USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary _ Public

Date: 12/14/2010

GAIN Report Number: HK0028

Hong Kong

Post: Hong Kong

Hong Kong Retail Food Sector Report 2010

Report Categories:

Retail Food Sector

Approved By:

Erich Kuss

Prepared By:

Chris Li

Report Highlights:

U.S. exports of high value food products and seafood to Hong Kong are expected to reach a record level at over US$2 billion in 2010, making it our 5th largest market for these products after Canada, Mexico, Japan and South Korea. Economic growth in Hong Kong is expected to be around 6.5% in 2010, benefitting from the continued economic growth in Mainland China. Food retail sales in Hong Kong are expected to reach over US$8.5 billion in 2010, an increase of 4.7% over 2009. It is expected that Hong Kong will remain as one of the top 5 markets for U.S. consumer ready food products in 2011, continuing to be a major buying center and transshipment point for China and Southeast Asia. However, rents and wages are on the rise in Hong Kong and inflation may limit Hong Kong's future economic growth. In addition, both Mainland China and Hong Kong are taking austerity measures to cool down their economies which would then affect Hong Kong's economic growth prospect. Regardless of the rate of growth, Post expects that U.S. products will continue to fair well due to competitive prices and consumer confidence in the quality and safety of U.S. products. Moreover, the Hong Kong dollar link to the U.S. dollar provides much needed foreign exchange stability among food importers.

SECTION I. MARKET OVERVIEW

Food Imports

- Due to limited land resources and having a population of 7 million, Hong Kong relies on imports for over 95% of it food supply. In 2009, the local agricultural industry produced US$72 million worth of products. It is comprised of US$30 million in crop production (mainly vegetables), US$19 million in livestock production, and US$23 million in poultry production. Local production accounted for 2.4 percent of fresh vegetables, 53.7 percent of live poultry and 6.2 percent of live pigs consumed in the territory. (Source: Agricultural Fisheries and Conservation Department)

- 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.

Table 1. Hong Kong Imports (2006-2010) of
Consumer Oriented Agricultural Products (COAP*) & Seafood Products**

