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Exporter Guide

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Report Highlights:

Hong Kong, with a population of only 6.8 million, is impressively ranked the 10th largest market for U.S. consumer-oriented agricultural products. Hong Kong's high per capita GDP of \$25,711, one of the highest GDPs in Asia, offer good opportunities for U.S. exporters in this trendy and sophisticated market. Hong Kong imported over \$750 million worth of consumer-oriented products from the U.S. in 2005. A burgeoning inbound tourism industry (a record 23 million tourists in 2005) accounted for 17 percent or \$1,255 million of Hong Kong's Hotel Restaurant Institution business last year. The potential opportunities that Hong Kong provides to U.S. exporters are not limited to the strong demand in this market alone. Many Hong Kong traders have strong ties with mainland China and Macau. U.S. exporters should also consider Hong Kong as the front door for re-export of their products to the vast China market and the booming Macau.

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Table of Contents

SECTION I. MARKET OVERVIEW	3
SECTION II. EXPORTER BUSINESS TIPS	6
Importer Lists.....	6
Language	6
Travel Visa	6
General Consumer Tastes and Preferences	6
General Import and Inspection Procedure.....	7
Labeling of Biotech Foods.....	8
Section III. Market Sector Structure and Trends	9
Food Retail	9
Supermarkets	10
Convenience Stores.....	13
Traditional Markets.....	13
Trends in Promotional/Marketing Strategies and Tactics.....	14
Hotel, Restaurant and Institutional (HRI)	15
Trends in Promotional/Marketing Strategies and Tactics.....	18
Food Processing	18
SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS	20
SECTION V. KEY CONTACTS AND FURTHER INFORMATION	24
APPENDIX - STATISTICS.....	26
Table A: Key Trade & Demographic Information	26
Table B: Consumer Food & Edible Fishery Product Imports.....	27
Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products.....	28
Table D. Composition by Product Category for US Agricultural, Fish & Forestry Total to Hong Kong	28

SECTION I. MARKET OVERVIEW

Food Imports

- Hong Kong is a mature but sophisticated market. Price conscious consumers look for “value for money” products. Price and quality are equally important. Hong Kong relies almost entirely on imports for its own food supplies. Hong Kong’s imports of consumer oriented products and seafood products amounted to \$5,300 million and \$1,885 million respectively. Major import items range from red meats, fruits, poultry meat, dairy products, and snack foods to tree nuts. The affluent middle class, a large segment of the Hong Kong population, also provides a niche market for new, trendy and novelty products. In the past year, some fast growing product categories are included in the following table.

Hong Kong’s Imports with Significant Growth in 2005 (US\$ million)

	2004	2005	Growth Rate
Snack Foods (Exclud. Nuts)	224	265	18%
Poultry Meat	521	581	11%
Fruit & Vegetable Juices	23	29	30%
Tree Nuts	206	257	25%
Salmon	50	60	19%

- Hong Kong is an important market for U.S. consumer-oriented foods and ranks tenth as a U.S. export destination for these high-value products. Hong Kong imported over \$758 million worth of consumer-oriented products from the United States in 2005, accounting for 14 percent of the market share. Of all U.S. consumer-oriented exports to Hong Kong, fresh fruit, poultry meat, tree nuts, processed fruit & vegetables, and snack foods are the leading items. For fish and seafood products, the United States exported \$66 million worth of products to Hong Kong, maintaining 4 percent of the market share. Hong Kong’s imports of U.S. seafood products in 2005 recorded a 14 percent increase compared to 2004. The rise speaks for the growing popularity of U.S. seafood products in Hong Kong.

Hong Kong’s Imports from the U.S. with Significant Growth

Imports from the U.S.	2004	2005	Growth Rate
Snack Foods (Exclud. Nuts)	14	17	21%
Eggs & Products	13	16	25%
Processed Fruit & Vegetables	62	67	8%
Fruit & Vegetable Juices	8	15	80%
Molluscs	28	39	41%

- Hong Kong serves as an important gateway to the huge market in China as well as the Asia-Pacific region. In 2005, 10 percent (\$532 million) of the \$5,300 million worth of international high value imports to Hong Kong, were re-exported to China. Additionally, many more products have been transshipped to China but not officially recorded in Hong Kong trade statistics. Some statistics however are generated by the Hong Kong companies themselves. Despite products shipped directly to China without landing in Hong Kong, much of the decision making process, including placing orders, still takes place in Hong Kong. Many U.S. exporters, particularly for new to

Asia exporters, feel more comfortable dealing with Hong Kong traders who generally conduct business in English. U.S. importers can also take comfort in Hong Kong's consistent import regulations, rule of law and zero tariff's on all agricultural products except alcoholic beverages and tobacco.

- In 2005 Hong Kong imported \$758 million worth of consumer-oriented products from the U.S., about 16 percent or \$122 million of the products were re-exported to China. Hong Kong is a stepping stone for the huge market in China.
- Macau, a 500,000 populated city next to Hong Kong, obtains much of its supply of U.S. products from Hong Kong importers. The market there is not big enough to import many products directly from the U.S. Macao importers therefore rely on Hong Kong companies to obtain U.S. supplies. In 2005, about 2 percent of U.S. high value imports to Hong Kong or \$18 million worth of high-value U.S. products were re-exported to Macao. In recent years, Macao has embarked on a very vigorous tourism plan by gearing to become Las Vegas in Asia. New hotels and casinos have been built to lure tourists. There has been an increasing demand for quality food products, thus providing opportunities for U.S. exporters.
- Due to limited land resources and rapid urbanization, Hong Kong has to rely heavily on imports for its food supply. In 2005, local production contributed only 4 percent of fresh vegetables, 52 percent of live poultry, and 18 percent of live pigs to local consumption. The agricultural industry produced \$152 million worth of agricultural products in total. However, Hong Kong's total imports of consumer-oriented products and fish & seafood products amounted to \$5.3 billion and \$1.9 billion respectively.

Economy

- Being one of the most affluent economies in Asia, Hong Kong's 2006 forecast per capita GDP is \$26,500.
- The Hong Kong economy is robust, with real GDP rising 6.6 percent in the first half of 2006. The government forecast of GDP growth has been maintained at 4-5 percent for 2006 as a whole. The unemployment rate fell to 4.8 percent in June-August 2006, from the peak of almost 9% in 2003.
- Consumer spending has posted a solid growth amid stronger consumer sentiment and improving employment prospects. Retail sales grew by 6.8% in value in 2005 and 6.5% in the first seven months of 2006. Inflation has been edging up, with consumer prices rising by 1.1 percent in 2005 and 2.0 percent in January-August 2006.
- The third phase of the Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA III) took effect in January 2006, providing further liberalisation measures on trade in goods and services entering the mainland and promising great benefits for Hong Kong's economy. It is expected to provide a new source of growth for the city's economy.
- In 2005, tourist arrivals increased by 7.1 percent reaching a record 23 million. In the first eight months of 2006, a total of 16.74 million tourists visited Hong Kong, representing a 10.4 percent year-on-year increase. The Hong Kong government has geared to develop the tourist industry in Hong Kong. In recent years, some major tourist attractions have been completed including Hong Kong Disneyland, the Tung Chung Cable Car System, and Hong Kong Wetland Park. In 2005, tourists spent \$1,255 million in restaurants (excluding restaurants located in hotels), accounting for

17 percent of Hong Kong's HRI business. In contrast, tourists' contribution to HRI sales amounted to 14 percent in 2004. As such, a robust tourism not only has the merit of stimulating a series of peripheral businesses but also has a positive direct impact on HRI revenue.

