hospitals with a total of 27,555 beds and staff size of 54,089⁷. The catering services for hospitals are outsourced on a tender basis; 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: Hong Kong Airport Authority)

⁶ Source: Education Bureau, Hong Kong Government

⁷ Source: Annual Report of the Hospital Authority

Economy

- Hong Kong has enjoyed sound economic growth in 2008 but as the global financial crisis deepens, Hong Kong's economy is expected to slow down in 2009. The following figures illustrate the growth of Hong Kong's economy and the purchasing power of its consumers:

	2007	2008	Growth 08 vs 07	2009*	Growth 09 vs 08
GDP	US\$202 billion	US\$215 billion	+6.3%	US\$210 billion*	-2.5%*
GDP per capita	US\$29,205	US\$30,840	+5.5%	US\$30,000*	-2.7%*

(* Estimate based on government forecast, analysis of the economy and market trends)

- Like much of the world, financial institutions, large corporations, retailers, hotels and virtually all industries have been hit by the global financial crisis.
- High rents, competition and tightened credit by banks mixed with decrease in sales have hit restaurants particularly hard. Restaurant operators estimate that will realize a 20% drop in patronage and sales in the first quarter of 2009.

Market Prospect in 2009

- Hong Kong is the 7th largest market for U.S. exports of consumer-oriented food and seafood products, which reached US\$1.35 billion in 2008, a growth of 63% over 2007⁸. U.S. food traders aggressively seek ways to penetrate market, as well as take advantage of their much needed foreign exchange stability as the Hong Kong dollar is linked to the US dollar. In addition, Hong Kong consumers' concerns about the safety of food imports from China have boosted the demand for high quality U.S. organic, all-natural, health foods and gourmet products. Tightened food supplies from Mainland China for products such as pork, eggs and milk are expected to continue in 2009 and thus lead Hong Kong food traders to seek imports from other sources, like the US.

Demographics

- Hong Kong's population was 6.9 million at the end of 2008. 1.68 million, or 47% of the total labor force, are women. The large number of employed women is an important influence on the demand in the restaurant business.

	2007	% of Total	2008	% of Total
Labor Force-Men	1.96 million	54%	1.96 million	53%
Labor Force-Women	1.68 million	46%	1.71 million	47%
Total	3.64 million	100%	3.67 million	100%

(Source: Hong Kong Census & Statistics Department)

- A typical Hong Kong household spends around US\$2,500 each month to meet its basic living needs, 27% of which was spent on food and beverages⁹.

⁸Source: BICO trade statistics for U.S. food exports to Hong Kong, FAS website

⁹Source: Hong Kong Census and Statistics Department

- Hong Kong has a culture of eating out. On average, each household spends 63% of its food budget on eating out. However, due to economic pressures on consumer, expenditures for dining out are expected to decline to 50% in 2009 and 2010.
- With Hong Kong's economy now feeling the impact of the global financial crisis, the unemployment rate for November 2008 - January 2009 has risen to 4.6% of the workforce and is expected to surge to 6% by the end of the second quarter of 2009.

Imported Foods vs. Domestic Products

- Due to limited land resources and having a population of 7 million, Hong Kong relies on imports for 95% of its food supply. In 2007, the local agricultural industry produced US\$140 million worth of products. It comprised of US\$39 million in crop production, US\$63 million in livestock production, and US\$39 million in poultry production. Local production accounted for 3 percent of fresh vegetables, 46 percent of live poultry and 18 percent of live pigs consumed in the territory¹⁰.
- 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 (2004-2008) of Consumer Oriented Agricultural Products¹¹ (COAP) & Seafood

Rank	Supplier	(US\$ Million)	2004	2005	2006	2007	2008	Share 2008	Growth 08 v 07	08 Re-exports/ Gross Imports
	The World	Gross Imports	6,976	7,152	7,647	9,098	11,544	100%	27%	30%
		Re-exports	1,529	1,474	1,775	2,435	3,409	100%	40%	
		Retained Imports	5,447	5,678	5,873	6,663	8,135	100%	22%	
1	China	Gross Imports	1,718	1,827	1,854	2,007	2,215	19%	10%	16%
		Re-exports	267	287	296	309	356	10%	15%	
		Retained Imports	1,451	1,541	1,558	1,698	1,859	23%	9%	
2	United States	Gross Imports	882	824	875	1,042	1,615	14%	55%	38%
		Re-exports	201	191	220	328	609	18%	86%	
		Retained Imports	681	633	655	715	1,006	12%	41%	
3	Brazil	Gross Imports	435	481	645	989	1,441	12%	46%	44%
		Re-exports	105	124	273	491	630	18%	28%	
		Retained Imports	331	357	372	498	811	10%	63%	
4	Australia	Gross Imports	458	440	485	529	613	5%	16%	10%
		Re-exports	38	37	41	58	59	2%	2%	
		Retained Imports	421	403	444	470	553	7%	18%	
5	Japan	Gross Imports	382	439	485	573	603	5%	5%	7%
		Re-exports	36	36	38	36	41	1%	12%	
		Retained Imports	346	403	446	536	562	7%	5%	
6	Thailand	Gross Imports	328	319	338	410	486	4%	18%	55%
		Re-exports	140	143	161	226	267	8%	18%	
		Retained Imports	188	177	177	184	219	3%	19%	