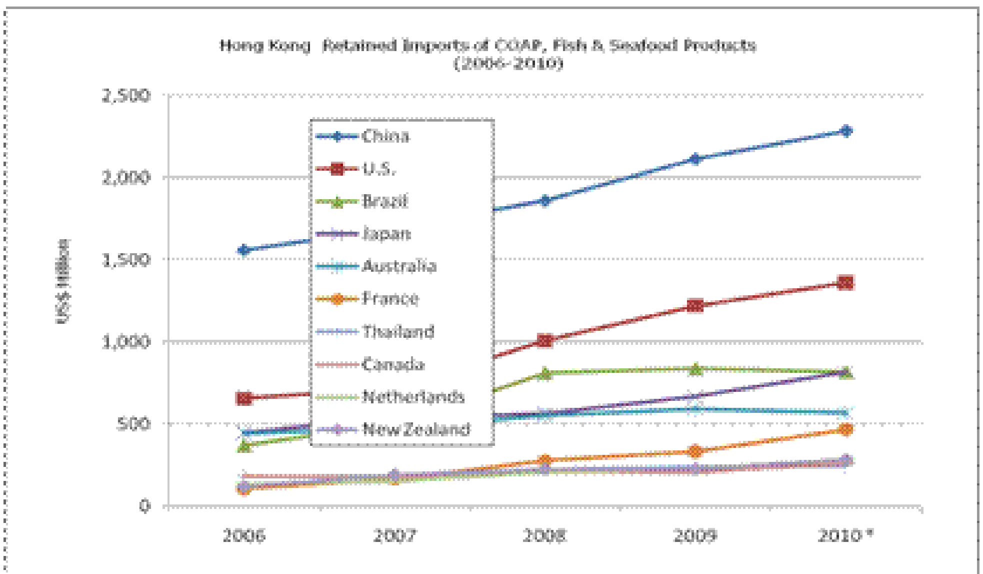
Country	(US$ Million)	2006	2007	2008	2009	2010*	2010* Share	Growth 10* v 09	Re-export as a % of Gross Imports
World	Gross Imports	7,647	9,098	11,544	12,826	14,153	100%	10%	
	Re-exports	1,775	2,435	3,409	3,824	4,045	100%	6%	29%
	Retained Imports**	5,873	6,663	8,135	9,001	10,108	100%	12%	
China	Gross Imports	1,854	2,007	2,215	2,446	2,632	19%	8%	
	Re-exports	296	309	356	334	349	9%	4%	13%
	Retained Imports	1,558	1,698	1,859	2,112	2,283	23%	8%	
United States	Gross Imports	875	1,042	1,615	1,972	2,327	16%	18%	
	Re-exports	220	328	609	752	966	24%	28%	42%
	Retained Imports	655	715	1,006	1,220	1,361	13%	12%	
Brazil	Gross Imports	645	989	1,441	1,575	1,432	10%	-9%	
	Re-exports	273	491	630	737	616	15%	-16%	43%
	Retained Imports	372	498	811	838	816	8%	-3%	
Japan	Gross Imports	485	573	603	709	863	6%	22%	
	Re-exports	38	36	41	43	45	1%	4%	5%
	Retained Imports	446	536	562	665	818	8%	23%	
Australia	Gross Imports	485	529	613	682	652	5%	-4%	
	Re-exports	41	58	59	91	86	2%	-5%	13%
	Retained Imports	444	470	553	591	566	6%	-4%	
France	Gross Imports	147	251	385	446	617	4%	38%	
	Re-exports	39	88	111	115	151	4%	31%	24%
	Retained Imports	108	164	274	331	466	5%	41%	
Thailand	Gross Imports	338	410	486	590	558	4%	-5%	
	Re-exports	161	226	267	350	315	8%	-10%	56%
	Retained Imports	177	184	219	240	243	2%	1%	
Canada	Gross Imports	208	217	342	312	384	3%	23%	
	Re-exports	26	43	133	104	122	3%	17%	32%
	Retained Imports	182	173	209	207	262	3%	26%	
Netherlands	Gross Imports	166	211	306	323	367	3%	14%	
	Re-exports	34	60	100	95	83	2%	-13%	23%
	Retained Imports	132	151	206	228	284	3%	25%	
New Zealand	Gross Imports	191	217	251	257	325	2%	26%	
	Re-exports	75	28	28	36	43	1%	19%	13%
	Retained Imports	116	189	223	221	282	3%	28%	
Total from Top 10 Suppliers	Gross Imports	5,393	6,447	8,256	9,312	10,157	72%	9%	
	Re-exports	1,203	1,668	2,335	2,658	2,776	69%	4%	27%
	Retained Imports	4,190	4,779	5,922	6,654	7,381	73%	11%	
Total from Rest of World	Gross Imports	2,254	2,651	3,288	3,514	3,996	28%	14%	
	Re-exports	571	767	1,075	1,166	1,269	31%	9%	32%
	Retained Imports	1,683	1,884	2,213	2,347	2,727	27%	16%	

Source of data: Hong Kong Census & Stat. Dept.
(*Estimated figure for 2010)
(**Retained Imports = Gross Imports [from a certain supplying country] into Hong Kong less Re-exports [of products originated from that supplying country])
(***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.)

- Hong Kong is a mature and sophisticated market with a growing demand for gourmet foods. At the same time, most Hong Kong shoppers are price conscious consumers looking for “value for money” products. Hong Kong’s gross imports of COAP and Seafood Products are expected to reach over US$14 billion in 2010, an increase of 10% over 2009. The continuous influx of tourists and capital contributed to the economic growth in Hong Kong. As a result, the demand for food imports continued to grow in 2010. Major import items include red meats, fruits, poultry meat, seafood and tree nuts.

- “Retained” imports of COAP and Seafood Products have grown from US$5.9 billion in 2006 to US$10 billion in 2010, an increase of over 72%. The following chart shows the market share of the major suppliers of these products in 2006 and 2010 (figures for 2010 are estimated).

Chart 1: Market Share of Agricultural Product Suppliers to Hong Kong



(Source: Calculations based on World Trade Atlas data)

- China continues to lead as the largest supplier of COAP and Seafood Products to Hong Kong, followed by the U.S. In 2010, we estimate that retained imports of products from China and the U.S. will reach US$2.28 billion and US$1.36 billion respectively, representing market shares of 23% and 13%.