Demographic Factors

- Two demographic trends contribute to the good potential for "convenience" and processed foods. 1. An increasing number of women in the work force. In 2005, 51.8 percent of women in Hong Kong were in the labor force. 2. A youthful work force: 54.9 percent of the labor force is in the age group of 25 - 44. In addition, this younger population is very receptive to new food varieties.

Advantages	Challenges
World's freest economy (2006 Heritage Foundation/Wall Street Journal Index of Economic Freedom). Consistent free trade and free enterprise policies. Free flow of information. Transparent government. No import duty except on wine, liquor, cigarettes, hydrocarbon oils and methyl alcohol. Separate customs territory from Mainland China. No foreign exchange controls.	Severe competition between different supplying countries.
H.K. dollar pegged to the U.S. dollar, so U.S. products are not subject to price fluctuations based on exchange rates. There is an advantage when the U.S. dollar is weak, as it has been over last few years. Products from other supplying countries generally become less price competitive compared to U.S. products.	A very price sensitive market; importers' buying decisions depend largely on price.
Foreign and local businesses operate on a level playing field.	U.S. products are disadvantaged by a higher transport cost when compared with Australian and Chinese products.
As one of the most affluent economies in Asia, a market leader for new products.	Lack of trader and consumer awareness of U.S. foods. Traditional preference for European foods, due to previous ties with the U.K.
International city; residents travel frequently and are receptive to western and novel food.	A virtual duopoly in food retailing allows retailers to charge high slotting (shelf space) fees. See section on Supermarkets.
Consistent import regulations and rule of law.	Labeling regulation getting tougher. Effective July 2007, allergens and additives have to be listed. The introduction of nutrition labeling is also under discussion.
Sophisticated, reliable banking system.	

SECTION II. EXPORTER BUSINESS TIPS

Importer Lists

ATO provides Hong Kong importer lists to U.S. exporters and assists to arrange meeting appointments, provided adequate lead-time be given.

Language

The official written languages in Hong Kong are Chinese and English. The official spoken languages are Cantonese (the prominent Chinese dialect in Hong Kong and South China) and English. In general, all correspondence can be in English.

Travel Visa

Even though Hong Kong is now part of China, there is still a border boundary between Hong Kong and China. If you are traveling with a U.S. passport, you do not need a travel visa for Hong Kong. However, if you are planning to go to Mainland China, you need to apply for a travel visa into China.

Legal System

Hong Kong's legal system is firmly based on the rule of law and the independence of the judiciary. Hong Kong's legal system is separate from Mainland China. Also, Hong Kong is a separate customs territory from China.

Payment

Hong Kong importers are willing to pay by letter of credit in the beginning. When a trading relationship has been established, many of them prefer to pay by open accounts so as to cut transaction costs.

General Consumer Tastes and Preferences

- There has been growing popularity of frozen foodstuffs because many working women cannot afford the time to do grocery shopping daily. Besides, more and more consumers believe that frozen foods are more hygienic. However, Hong Kong consumers in general still prefer fresh foodstuffs, particularly fish.
- Due to the increasing prevalence of dual income families, ready-to-cook food has become more popular. The major supermarket chains in Hong Kong have been putting more emphasis on convenience foods.
- There is most potential for growth in the processed/convenience sectors of Hong Kong's retail food markets for U.S. high value consumer foods such as general grocery items, ingredients for home meal replacement, and health food.
- Hong Kong consumers have become increasingly more aware of food safety issues and nutrition values of food products. Clear indications of nutritional value on the package are certainly a good marketing strategy for health foods. (The Hong Kong government is planning to regulate nutrition labeling and health claims. Details please refer to Gain Report HK#5020.)

- The sales of organic products have been increasing steadily. A representative of the Great Supermarket revealed that there were only 200 organic items for sale four years ago; the variety has greatly expanded to over 2000 items in recent years. The price discrepancy between conventional and organic foods has also narrowed over the years. Currently, organic products are priced generally 10 percent higher. The most popular organic products are baby foods, vegetables, fruits, eggs, fresh meats, and fruit juices.
- Health foods continue to grow in popularity in Hong Kong because of consumers' desire to enhance general health. The most appealing factors of health foods are "low Glycemic Index" and "Antioxidants".
- Foods categorized as Natural are also appealing to Hong Kong consumers. Nut suppliers market nuts as healthy snacks good for the heart. Cereals are marketed as an effective means of controlling cholesterol.
- According to AC Nielsen's recent survey, the top three functional food types in Hong Kong are soy milk, whole/high fiber products, and fruit juice with added supplements/vitamins and fermented drinks containing good bacteria.
- A survey conducted by the Hong Kong government indicated that about 22.8 percent of all persons aged 15 and over in Hong Kong had taken health supplements during the twelve months before enumeration. Popular health supplements include "vitamins", "Chinese herbs", "calcium", "cod-liver oil/ pills", "products for strengthening immune system", etc.
- Consumption of wine is growing in popularity in Hong Kong. The number of wine retail stores is steadily expanding.
- Hong Kong's relatively sophisticated shoppers are buying an increasing percentage of their groceries in supermarkets, as opposed to traditional wet markets. On the other hand, supermarket chains are able to offer products at more competitive pricing because they have a strong bargaining power at getting supplies and are able to reap the merits of economies of scale.
- Hong Kong consumers' buying decision is largely based on value for money. Generally, consumers are not brand loyal when they are faced with discount privileges of another brand or with "out-of-stock" situation.
- Because of the limited living space in Hong Kong, it is inconvenient for Hong Kong consumers to store food products. Therefore, bulk pack food products do not sell well in Hong Kong, and small package food products are preferred.
- Since ice-cream is the most popular snack, Hong Kong has witnessed the opening of more and more ice-cream specialty shops such as New Zealand Natural, Kida Garden, Papagallo, along with the long established Ben & Jerry's, Double Rainbow and Haggen Daz.

General Import and Inspection Procedure

- Food products can be imported to Hong Kong duty free. As for technical import requirements, the basic tenet is that no food intended for sale should be unfit for human consumption. Products which require import permits/health certificates

include meat, milk and frozen confections. The Hong Kong government encourages food importers to produce health certificates for the importation of seafood products to expedite custom clearance. It accepts import applications from Hong Kong importers; U.S. exporters are not required to apply for import permits. However, U.S. exporters may need to supply their agents/importers with necessary documentation such as health certificates from the U.S. government.