¹⁰ Source: Agricultural Fisheries and Conservation Department of the Hong Kong Government

¹¹ 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.

7	France	Gross Imports	140	140	147	251	385	3%	53%	29%
		Re-exports	23	27	39	88	111	3%	26%	
		Retained Imports	117	114	108	164	274	3%	68%	
8	Canada	Gross Imports	210	216	208	217	342	3%	58%	39%
		Re-exports	59	27	26	43	133	4%	207%	
		Retained Imports	151	190	182	173	209	3%	21%	
9	Netherlands	Gross Imports	147	156	166	211	306	3%	45%	33%
		Re-exports	32	28	34	60	100	3%	66%	
		Retained Imports	115	127	132	151	206	3%	37%	
10	Germany	Gross Imports	75	77	86	148	302	3%	104%	60%
		Re-exports	22	20	39	73	180	5%	148%	
		Retained Imports	53	57	47	76	122	1%	61%	
	Total from Top 10 Suppliers	Gross Imports	4,776	4,919	5,288	6,378	8,307	72%	30%	30%
		Re-exports	922	920	1,168	1,712	2,486	73%	45%	
		Retained Imports	3,854	4,000	4,121	4,666	5,821	72%	25%	
	Total from Rest of World	Gross Imports	2,200	2,233	2,359	2,721	3,237	28%	19%	29%
		Re-exports	608	554	607	723	923	27%	28%	
		Retained Imports	1,593	1,678	1,752	1,998	2,314	28%	16%	

- 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 22% in 2008. 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 2008 were US\$1.86 billion and US\$1 billion respectively, representing market shares of 23% and 12%.
- Hong Kong's gateway for trade with China and Macau are increasingly opening up greater avenues for U.S. high value food products. In 2008, Hong Kong imported over US\$11.5 billion COAP and Seafood from the world and re-exported 30% of these products. Around 55% of all these re-exports went to China and 8% went to Macau¹².
- Nearly 40% of Hong Kong's imports of U.S. COAP were re-exported to Mainland China. This boost in re-exports to China and the rest of Asia in 2008 (nearly double the re-exports in 2007) consisted mostly of increases in offals, poultry, nuts, pork, fruit and wine.

Outlook for US High Value Food Products in 2009

- Nearly 75% of Hong Kong's imports of US agricultural products consist of consumer oriented products. While these products have enjoyed significant growth in 2008, the growth of demand for those products is expected to slow down in 2009 as the global financial crisis persists. While some luxury or fine food items are likely to see reduced demand, overall quantity is expected to hold up well. Credit difficulties, economic slowdown, rising unemployment, and lower fuel prices are expected to result in generally lower FOB and CIF food prices in 2009, which will likely contribute to a drop

¹² Hong Kong Import and Re-export Statistics, World Trade Atlas

of 2% in the value of Hong Kong's imports of agricultural products from the US in 2009.

- The following table shows our estimates¹³ of some of Hong Kong's key consumer oriented imports for 2009:

Product Category	2008 Import from the World (Volume)	2008 Import from the USA (Volume)	Expected Change in 2009		2008 Import from the World (Value)	2008 Import from the USA (Value)	Expected Change in 2009	
			From World	From USA			From World	From USA
Red Meat	1.2 Million MT	237,648 MT	0%	-5%	US\$2.4 Billion	US\$402 Million	-5%	-8%
Wine	30 Million Liters	5.8 Million Liters	+10%	+20%	US\$368 Million	US\$19 Million	+5%	+20%
Poultry Meat	744,968 MT	104,014 MT	+10%	+10%	US\$1.1 Billion	US\$137 Million	0%	0%
Fresh Fruit	1 Million MT	192,943 MT	+10%	+10%	US\$986 Million	US\$279 Million	0%	0%
Fresh Vegetables	618,676 MT	11,458 MT	+10%	-5%	US\$200 Million	US\$14 Million	0%	-5%
Dairy Products	156,256 MT	2,688 MT	-10%	+5%	US\$435 Million	US\$8 Million	0%	+10%
Snacks	69,903 MT	3,694 MT	-5%	-5%	US\$331 Million	US\$10 Million	-5%	-5%
Tree Nuts	144,934 MT	82,730 MT	-5%	-5%	US\$533 Million	US\$311 Million	-5%	-5%