- Currently Hong Kong does not have any nutrition labeling requirements or guidelines. The government, however, intends to implement a mandatory nutrition labeling system for all prepackaged foods and aims to introduce the drafted legislation to the Legislative Council in early 2007. With the grace period allowed, all prepackaged food items would have to carry a nutrition label by 2011 at the earliest. Details refer to Gain Report HK#5020.
- For more information on food import regulations, please also refer to the "Hong Kong Food and Agricultural Import Regulations and Standards, Importation of Food & Agricultural Products to Hong Kong 2006". Gain Report #HK6017.

Labeling of Biotech Foods

The Hong Kong government has issued guidelines on voluntary labeling of biotech food. The draft guideline is based on the following four principals.

- The labeling of biotech food will comply with the existing food legislation.
- The threshold level applied in the guideline for labeling purpose is 5 percent, in respect of individual food ingredient.
- 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.
- Negative labeling is not recommended.

The guideline is advisory in nature and has no legal effect. Adoption is entirely voluntary and is not binding. It applies to prepackaged food.

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 Hong Kong government does not encourage negative labeling particularly for the use of the following terms:

- GMO free,
- Free from GM ingredients, etc

For products with such definite negative labeling, the government 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.

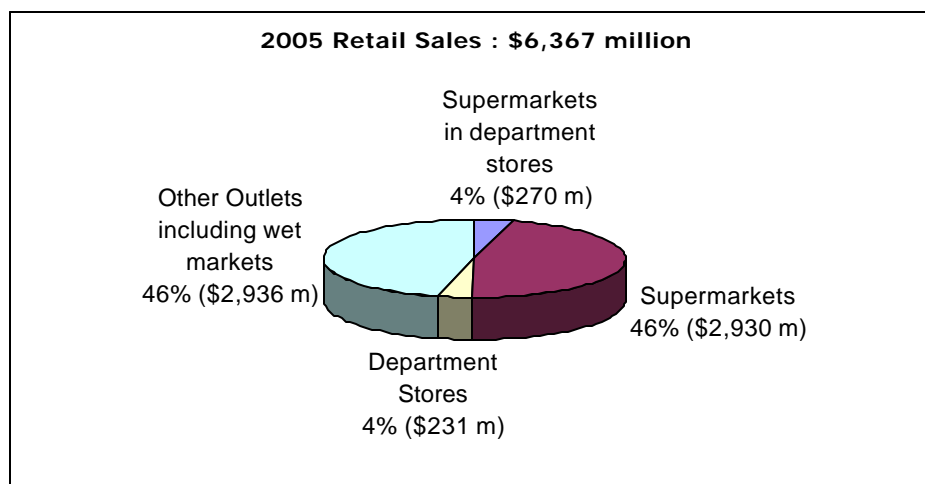
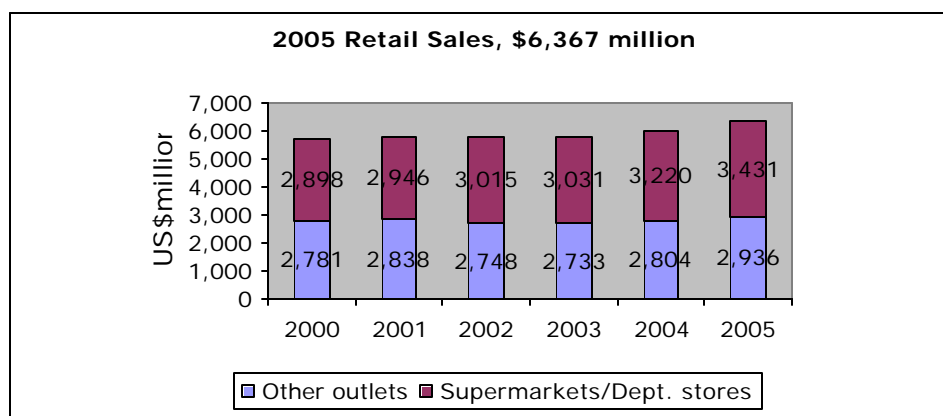
The Hong Kong government plans to introduce legislative measures mandating a pre-market safety assessment, according to a proposal delivered to the Legislative Council in 2003. The government has not set a date for the implementation of the mandatory pre-market safety assessment yet.

Section III. Market Sector Structure and Trends

Among the three major market sectors of Hong Kong: the retail and HRI (Hotel, Restaurant and Institutional) sectors present the best opportunity for U.S. exporters. The Food Processing sector in Hong Kong is relatively smaller and presents less opportunity for market development.

Food Retail

- Total retail sales of food and drinks in Hong Kong for 2005 reached \$6.4 billion, representing a growth of 6 percent compared to 2004. For January – August 2006, retail sales of food, alcoholic drinks, and tobacco for traditional markets and supermarkets, increased 6.2 percent and 6.3 percent respectively, compared with the same period last year. The sentiment for spending is promising.
- Retail establishments in 2006 amounts to approximately 15,083, which included (1) 85 supermarkets and convenience store establishments (the number of supermarkets and convenience stores is about 1,634 if branch outlets are included) and (2) 14,998 wet market stalls and “mom and pop” shop operators. Retail shops in Hong Kong generally are very small in size, about 98 percent of which hire less than 10 employees.
- Traditionally, Hong Kong consumers shop for food daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including wet markets and mom-and-pop shops. However, sales in supermarkets are increasing. The supermarket’s share in terms of retail sales has risen from 44 percent of total sales in 1995 to 54 percent in 2005. Many supermarkets in Hong Kong now have successfully tapped the fresh food market by offering fresh foods at very competitive prices and providing a comfortable shopping environment, which is very different from traditional wet markets. In 2000, only \$524 million worth fresh/chilled meat, fish, fruit and vegetables and frozen food were sold in supermarkets. The sales values of the same category in supermarkets greatly expanded to \$684 million in 2005, increasing 31% over 2000.



- In short, wet markets are strong in fresh foods, while supermarkets are strong in processed, chilled and frozen, high added value, and canned food products. The competition between wet markets and supermarkets has intensified in recent years. Some wet markets have turned air-conditioned and provide free shuttle to nearby residential areas. In the next few years, the Hong Kong Government has earmarked over \$77 million to improve the environment of wet markets. Meanwhile, more and more supermarkets have been renovated to make sales of fresh meats possible and to enhance the overall experience of the convenience shopping at a supermarket.

Supermarkets

- According to the latest figures available, in 2004 there were 85 supermarkets in Hong Kong but only 9 of them had 5 or over branch outlets. About 63 supermarkets had only one store without any branch outlets.
- In the past decade, there has been a substantial decline of small supermarket operators. Between 1997 and 2004, the number of supermarket operators decreased by 31 percent whereas the sales and the number of persons engaged in the supermarket industry rose by 11 percent and 29 percent respectively. These figures reflected that the supermarket industry has been growing but in a way not favorable to small operators. Many small operators left the market due to severe competition.