RED MEAT

While the import quantity for red meat is expected to remain the same, the import value is expected to drop due to lower prices and demand for less costly cuts. Imports of US red meat are expected to drop more than that from other supplying countries such as Brazil, as US red meat generally commands a premium price. Transshipments of US meat are also expected to decline in 2009.

WINE

U.S. wine imports are rising from a traditionally low market share in Hong Kong. As a result of HKG's elimination of its excise tax on wine in February 2008 and growing demand for wines in Hong Kong, U.S. wine imports are expected to grow 20% in 2009.

POULTRY

As poultry meat is a cheaper source of protein, we expect imports will rise in 2009. As feed prices decline and consumers choose cheaper poultry products, it is expected that the value of imports will remain constant in 2009.

FRESH FRUITS

Hong Kong consumers are likely to source cheaper fruits and therefore the increase in import quantity may be offset by the drop in import price.

FRESH VEGETABLES

Hong Kong residents typically consume more fresh vegetables during economic downturns as these products generally cost less than meat and seafood. However, consumers are likely to source even cheaper vegetables from their major supplier - mainland China. The drop in import price is expected to outweigh the increase in import

¹³ Estimates based on analysis of trade data, trade trends, economic forecasts and discussions with F&B traders

quantity and cause a drop in overall import value. US vegetables such as cabbage, salad, carrots, potatoes and celery are expected to be affected more as they are of better quality but higher price.

DAIRY PRODUCTS

Overall imports of dairy products are expected to drop in quantity and remain at the same level in value. However, US dairy products are expected to grow because many consumers are wary of Chinese dairy products, will look for high quality and safer dairy products from the US.

SNACK FOODS

Snacks are regarded as non-essential & luxury products. Imports of these products are therefore expected to drop in quantity and value. US snacks are generally more expensive than snacks from China and other Asian countries and therefore will experience larger drop in import value.

TREE NUTS

Tree nuts are also regarded as a non-staple food among Hong Kong consumers. Therefore, it is expected that both quantity and value of imports will drop slightly in 2009.

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. (The HKG plans to implement an egg imports health certification requirement). Currently, 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 #8025.

- **New Nutritional Labeling Law**

Hong Kong's Legislative Council on May 28, 2008 passed a nutrition labeling regulation, which will take effect July 1, 2010. Hong Kong's nutrition labeling regulation requires all prepackaged food sold in Hong Kong have to label energy plus seven nutrients namely, protein, carbohydrate, fat, saturated fat, trans fat, sodium and sugars. Products selling less than 30,000 units a year can apply for small volume exemption provided that the products do not carry any nutritional claims. Traders applying for exemption have to pay HK\$345 (US\$44) per product variety for the first year and HK\$335 (US\$43) for annual renewal.

Hong Kong's nutrition labeling regulation is unique; as all imported foods making nutrition claims from all sources will have to be re-labeled for the Hong Kong market. Despite the U.S. requiring the labeling of 15 energy/nutrients, U.S. products still cannot meet the Hong Kong nutrition labeling requirements due to different nutrient

definitions, rounding practices, and recommendations for daily consumption. Virtually all U.S. products carrying claims will require labeling changes and/or nutrient testing.

Sources indicated that major retailers have notified their suppliers that they would only accept products with nutrition labels complying with Hong Kong's new regulation after July 1, 2009, one year earlier than HKG's enforcement date.

Details of the regulation are contained in the Technical Guidance Notes on Nutrition Labeling and Nutrition Claims, which are available at:

http://www.cfs.gov.hk/english/food_leg/food_leg_nl_guidance.html.

Further supplementary information will be provided in the form of FAQ on the Hong Kong government's Center for Food Safety website:

<http://www.cfs.gov.hk/eindex.html>

For more information on the impact of Hong Kong's nutrition labeling regulation, please see reports HK#7011 & HK#8017.

- **Preservatives Regulations**

Hong Kong amended its Preservatives Regulation, which became effective July 1, 2008. Compared to the original regulation, in which one preservative (propyl para-hydroxybenzoate) is no longer allowed for use, and eleven additional preservatives permitted in the new standard, as listed below:

Guaiac resin
Isopropyl citrates
Stannous chloride
Tertiary butylhydroquinone (TBHQ)
Thiodipropionic acid
Dimethyl dicarbonate
Ferrous gluconate
Formic acid
Hexamethylene tetramine
Lysozyme
Pimaricin

Another change brought about by the regulation amendment is the adoption of a food category system based on Codex's GSFA (Codex General Standard for Food Additives) and the incorporation of those preservatives and antioxidants, as well as their permitted levels of use, in GSFA.

To help trade better understand the amended regulation, the HKG issued a "User Guideline", which provides the definition of each food category of the newly adopted food category system. Also, the Guidelines include some questions and answers pertaining to the amended regulations. The full Guidelines are available at the following website:

http://www.cfs.gov.hk/english/whatsnew/whatsnew_fstr/files/User_Guideline_e.pdf

Hong Kong's Preservatives Regulation adopts the principle of a positive list. In other words, Hong Kong does not allow any preservatives or antioxidants in foods if they are not expressly permitted by the Preservatives Regulation. The list of permitted

preservatives and their maximum permitted levels may be retrieved from the following website:

<http://www.legco.gov.hk/yr07-08/english/subleg/negative/ln085-08-e.pdf>

More information on the amended Preservatives Regulation, please see gain reports HK#7018 and HK#8021.

- **Biotech Food Related Regulations**

The HKG does not have any specific biotechnology regulations with regard to the labeling of biotech food products. The HKG makes no distinction between conventional and biotech foods. All are subject to the same food safety regulation.

The HKG, after evaluating the impact of its voluntary labeling scheme for biotech food products over the past year, released its conclusions to the Legislative Council on July 8, 2008, suggesting there is no need for a mandatory labeling law in Hong Kong. The HKG noted difficulty in carryout a law that currently does not have an international standard to back it up. As a result of its evaluation, the HKG plans to continue to promote voluntary labeling of GMO products as a viable alternative for the trade. The HKG released a set of guidelines on voluntary labeling for biotech foods in 2006. The guidelines on labeling for biotech foods are advisory in nature and do not have any legal effect. Adoption is entirely voluntary and is not binding. The guidelines apply to prepackaged food. The guidelines are based on the following four principles.

- (1) The labeling of biotech food will comply with the existing food legislation.
- (2) The threshold level applied in the guideline for labeling purpose is 5 percent, in respect of individual food ingredient.
- (3) Additional declaration on the food label is recommended when significant modifications of the food, e.g. composition, nutrition value, level of anti-nutritional factors, natural toxicant, presence of allergen, intended use, introduction of an animal gene, etc, have taken place.
- (4) Negative labeling is not recommended.

As the guideline is voluntary, U.S. food exports should not be affected if they choose not to have any biotech labeling. However, it should be noted that the HKG does not encourage negative labeling particularly for the use of the following terms:

- (1) GMO free
- (2) Free from GM ingredients, etc

For products with such definite negative labeling, the HKG may take the initiative to test the products against GM ingredients and zero tolerance will be adopted for testing purposes. If products are found to have misleading labeling, a retailer may be subject to prosecution under Section 61 – False Labeling and Advertisement of Food or Drugs of Chapter 132 Public Health and Municipal Services Ordinance.

(Available at <http://www.legislation.gov.hk/eng/home.htm>)

If the trade chooses to apply negative labeling, the government advises to use less definite terms such as “sourced from non-GM sources” (which contains less than 5 percent of GM content) and to have documentation to substantiate such declaration.

For more details on the voluntary labeling guidelines and biotechnology in Hong Kong, please refer to Gain Report HK#6026 & HK#8019 respectively.

- **Certification Requirements for Seafood Products**

HKG is in the process of drawing up new certification requirements for all fish and seafood products. 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
The Hong Kong market is one of the top markets in the world for food and beverages, processed, fresh and frozen gourmet products. U.S. exports of high value food products and seafood to Hong Kong reached US\$1.35 billion, making it the 7th largest market for the U.S. and the 4 th fastest growing market in the world in 2008.	U.S. food products are not always price competitive. China is the largest competitor of U.S. food products.
Hong Kong is a major trading hub where buyers make purchasing decisions for hundreds of millions of dollars of consumer oriented products that are transshipped to China and S.E. Asia.	Lengthy transportation time associated to importing U.S. food products to Hong Kong can make them less competitive than products available in the region or from China, Australia New Zealand. Their proximity avails for quicker delivery of product (processed and fresh).
U.S. food products 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.	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. is the 2 nd largest food supplier to Hong Kong next to China.	Hong Kong labeling and residue standards differ in some cases, which can impede trade.
Technical barriers to imports of U.S. products are generally very low.	Numerous HK food regulations are not in line with Codex, which can complicate import clearances.
There is a wide variety of U.S. products available to Hong Kong consumers (over 30,000 different items). The link between the Hong Kong Dollar (HKD) to the U.S. Dollar help insulate the HKD from currency fluctuations.	While Hong Kong has the 2 nd largest container terminal in the world, it has the most expensive port handling charges.
Most trans-shipments to Macau are purchased, consolidate and shipped via Hong Kong.	Hong Kong's top supermarkets are a duopoly that often request slotting fees.