	1997	2004	% change
No. of supermarkets	124	85	-31%
No. of persons engaged	15,768	20,369	29%
Value of purchases of goods for sale	\$ 2,285 M	\$2,294 M	--
Total Sales	\$ 3,109 M	\$3,455 M	11%

- There are two dominant supermarket chains in Hong Kong: The Wellcome Co. Ltd. (247 outlets with 20 superstores) and ParknShop (over 226 with 46 superstores). ParknShop and Wellcome account for about 80 percent of the supermarket turnover. Both supermarkets are able to work closely with real estate developers to open stores in strategic locations, thus maintaining their significant market share. The other players include: China Resources Supermarket (CRC), Dah Chong Hong, Jusco and City Super.
- In the past decade, a “superstore” concept has emerged in the operation of supermarkets, blending the Western supermarket style with a traditional Hong Kong wet market. Superstores offer traditional Chinese fresh food like live fish, meats, ready-to-eat foods and market-style fruit and vegetables as well as the most extensive range of international products.
- ParknShop opened its first superstore in 1996 with a floor area of 45,000 sq. ft. Presently, its largest supermarket in Hong Kong has a floor area of 72,000 sq. ft. giving customers a modern one-stop shopping solution. The store sells over 20,000 product categories ranging from snacks to electrical household appliances.
- The ParknShop supermarket chain carries two own-label product lines, namely PARKnSHOP and Best Buy, first introduced in 1995.
- ParknShop is also associated with three other supermarkets by the name of Great, Taste, and Gourmet. These high-end supermarkets are after the more affluent clientele. They are ideal outlets for innovative, quality and priced international food products. These stores also carry a wide selection of organic products. Great adopts a stylish international food hall concept and its flagship store offers over 46,000 gourmet items. The first 35,000 square feet TASTE food galleria was opened in November 2004, and features more than 25,000 quality food items sourced from around the world. Gourmet, opened in 2005, occupied 15,000-square-foot store offering a selection of over 20,000 products carried across 30 merchandise categories of quality and premium foods. The average expenditure per customer for Gourmet and Taste is expected to be \$18 and \$13 respectively.
- Dairy Farm, which owns another major supermarket chain – Wellcome, will also be opening an upscale supermarket in Hong Kong’s central commercial area catering to the more affluent clientele. The new store called Three Sixty will be opened in mid November. With a floor area of 23,000 square feet, it will be Hong Kong’s largest retail outlet for organic and natural products. About 6,000 items or 70 percent of the items in the store will be organic or natural products. The store will include an organic sector for baby products. “Health” and “natural” are the key concepts of this store.
- Almost all Hong Kong supermarkets require listing fees, that is, a fee charged to allow a new product to be put on their shelves. This is a one-off fee for a trial period. The listing fees are extremely negotiable and vary greatly among different supermarket chains. Major supermarket chains, such as Wellcome and ParknShop which have

many branch stores, have expensive listing fees. Industry sources revealed that key supermarket chains may charge HK\$1,000 (US\$130) per SKU for each of its store. A 30 percent discount may be offered to certain suppliers. The discount offered varies tremendously depending on the popularity of the products and the bargaining power of the supplying companies. Agents/importers will not bear this cost, which is transferred to their principals. In short, all supermarkets require listing fees except those belonging to Japanese department stores. (Jusco is the only Japanese department store food retailer that requires a listing fee.)

- U.S. exporters should be prepared to encounter numerous trading term demands from Hong Kong food retailers, such as promotional discounts (number of discount promotions offered each year); back-end income (flat rebate per year that a U.S. exporter has to pay to the retail chain based on the annual turnover); D.G.A. (Distribution allowance - the fee that the supermarkets charge for distributing the products from its warehouse to its many branch stores); and incentive rebate (a percentage of turnover rebated to the supermarkets in case sales exceed the agreed amount). It can be expected that the bigger the supermarket, the harsher the trading terms. For general reference, about 15 percent of the annual turnover has to be rebated to the major supermarkets and 8 percent to small ones. Agents representing very popular items with large turnover usually have a stronger bargaining power and will be able to negotiate for a lower rebate rate.
- Different products have different mark-ups. A dried fruit importer revealed that an importer usually operates on a mark up of 5% to retailers who would then mark up another 30% to 35% to consumers.
- There is excellent potential growth in Hong Kong's retail food market for U.S. grocery store items, particularly new and different items, as food retail outlets continue to increase and diversify. Because of established ties and traditional relationships, most of Hong Kong's supermarket chains traditionally looked to Britain, Australia, New Zealand, and Canada for supplies. In recent years, however, buying habits are shifting and many more American items are now available on local grocery store shelves. Supermarkets tend to use consolidators to help them source new products which are popular in the United States.

Market Entry Approach

- Through setting up a representative office in Hong Kong: While this is the most effective approach, it is very costly.
- Through U.S. Consolidators: Major supermarkets in Hong Kong work with U.S. consolidators for some of their products. However, the product quantities requested per shipment are usually small, especially when new products are purchased to test the market.
- Through Hong Kong agents: This is the most popular approach. 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 one or two supermarkets.
- Direct to Supermarkets: For branded products to sell direct to supermarkets, supermarkets usually require exclusive rights in selling the products in Hong Kong through their own outlets only. Otherwise, they will not consider any direct imports.

In this case, expensive listing fees may be waived. For non-branded and large turnover products such as fruit, meat, and vegetables, supermarkets tend to buy direct from overseas exporters to cut costs.

- Direct selling to supermarkets is difficult to handle because they demand strict on-time delivery and very often will not be able to take a whole container. Logistics is the largest problem that U.S. exporters have to deal with if they want to sell direct to supermarkets. However, they can better test the market if they deal directly with retailers.

Convenience Stores

- There are around 950 convenience stores in Hong Kong. Two major chains dominate the market: 7-Eleven (711 outlets) and Circle K (238 outlets). They are targeting the customer age group of 15-35. Convenience stores are characterized by round-the-clock operation. Since only a limited choice of brand names is available and prices are generally less competitive, most purchases are “convenience” in nature, i.e. goods are normally bought in small quantities for immediate consumption. Good sales items include packaged drinks, beer and snack food. The average store size of a convenience store is 1,000 sq. ft. Listing fees are also required for convenience stores.
- 7-Eleven is owned by Dairy Farm, which is also the parent company of the giant supermarket chain of Wellcome. Many of 7-Eleven stores are strategically located in MTR (subway) and KCR (train) stations, popular shopping malls and housing developments throughout Hong Kong.
- According to a study, Hong Kong can accommodate 1,200 convenience stores. Given that there are about 950 stores presently, there is still a room for expansion. The primary strategy of convenience stores is to increase services providing “convenience” to consumers and to increase the number of stores so as to reach economies of scale. 7-Eleven, operated on a franchise basis, is able to expand the number of stores quickly. Circle K is owned by a listed company and does not work on franchise basis.

Market Entry Approach

- Convenience stores largely buy goods from local importers and agents. Therefore, U.S. food exporters have to go through Hong Kong importers to have their products sold in convenience stores.

Traditional Markets

- Traditional markets include wet markets and mom-and-pop shops. They are widespread throughout the territory. Traditional markets used to account for the lion’s share of food retail. For example, they occupied around 54 percent of total retail food sales between 1995 and 1997. Yet supermarkets sales have exceeded traditional markets sales since 1998, and the dominating trend of the former is likely to persist and deepen in the future. Despite the growing significance of supermarkets in terms of food retailing, traditional markets remain as key food retail outlets, particularly for seafood, meat and groceries. Wet markets in Hong Kong have changed gradually over the years. The newly built markets are air-conditioned and more hygienic and more environmentally pleasant than the old ones. Some, but not

all, stalls in wet markets have freezers and chilling equipment, which is necessary to maintain food quality.

- Mom-and-pop shops around the housing estates and schools are ideal retail outlets for drinks and snack foods. One feature of traditional markets is that stalls are small, but the service they offer is personal.
- A traditional mom-and-pop shop which started business in 1990 has expanded to 67 stores spreading all over Hong Kong in recent years. The stores are called Yu Kee, with floor area ranging around 1,500 sq. feet each. They sell mainly processed foods and produce. Most of the food supplies come from China and South East Asia. They also import snack foods and drinks from Europe. However, U.S. foods are not yet on their shelves. The stores feature cheap prices and are after the mass market.
- Another chain store worth mentioning is called Appolo (Magic House) Superstore Ltd. The company owns 46 retail stores, which are operated like "convenience stores" except that their business hours are only around 10 hours instead of 24 hours. They primarily sell snack foods, drinks and ice cream.

Market Entry Approach

- U.S. exporters must go through local importers/agents that have a good distribution networks.

Trends in Promotional/Marketing Strategies and Tactics

- Supermarkets expanding store size: The supermarket industry is undergoing a face-lift to introduce larger size stores with an objective to provide one-stop shopping and convenience for customers. In addition to traditional grocery and household products, supermarkets are moving towards larger, more modern stores with more fresh food.
- Increasing demand for promotion package and discounts: Hong Kong consumers are very price sensitive. Marketing tactics such as selling larger economy packs or enclosing complimentary samples are usually used to stimulate sales. The most direct and effective marketing tool is to offer discounts.
- Various promotions have varying impact on consumers' purchasing decisions. Given below were the findings of a survey by Consumer Council. Nearly 75 percent of the respondents opted for "Direct Price-Cut" as the most important factor in prompting them to buy the goods. This was followed by "Buy One Get One Free" or "Buy Two Get One Free" (55.5 percent); "Add \$1 for One More" (42.7 percent); "Add-Volume Pack" (39.8 percent); and "Free Gift/Coupon" (19.8 percent) which had the least impact on bargain hunters.
- In face of strong competition, major supermarket stores very often offer discounts and tend to transfer the cost to suppliers by requesting lower prices for supplies. Given supermarkets' strong bargaining power as they have many retail outlets, many suppliers have to give supermarkets special discounts which ordinary retailers do not enjoy.
- According to a survey by AC Nielsen, Hong Kong consumers are by far the most impulsive shoppers in the region with 67% who make unplanned purchases. In contrast, other countries with a relatively high proportion of non-planners are

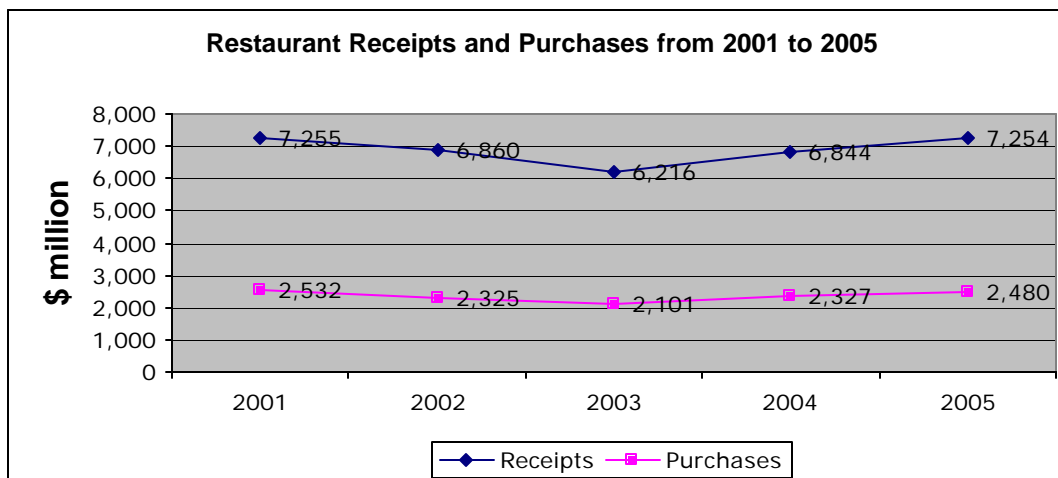
Thailand (14%) and Singapore (14%). As such, in-store promotions seem to be effective to introduce new products and to stimulate impulsive purchases.

- Consumers becoming increasingly health-conscious, and organic products picking up in popularity: There has been a gradual change in what consumers want in Hong Kong. The importance of meat, especially red meat, has declined among some consumers, while other food groups, such as fruits and vegetables, are gaining in popularity. Consumers increasingly look for freshness, healthiness, new varieties and shorter meal-preparation time for food. Consumers want foods of higher nutritional value, but also increasingly pay attention to food safety and hygiene. In short, the marketing trend is to position food products as healthy, natural, nutritional, etc.
- Internet direct sales of food: Major supermarkets like ParknShop and Wellcome offer grocery shopping over their website. The service is however not attracting a lot of interest, due to the convenience of shopping in Hong Kong, security concerns and the cost of delivery.
- However, the at-work population in Hong Kong is becoming a coveted audience among marketers to leverage the Internet as a medium of advertising. The at-work online audience is large and growing - out of the total Hong Kong workforce of 3.52 million, about 20 % regularly go online at work. These regular Hong Kong internet users are a demographically attractive group of individuals who have higher than average incomes, educations and tendencies to shop and buy online.
- Growing awareness of U.S. products fit supermarkets' needs to diversify product range: With awareness of the high quality and variety of U.S. food products increasing among supermarkets, there are many opportunities to introduce new U.S. products to the local market. ATO Hong Kong selectively invites key supermarket buyers to the United States on U.S. buying missions, which are followed by in-store promotions highlighting U.S. products. Buyers from Hong Kong supermarkets realize the quick-changing consumption temperament of local consumers, and many have expressed the need to source new products to capture changing tastes. With strong support from exporters and state regional trading groups, the ATO continues its efforts to promote U.S. products and help supermarkets expand the range of U.S. products they carry.
- Starting this year, the Hong Kong government is promoting health awareness among school children. ATO Hong Kong is looking for marketing opportunities to tie in U.S. quality food products with Hong Kong school children health concepts.
- To promote U.S. food products, the ATO sponsors major trade shows in Hong Kong such as HOFEX (May 13 -16, 2007) and the Natural Products Expo Asia (June 27 -29, 2007).
- For further information on the Hong Kong food retail sector, please refer to "Retail Food Sector Report 2004" (Gain Report #HK4025).