In general, HKG in its implementation and application of regulations is transparent and open.	
Hong Kong exporters choose to work with Hong Kong importers and distributors to get their products to China because of Hong Kong's dependable legal system, contracts and rule of law.	
Hong Kong concerns over food safety have made U.S. food products as 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" 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.	
Despite the financial crisis, Hong Kong is entirely dependent on imports for meeting its food needs. Thus, food consumption and demands are expected to remain stable during the global economic crisis.	
Products containing biotech ingredients are not controversial in Hong Kong in general.	
Lack of local production means virtually no protectionist pressures for food and agricultural products.	
Hong Kong has a very strong economy and is in an economically vibrant region.	
While growth is expected to slow in 2009, Hong Kong is expected to waiver through the global economic storm easier than other economies.	
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.	

SECTION II. ROAD MAP FOR MARKET ENTRY

Exporting and Selling

- Since very few hotels, restaurants or institutions import directly from exporters, most suppliers 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 products - ATO Hong Kong can provide lists of importers, 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:

HOFEX 2009	http://www.hofex.com	May 6–9, 2009
Natural Products Expo Asia	http://www.naturalproductsasia.com/	Aug 27-29, 2009
Restaurant and Bar	http://www.restaurantandbarhk.com/	Sep 1-3, 2009
Asia Fruit Logistica 2009	http://www.asiafruitlogistica.com/	Sep 2-4, 2009
Wine & Gourmet Asia *	http://www.wineandgourmetasia.com/	Oct 22-24, 2009
2 nd Hong Kong Int'l Wine Fair	http://hkwinefair.hktdc.com/	Nov 4-6, 2009

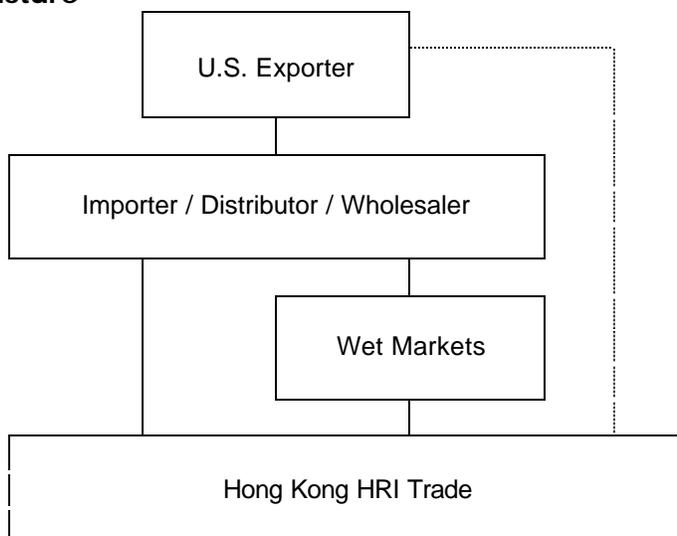
(* held in Macau)

- 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 share with them food service operations in the U.S.

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 restaurants¹⁴

Company Name	Type of Food	No. of Outlets
Maxims	Chinese Restaurants /Chinese fast food / lunch boxes	301
McDonalds	Fast Food - Burgers	151 + (58 McCafe)
Café de Coral	Chinese fast food / lunch boxes	137
Fairwood	Chinese Fast food	106
KFC	Fast Food - Chicken	69
Starbucks	Coffee & snacks	110
Pizza Hut	Pizza, local menu	42
Pacific Coffee	Coffee & Snacks	70
Deli France	Bakery, Fast Food Sandwiches	35
Steak Expert	Steak house	28
Spaghetti House	International	27
Epicurean	International	24
Igor's Group	International	30
Lan Kwai Fong Entertainment	International	9
Oliver's Super Sandwich	Fast Food Sandwiches / Salads	17
Mix	California Smoothies & Wraps	10
Pret a Manger	Fast Food Sandwiches / Salads	10
Chiram Restaurants Ltd	International	5
Eclipse Management	International	8
Outback Steakhouse	Australian / American style Steak House	7
Red Ant	Chinese	7
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	8
Jimmy's Kitchen	International	2
Ruth's Chris Steakhouse	American Style Steak House	2
Bubba Gump	American Style dining	1
Harlan's	International	1
Lawry's The Prime Rib	American Steak House	1
Morton's the Steakhouse	American Steak House	1
TGI Fridays	American Style dining	1
Tony Roma's	American Style dining	1