Hotel, Restaurant and Institutional (HRI)

- A sustained revived economy with burgeoning tourism, and rising stock and property markets have attributed to the good prospects of the catering industry for 2006. There are many positive economic indicators to support the expectation that the HRI business will grow further in 2007.

- Restaurant businesses have remained vibrant since 2004 after the gradual recovery from the doldrums experienced in 2003 because of SARS impact. In 2005, the value of total receipts for the restaurants sector was \$7.3 billion and for purchases was \$2.5 billion, representing a rise of 6 percent and 7 percent respectively. For the first half-year of 2006, total restaurant receipts amounted to \$3.9 billion, representing a rise of 10 percent over the same period in 2005.



Source : Quarterly Restaurant Receipts and Purchases produced by the Hong Kong Census & Statistics Department

- Hong Kong is renowned as the “ Culinary Capital of Asia”. It has approximately 10,340 restaurants, providing a wide range of dining options. Eating out is a way of life for many locals. In addition, there are over 1,000 bars and other eating and drinking places.
- Chinese food, in particular Cantonese style foods tend to dominate the restaurant sector. This is evident in that Chinese restaurants account for 45 percent of the 10,340 restaurants in Hong Kong.

	2004 (Dec)	2006 (June)	% change	Percentage by number 2004	Percentage by number 2006
Chinese restaurants	4,429	4,687	6%	46%	45%
Non-Chinese restaurants	3,625	4,040	11%	38%	39%
Fast food shops	1,537	1,613	5%	16%	16%
Total	9,591	10,340	8%	100%	100%

Source: Hong Kong Census & Statistics Department

- The 30's generation of local Chinese have a greater propensity toward western style foods and are more likely to experiment with non-traditional styles. The growth of non-Chinese chains in Japanese food, fast food, coffee and snack and casual dining establishments has been evident. The number of non-Chinese restaurants rose remarkably by 11 percent from December 2004 to June 2006.

- McDonald's, Dominos, Pizza Hut, Pret A Manger, Starbucks, Pacific Coffee and others have all grown rapidly in numbers over the past years and now have become fixtures in the Hong Kong market. Given the robust economy of Hong Kong, Kentucky Fried Chicken has embarked on an expansion plan by expanding the number of its outlets to 90 in Hong Kong by 2009. Presently, it has about 50 outlets in Hong Kong with an average of over three million customers per month.
- In 2006, Hong Kong witnessed the opening of the first Bubba Gump Shrimp Co. Restaurant and Market in Hong Kong. Having confidence in the strong growing business environment in Hong Kong and recognizing Hong Kong being a major regional and international tourist hub, this casual American seafood restaurant plans to open three further restaurants in Macao and Hong Kong over the next four years. In addition, Krispy Kreme Doughnuts have now arrived in Hong Kong. The first shop was opened in summer 2006 and 20 other outlets are expected to start business in the next five years in Hong Kong and Macao.
- A fast developing sector of the market is the fast food outlets. The number of fast food shops increased 5 percent between December 2004 and June 2006. According to a survey conducted by AC Nielsen, Hong Kong people are the world's most frequent patrons of fast food restaurants. The survey revealed that 61 percent of people in the territory eat at a fast food restaurant at least once a week. The popularity of fast food in Hong Kong was mainly due to convenience. Popular fast food chains in Hong Kong are Maxims, Café de Coral, McDonald, Kentucky Fried Chicken and Pizza Hut.
- As consumers are getting more health conscious, fast food chains have provided more health food menu such as salads, premium juice drinks, etc.
- The major fast food operators, Café De Coral, Maxim's and Fairwood have innovated their menus by introducing numerous new ingredients as consumers become more demanding. These fast food operators are also renovating their older restaurants to give them a more upscale look, in order to create more value in patrons' minds.
- Exporters should note that tastes in food can often differ between Chinese and Western consumers. Exporters looking to develop business with the HRI trade should also consider applying U.S. ingredients for Chinese dishes offerings.
- Another key feature of Hong Kong's HRI is the increasingly competitive coffee shop market in Hong Kong with new outlets opening around the city. In recent years, it is a trend to open upstairs cafes in order to cut rental fees. They are largely located in commercial areas. While westerners will stand up and drink a coffee, Chinese people in the Hong Kong market want to sit down and take their time over their sandwich or cup of coffee. Starbucks (64) and Pacific Coffee (47) are Hong Kong's two largest coffee shop chains. McDonald has also vigorously expanded its McCafe in order to take a slice of the market.

Market Entry Approach

- Because of small individual consumption, local hotels, restaurants and most fast food operators usually cannot afford to import directly. The distribution of food and beverages to these operators is generally through import agents. U.S. exporters should contact Hong Kong importers to explore potential business opportunities.

Trends in Promotional/Marketing Strategies and Tactics

- Participation in trade shows: ATO intends to participate in the Restaurant and Bar Show which will be held in May 20-22, 2008. The show provides a showcase for U.S. food ingredients, wine and beverages to Hong Kong's hotel and restaurant trade. In cooperation with cooperators and regional groups, the show will demonstrate the versatility and safety of U.S. food products.
- 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.
- Inviting restaurant owners/chefs to seminars and/or to the United States: ATO Hong Kong/ cooperators organize seminars and trade missions to the United States with an intention to introduce U.S. products, meet U.S. exporters, and experience U.S. store formats.
- For more information on Hong Kong's HRI sector, please refer to Gain Report #5006.

Food Processing

- The food processing industry in Hong Kong is relatively small compared to food retail and HRI sectors. The total output of the local food processing industry was US\$1.8 billion in 2004 and there were 790 food processing establishments as of 2005. Major local production includes instant noodles, macaroni, spaghetti, biscuits, pastries and cakes for both domestic consumption and export. Other significant sectors include canning, preserving and processing of seafood (such as fish, shrimp, prawns, and crustaceans); manufacture of dairy products (fresh milk, yogurt and ice cream); seasoning and spirits.

	Manufacturing
No. of Establishments	790 (Dec 2005)
Employment	24,975 (Dec 2005)
Gross Output	HK\$13,602 million (2004) US\$ 1,755 million (2004)

- Based on the Chinese mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), all foods and beverages made in Hong Kong, subject to the CEPA's rules of origin, can enjoy duty-free access to the Chinese mainland. Non-Hong Kong made processed food and beverages products remain subject to tariff rates of up to 35%, and 65% for alcoholic drinks, according to China's 2006 tariff schedule.
- The CEPA zero tariff product list includes aqua – marine products (certain live, fresh, chilled or frozen fish, shrimps and prawns, crabs), food and beverages, (certain dairy products such as yogurt and cheese, certain prepared meats, certain sugar confectioneries and cocoa preparations; certain preserved meats and seafood, bread, biscuits and cakes; preserved vegetables and fruits, fruit juices; sauces, water, etc.) and leather and fur products.
- Processed food and beverages items have to comply with the Hong Kong rule of origin in order to be imported to China tariff free. The rule of origin of individual products is basically determined by the manufacturing or processing operation. For example, milk and cream products are considered as "made in Hong Kong" only when the

manufacturing processes of mixing, freezing sterilization and cooling are conducted in Hong Kong. The origin criteria for nuts is that the baking, seasoning, and/coating have to be done in Hong Kong. In the case of ginseng, the principal manufacturing processes of cutting and grinding have to be conducted in Hong Kong.