¹⁴ Sources: Newspaper reports, telephone calls, annual reports and websites of the restaurants

SECTION III. COMPETITION

Note: 2008 Statistics; Market Share in terms of Import Value

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

**Major Product Categories of
Hong Kong's Imports of COAP and Seafood Products And Competition**

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Breakfast Cereals & Pancake Mixes</p> <p>Imports US\$31 million 11,442 MT</p> <p>Retained Imports US\$29 million 10,942 MT</p>	<p>1. China – 57%</p> <p>2. Thailand – 11%</p> <p>3. U.S. – 11%</p>	<p>China is the largest supplier of breakfast cereals and pancake mixes to Hong Kong. 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>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.</p>
<p>Red Meats, chilled/frozen</p> <p>Imports US\$2.36 billion 1,211,296 MT</p> <p>Retained Imports US\$1.29 billion 449,093 MT</p>	<p>1. Brazil – 30%</p> <p>2. U.S. – 17%</p> <p>3. China – 9%</p> <p>4. Germany – 9%</p>	<p>Products from Brazil and China are price competitive, but they are of different market segments from U.S. products.</p> <p>50% of Brazilian red meat exports to Hong Kong are offals, 25% pork and 21% beef.</p> <p>80% of Chinese red meat exports to Hong Kong are pork. For U.S., about 61% of the red meat exports to Hong Kong are offals, 11% and 28% are high-end beef and pork products respectively.</p>	<p>Local production is largely on freshly slaughtered meats.</p>

Product Category	Major Supply Sources	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. bone-in beef. U.S. market share increased to 7% in 2006 following Hong Kong's opening its market to U.S. beef since the beginning of 2006. Hong Kong currently accepts U.S. boneless beef imports derived from animals less than 30 months of age.</p> <p>Bone-in beef and offals from the U.S. are not yet allowed entry into Hong Kong. HKG adopts a 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. U.S. beef is largely for the high-end market.</p>	
<p>Red Meats, Prepared/preserved</p> <p>Imports US\$483 million 262,385 MT</p> <p>Retained Imports US\$339 million 161,049 MT</p>	<ol style="list-style-type: none"> 1. China – 33% 2. Spain – 14% 3. U.S. – 9% 	<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>Local production is insignificant.</p>

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
		<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>Poultry Meat (Fresh, chilled & frozen)</p> <p>Imports US\$1.14 billion 744,968 MT</p> <p>Retained Imports US\$616 million 321,332 MT</p>	<ol style="list-style-type: none"> 1. Brazil – 57% 2. China – 19% 3. U.S. – 12% 	<p>Brazil became the leading supplier of poultry for Hong Kong market in 2004, when Hong Kong 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. Though the ban was then lifted, 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. The reduced supplies of live chickens to Hong Kong have resulted in increased demand for chilled whole chickens from China.</p> <p>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>	<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	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Dairy Products</p> <p>Imports US\$435 million 156,256 MT</p> <p>Retained Imports US\$374 million 140,625 MT</p>	<p>1. Netherlands – 26%</p> <p>2. Singapore – 14%</p> <p>3. Australia – 12%</p> <p>4. China – 10%</p> <p>5. New Zealand – 9%</p> <p>U.S. – 2%</p>	<p>Netherlands is strong in dairy product supplies and it has established position 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 not-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>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.</p>
<p>Eggs</p> <p>Imports US\$116 million 1.81 billion eggs</p> <p>Retained Imports US\$114 million 1.8 billion eggs</p>	<p>1. China – 57%</p> <p>2. Thailand – 18%</p> <p>3. U.S. – 15%</p>	<p>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.</p> <p>U.S. dominates the white egg markets.</p>	<p>Local production is insignificant.</p> <p>In recent months, 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.</p>

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Fresh Fruit</p> <p>Imports US\$986 million 1,041,568 MT</p> <p>Retained Imports US\$596 million 531,671 MT</p>	<ol style="list-style-type: none"> 1. U.S. – 28% 2. Thailand – 23% 3. Chile – 12% 4. Australia – 7% 5. South Africa – 7% 6. China – 5% 	<p>U.S. fresh fruits are highly regarded as having good quality. Top US fruit exports to Hong Kong are citrus products (US\$99 million), grapes (US\$78 million), apples (US\$40 million), cherries (US\$23 million), plums, sloes & peaches (US\$16 million) and strawberries (US\$11 million).</p> <p>Thai Trade commission in Hong Kong aggressively sponsors trade promotion activities. Thai's tropical fruits are very popular in Hong Kong.</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\$200 million 618, 676 MT</p> <p>Retained Imports US\$196 million 612,456 MT</p>	<ol style="list-style-type: none"> 1. China –74% 2. U.S. – 7% 3. Japan – 4% 4. Australia – 4% 	<p>Products from China are very price competitive. Due to expensive operation costs in Hong Kong, some farmers in Hong Kong move their operations to China and sell their products back to Hong Kong.</p> <p>Australian products are advantaged over American products because of shorter freight time and lower transportation cost.</p> <p>High-end restaurants and five-star hotels prefer to use high quality U.S. products.</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 to find a niche market for local vegetables.</p>

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Processed Fruit & Vegetables</p> <p>Imports US\$338 million 234,505 MT</p> <p>Retained Imports US\$249million 173,704 MT</p>	<ol style="list-style-type: none"> 1. China - 30% 2. U.S. – 30% 3. Thailand – 9% 	<p>Supplies from China are price competitive. Some international brands have processing facilities 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.</p>	<p>Local production is insignificant.</p>
<p>Tree Nuts</p> <p>Imports US\$533 million 144,934 MT</p> <p>Retained Imports US\$331 million 71,850 MT</p>	<ol style="list-style-type: none"> 1. U.S. – 58% 2. Iran – 30% 3. Mexico – 3% 	<p>44% of the tree nuts imported to Hong Kong are pistachios.</p> <p>Iran is very strong in supplying pistachios to Hong Kong, having a market share of 67%.</p> <p>The U.S. maintains a strong hold of the almond market in Hong Kong with a 99% market share.</p>	<p>No local production.</p> <p>Some of the imports are re-exported to China for processing.</p>
<p>Fruit & Vegetable Juices</p> <p>Imports US\$33 million 23,324 MT</p> <p>Retained Imports US\$31 million 21,724 MT</p>	<ol style="list-style-type: none"> 1. U.S. – 41% 2. China –12% 3. Australia – 8% 	<p>U.S. products are regarded for their high quality 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>Hong Kong juice companies are well established in the market with a good distribution and marketing network. However, they are NOT considered as premium products.</p>

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Wine</p> <p>Imports US\$368 million 30.3 million liters</p> <p>Retained Imports US\$279 million 23.4 million liters</p>	<ol style="list-style-type: none"> 1. France – 61% 2. Australia – 9% 3. U.S. – 5% 4. Chile – 3% 	<p>France is the major supplier of wine to Hong Kong. French wine is highly regarded in Hong Kong, particularly well named expensive varieties.</p> <p>The U.S. is the 4th largest supplier of wine to Hong Kong. Hong Kong people are becoming more familiar with U.S. wines.</p>	<p>Hong Kong does not have any wine production.</p> <p>The Hong Kong Government abolished the tax on wine in February 2008. The new policy has attracted more wine imports into Hong Kong.</p>

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

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 rates for all food and beverage products in the tables are zero except for spirits with an alcohol content greater than 30%, 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 (2004-2008).

Top 10 Prospects in 2009

Product Category	2008 Retained Imports (MT)	2008 Retained Imports (US\$ million)	2004 – 2008 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Fish & Seafood Products	Volume statistics not available	US\$2.6 billion	+6.3% (value)	Major suppliers of fish and seafood products are Japan (15%), Australia (12%), China (12%), Indonesia (5%), New Zealand (4%) and the US (5%).	<p>US fish and seafood products are perceived as high quality and safe.</p> <p>Retained imports of US fish and seafood products have grown by over 28% between 2004 and 2008.</p> <p>Many 5-star hotels in Hong Kong 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 popular among HRI sector in Hong Kong.</p>