- Ice cream was the only food item being allowed to be exported to China tariff free in 2004 during the first phase of CEPA. However, the food items were greatly expanded in phase II which started in January 2005. It was noticed that Hong Kong's food and agricultural domestic exports to China greatly increased by 31 percent in 2005. No published statistics are available to prove that the surge in domestic exports to China was due to the waiving of tariff. However, there is reason to believe that CEPA II is at work, as seen by the sudden reversion of trade trends. Hong Kong's food and agricultural domestic exports to China has decreased over the past few years except for 2005.
- China's zero import tariff applications for products made in Hong Kong certainly encourage food production in Hong Kong. Hong Kong brand products have a competitive edge in the Mainland China market. The expansion of the local food processing industry will then trigger off a demand for raw materials. Such demand provides export opportunities for U.S. food ingredients suppliers.

Hong Kong's Domestic Exports of Agricultural and Food Products

Country	2001	2002	2003	2004	2005
--The World--	240	242	234	229	232
United States	57	60	48	43	43
China	38	37	30	29	38
Others	145	145	156	157	151

- A full zero-tariff product list is available at <http://www.tid.gov.hk/english/cepa/cepa2.html>

Market Entry Approach

Food ingredients are sourced both through direct import by food processors and through middleman traders. Hong Kong traders and end-users tend to stay with suppliers with whom they know well and have done business with for some time. While exporters would do well exploring all channels, patience and understanding are required to establish a relationship of trust before trading can commence.

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

(Market size is based on imports minus exports, U.S. exports to Hong Kong are also based on imports minus exports.)

Product Category	2005 Market Size (MT)	2005 Market Size (\$ mil)	2001 – 2005 Average Import Growth (in value)	Key Constraints Over Market Development	Market Attractiveness For USA
Fresh Fruit	560,277	475	-2%	<p>There is strong competition from other countries such as Australia, South Africa, Chile and China for apples, oranges and grapes.</p> <p>Also, there is strong competition coming from other tropical fruits which are supplied by Thailand.</p>	<p>U.S. exported \$174 million worth of fresh fruit to Hong Kong, accounting for 37% of the market share.</p> <p>Consumers have confidence in U.S. fruits' quality and product safety.</p>
Poultry Meat	348,208	417	12%	<p>Strong competition from Brazil exists and buyers are price conscious.</p>	<p>U.S. exported \$73 million worth of poultry meat to Hong Kong, accounting for 18% of the market share.</p> <p>U.S. products have abundant supplies with a variety of grades.</p>
Tree Nuts	43,148	189	35%	<p>65% of the tree nuts imported to Hong Kong are pistachios and Iran is the major supplier.</p>	<p>U.S. exported \$41 million worth of tree nuts to Hong Kong, accounting for 22% of the market share.</p> <p>The U.S. is the leading supplier</p>

Product Category	2005 Market Size (MT)	2005 Market Size (\$ mil)	2001 – 2005 Average Import Growth (in value)	Key Constraints Over Market Development	Market Attractiveness For USA
					of almonds and hazelnuts with no major competitors at all.
Molluscs	45,838	524	11%	U.S. scallops and oysters compete severely with products supplies from Australia and Canada respectively. Australia products enjoy a relatively cheaper freight cost.	U.S. exported \$38 million worth of molluscs to Hong Kong, accounting for 7% of the market share. Demand for seafood in Hong Kong is strong. U.S. oysters and scallops are highly regarded in the market.
Pork & Offals	302,527	470	10%	China and Brazil are the major suppliers because their products are very price competitive. Also, 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.	U.S. exported \$25 million worth of pork and offal products to Hong Kong, accounting for 5% of the market share. Hong Kong has a high demand for U.S. front & hide feet, and offals. U.S. is the largest supplier of sausages. U.S. products are highly regarded for quality and food safety.

Product Category	2005 Market Size (MT)	2005 Market Size (\$ mil)	2001 – 2005 Average Import Growth (in value)	Key Constraints Over Market Development	Market Attractiveness For USA
Sauces	64,713	89	5%	China and Thailand are the two major competitors. The oriental flavor of sources from these countries is a distinct advantage.	U.S. exported \$17 million worth of sauces to Hong Kong, accounting for 19% of the market share. Hong Kong people are receptive to new tastes. The availability of much international cuisine offers a demand for U.S. sauces.
French Fries	20,230	18	6%	Canada and New Zealand supply french fries to the market. Also, french fries companies have plants in China providing products to Hong Kong.	U.S. exported \$16 million worth of french fries to Hong Kong, accounting for 89% of the market share. Hong Kong has a burgeoning catering industry offering a variety of international cuisine, thus creating a demand for french fries.
Ginseng	2,038	71	1%	Canadian ginseng is offered at very competitive prices and has abundant supplies. Ginseng products from	U.S. exported \$16 million worth of ginseng to Hong Kong, accounting for 23% of the market share. Hong Kong

Product Category	2005 Market Size (MT)	2005 Market Size (\$ mil)	2001 – 2005 Average Import Growth (in value)	Key Constraints Over Market Development	Market Attractiveness For USA
				other countries are labeled as U.S. products.	Chinese regards ginseng as a healthy product and is widely used in soups.
Eggs	1,704 million pieces	73	0%	Eggs from China are very price competitive.	U.S. exported \$15 million worth of eggs to Hong Kong, accounting for 21% of the market share. The market has a high demand for U.S. small white eggs.
Wine & Beer	138,870 L	139	1%	Hong Kong consumers generally are more familiar with French wine than with U.S. wine. Also the market is filled with price competitive products from Chile and South Africa. Hong Kong's duty on wine and beer is 80% and 40% respectively.	The U.S. exported \$15 million worth of wine and beer to Hong Kong, accounting for 11% of the market share. Hong Kong is gradually fostering a wine drinking culture. Beer is a popular drink in Hong Kong.
Beef & Processed Beef Products	62,910	167	6%	Hong Kong currently allows U.S. boneless beef derived from animals less than 30 months of age. Bone-in beef	U.S. exported \$67 million worth of beef products to Hong Kong (in 2003 before the ban imposed in December),

Product Category	2005 Market Size (MT)	2005 Market Size (\$ mil)	2001 – 2005 Average Import Growth (in value)	Key Constraints Over Market Development	Market Attractiveness For USA
				<p>and offals from the U.S. are not allowed entry into Hong Kong, as a result of BSE cases in the U.S.</p> <p>The market share of U.S. beef has been largely taken up by Canadian beef and Australian beef.</p>	<p>accounting for 42% of the market share. U.S. beef is highly regarded in Hong Kong. It is always the first choice for high-end restaurants and sophisticated consumers.</p>

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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>

E-mail: enquiries@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.info.gov.hk/afcd>
E-mail: mailbox@afcd.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.info.gov.hk/dh/index.htm>