Product Category	2008 Retained Imports (MT)	2008 Retained Imports (US\$ million)	2004 – 2008 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Fresh Fruit	531,671 MT	US\$596 million	- 1.7% (volume) +4.5% (value)	<p>The Hong Kong fresh fruit market had negative volume 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 for their large variety, good quality and tastes.</p> <p>US is the largest supplier (28%) of fresh fruit to Hong Kong, followed by Thailand (23%).</p> <p>The top US fruit exports to Hong Kong are citrus products (US\$99 million), grapes (US\$78 million), apples (US\$40 million), cherries (US\$23 million), plums, sloes & peaches (US\$16 million) and strawberries (US\$11 million).</p> <p>These US products will continue to be popular among Hong Kong consumers.</p>
Poultry Products	321,332 MT	US\$616 million	-6.6% (volume) +10.6% (value)	<p>Brazil is the leading supplier of poultry for Hong Kong. Brazil moved in as the no. 1 poultry exporter to Hong Kong when U.S. poultry imports were temporarily banned during February 11 to April 30, 2004 due to Avian Influenza cases in the U.S.</p>	<p>U.S. exported US\$137 million worth of chicken products to Hong Kong, accounting for 12% of the market share.</p>

Product Category	2008 Retained Imports (MT)	2008 Retained Imports (US\$ million)	2004 – 2008 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
				<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 from China to Hong Kong have resulted in increased demand for chilled whole chickens from China as an alternative.</p> <p>Hong Kong's new certification requirements for U.S. chicken feet, which took effect in May 2005, 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.</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 popularly among Hong Kong style cafes.</p>

Product Category	2008 Retained Imports (MT)	2008 Retained Imports (US\$ million)	2004 – 2008 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Pork	172,599 MT	US\$462 million	+2% (volume) +16% (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>U.S. exported US\$102 million worth of pork to Hong Kong, accounting for 16% of the market share.</p> <p>U.S. products are highly regarded for quality and food safety.</p>
Processed Fruit & Vegetables	173,704 MT	US\$249 million	+2% (volume) +6% (value)	<p>China is the largest supplier (30%), closely followed by the US (30%).</p> <p>Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.</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 Kong.</p>

Product Category	2008 Retained Imports (MT)	2008 Retained Imports (US\$ million)	2004 – 2008 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Beef, Frozen	72,958 MT	US\$270 million	+14% (volume) +28% (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>Brazil beef took the opportunity to gain market shares. Brazil beef imports grew from US\$49 million in 2004 to US\$160 million in 2008.</p>	<p>U.S. exported US\$38 million worth of beef to Hong Kong in 2008, accounting for 12% 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 2009 include: strip loin, rib eye and tenderloin¹⁵.</p>

¹⁵ Interview with one of the largest local beef importers

Product Category	2008 Retained Imports (MT)	2008 Retained Imports (US\$ million)	2004 – 2008 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Wine	23.4 million liters	US\$279 million	+15% (volume) +40% (value)	Competition is keen in Hong Kong. Major competitors come from France and Australia. French wine is traditionally more popular in Hong Kong.	<p>U.S. exported US\$19 million of wine to Hong Kong in 2008, accounting for 5% of the market share.</p> <p>The HKG abolished the import tax on wine and beer in February 2008. 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	156 million liters	US\$89 million	+6% (volume) +6% (value)	China and Korea are major suppliers of beer and their beer have been very price competitive.	Hong Kong abolished the 20% excise tax on beer imports and created opportunity for US beer to gain more market shares in Hong Kong.

Product Category	2008 Retained Imports (MT)	2008 Retained Imports (US\$ million)	2004 – 2008 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Fruit & Vegetable Juices	21,724 MT	US\$31 million	+1% (volume) +9% (value)	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 41%.	Given the high quality of US fruit & vegetable juices, 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 2009 ¹⁶ .
Organic Food and Beverage	Statistics not available (The size of the Hong Kong organic food and beverage market is estimated at US\$500 million, with an annual growth of 10-15% ¹⁷)	Statistics not available	Statistics not available	Organic F&B products are generally 20-40% higher in prices compared to non-organic products. 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.	As Hong Kong consumers are becoming more health-conscious, the demand for organic products will continue to grow in 2009. USDA Organic enjoys an excellent reputation among consumers in Hong Kong. Consumers generally have more confidence on USDA Organic standards than other countries'. Grain products, soybeans, cereals, oats, noodles...etc are in good demand.

¹⁶ Analysis of Hong Kong F&B import statistics and discussions with US fruit & vegetable cooperators in Hong Kong

¹⁷ In discussions with leading Hong Kong organic food importers and retailers

Product Category	2008 Retained Imports (MT)	2008 Retained Imports (US\$ million)	2004 – 2008 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
					<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 products¹⁸.</p>

¹⁸ In discussions with leading Hong Kong organic food importers and retailers

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
18th Floor, St. John's Building
33 Garden Road, Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
E-Mail: ATOHongKong@fas.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 License 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 License 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>