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.info.gov.hk/customs>
Email: customsenquiry@cutsoms.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.info.gov.hk/ipd/eng/index.htm>

Semi-government Organization Providing Travel Information

Hong Kong Tourist Association
9th - 11th floors, Citicorp Center,
18 Whitfield Road, North Point, Hong Kong
Tel: (852) 2807-6543
Fax: (852) 2806-0303
E-mail: info@hkta.org
Home Page: www.hkta.org

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
 E-mail: hktcdc@tdc.org.hk
 Home Page: <http://www.tdctrade.com>

APPENDIX - STATISTICS**Table A: Key Trade & Demographic Information**

2005

Agricultural Imports From All Countries (\$Mil) / U.S. Market Share (%)	\$7,794 million/13%
Consumer Food Imports From All Countries (\$Mil) / U.S. Market Share (%)	\$5,300 million/14%
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%)	\$1,885 million/4%
Total Population (Millions) / Annual Growth Rate (%)	6.99 million/0.8%
Urban Population (Millions) / Annual Growth Rate (%)	6.99 million/0.8%
Number of Major Metropolitan Areas	One (Hong Kong as a whole)
Size of the Middle Class (Millions) ^{1/}	2 million
Annual Per Capita Gross Domestic Product (U.S. Dollars)	\$25,711 (HK\$199,261 [#])
Unemployment Rate (%)	4.8%
Annual Per Capita Food Expenditures (U.S. Dollars)	1,949
Percent of Female Population Employed	51.8%
Exchange Rate (U.S.\$1 = HK currency)	HK\$7.78

Note : 1 The middle class, about 30 percent of all households (2.3 million), is based on the expenditure pattern of households which have an average monthly expenditure of \$2,219 – \$3,884. The average household size is 3 persons.

 2 [#] Subject to revision when more data is available.

Table B: Consumer Food & Edible Fishery Product Imports

Hong Kong Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
Consumer Oriented Ag Total	5,039	5,097	5,300	1,036	824	758	21%	16%	14%
Snack Foods (Exclud. Nuts)	199	224	265	14	14	17	7%	6%	7%
Breakfast Cereals & Pancake	27	29	30	10	6	4	36%	20%	12%
Red Meats, Fresh/Chilled/Frozen	731	743	759	150	41	23	21%	6%	3%
Red Meats, Prepared/Preserved	194	220	236	30	33	28	16%	15%	12%
Poultry Meat	641	521	581	270	157	125	42%	30%	21%
Dairy Products (Excl. Cheese)	242	266	290	10	7	6	4%	3%	2%
Cheese	32	45	49	4	4	4	11%	9%	9%
Eggs & Products	74	79	78	12	13	16	16%	16%	21%
Fresh Fruit	736	705	687	238	220	227	32%	31%	33%
Fresh Vegetables	156	158	149	12	11	12	7%	7%	8%
Processed Fruit & Vegetables	237	245	256	60	62	67	25%	25%	26%
Fruit & Vegetable Juices	23	23	29	7	8	15	32%	36%	50%
Tree Nuts	251	206	257	62	61	61	25%	29%	24%
Wine & Beer	132	155	163	14	15	16	11%	10%	10%
Nursery Products & Cut Flowers	50	50	53	1	1	1	1%	1%	1%
Pet Foods (Dog & Cat Food)	34	40	34	13	16	14	38%	41%	42%
Other Consumer Oriented Products	1,259	1,364	1,359	130	153	122	10%	11%	9%
Fish & Seafood Products	1,755	1,905	1,885	57	58	66	3%	3%	4%
Salmon	49	50	60	0	0	0	0%	0%	0%
Surimi	5	6	5	0	0	0	0%	0%	0%
Crustaceans	422	421	400	8	8	7	2%	2%	2%
Groundfish & Flatfish	123	158	154	4	7	7	3%	5%	5%
Molluscs	475	549	582	29	28	39	6%	5%	7%
Other Fishery Products	681	720	681	16	15	12	2%	2%	2%
Agriculture Total	7,479	7,699	7,794	1,382	1,134	1,027	18%	15%	13%
Ag, Fish, & Forestry Total	10,213	10,488	10,380	1,570	1,301	1,172	15%	12%	11%

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

Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products**Hong Kong Top 15 Suppliers**

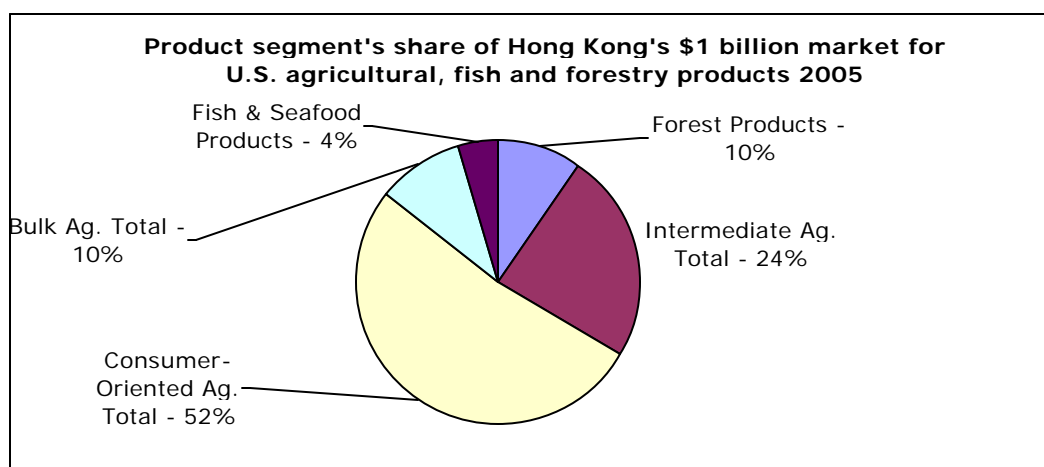
(in Millions of Dollars)

Consumer Oriented Agriculture Total

Fish & Seafood Products

Country	2003	2004	2005	Country	2003	2004	2005
--The World--	5,039	5,097	5,300	--The World--	1,755	1,905	1,885
China	1,390	1,505	1,629	Japan	219	226	266
United States	1,036	824	758	Australia	217	232	199
Brazil	329	399	439	China	225	213	198
Australia	231	244	260	Indonesia	97	98	105
Thailand	257	240	234	Canada	66	73	85
Iran	161	121	178	Thailand	84	88	85
Japan	141	156	173	South Africa	54	100	79
Netherlands	140	147	155	United States	57	58	66
Canada	130	137	136	New Zealand	62	63	65
France	96	127	131	Vietnam	51	75	63
New Zealand	95	111	104	Philippines	43	46	54
Taiwan	83	82	82	Spain	55	61	54
Germany	80	73	76	Norway	48	47	53
Italy	55	55	76	Brazil	34	37	42
Singapore	63	64	72	Singapore	36	41	42
Others	752	813	796	Others	408	446	429

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

Table D. Composition by Product Category for US Agricultural, Fish & Forestry Total to Hong Kong

Source: Bico – U.S. Bureau of the Census Trade Data