- The following table shows the most popular COAP and Seafood Products that Hong Kong imported from the World:

Table 2. Hong Kong Imports of COAP and Seafood Products from the World (US$ million)

HS Code	Description	Jan-Sep 2009 (A)	Jan-Sep 2010 (B)	Growth (B)/(A)	
Group 125	Consumer Oriented Agriculture Total	7,335	8,469	15%	
Group 77	Fish & Seafood Products	1,818	2,146	18%	
TOP 20 ITEMS					
0206	Ed Offal, Bovine, Swine, Sheep, Goat, Horse, Etc.	1,028	1,015	-1%	
0207	Meat & Ed Offal Of Poultry, Fresh, Chill Or Frozen	880	1,220	39%	*
0307	Molluscs & Aqua Invert Nesoi, Lve Etc.; Flours Etc	560	693	24%	*
2204	Wine Of Fresh Grapes; Grape Must Nesoi	350	601	72%	*
0802	Nuts Nesoi, Fresh Or Dried	351	502	43%	*
0306	Crustcns Lve Frsh Etc, Ckd Etc.; Flrs Mls H Cnsump	371	417	13%	
0203	Meat Of Swine (Pork), Fresh, Chilled Or Frozen	393	390	-1%	
0402	Milk And Cream, Concentrated Or Sweetened	304	388	28%	*
0202	Meat Of Bovine Animals, Frozen	297	353	19%	
1602	Prepared Or Preserv Meat, Meat Offal & Blood Nesoi	325	352	8%	
2201	Waters, Natural Etc, Not Sweetened Etc; Ice & Snow	324	344	6%	
0305	Fish, Dried, Salted Etc, Smoked Etc; Ed Fish Meal	288	335	16%	
210690	Food Preparations Nesoi	209	237	14%	
0810	Fruit Nesoi, Fresh	271	228	-16%	
0301	Fish, Live	185	206	11%	
1905	Bread, Pastry, Cakes Etc; Comm Wafrs, Emp Caps Etc	143	193	36%	*
0805	Citrus Fruit, Fresh Or Dried	165	192	17%	
0806	Grapes, Fresh Or Dried	219	192	-12%	
0809	Apricots, Cherries, Peaches, Plums & Sloes, Fresh	116	152	31%	*
2103	Sauces & Prep; Mixed Condiments, Mustard Flour Etc	117	129	10%	

(Source: Calculations based on World Trade Atlas data)
(* Fastest-growing items are marked with an asterisk)

Hong Kong agricultural imports from the U.S.

- For the first 9 months of 2010, Hong Kong imported over US$1.7 billion worth of COAP and Seafood Products from the U.S., which accounted for 16% of the market share. The top U.S. exports to Hong Kong in 2010 are meat, tree nuts, seafood, fruit & vegetables (please see table below). U.S. products have been more price-competitive because of the weakening of the U.S. Dollar. In addition, the frequent food scares originating from food supplies in China have also driven the demand of high quality products from the U.S., and are opening up more opportunities for organic products.

Table 3. Hong Kong Imports of COAP and Seafood Products from the U.S. (US$ million)

HS Code	Description	Jan-Sep 2009 (A)	Jan-Sep 2010 (B)	Growth (B)/(A)	
Group 125	Consumer Oriented Agriculture Total	1,180	1,635	39%	*
Group 77	Fish & Seafood Products	83	110	33%	*
TOP 20 ITEMS					
0207	Meat & Ed Offal Of Poultry, Fresh, Chill Or Frozen	117	410	251%	*
0802	Nuts Nesoi, Fresh Or Dried	261	324	24%	*
0206	Ed Offal, Bovine, Swine, Sheep, Goat, Horse, Etc.	161	174	8%	
0805	Citrus Fruit, Fresh Or Dried	84	111	31%	*
0307	Molluscs & Aqua Invert Nesoi, Lve Etc.; Flours Etc	50	67	34%	*
0202	Meat Of Bovine Animals, Frozen	43	63	47%	*
0809	Apricots, Cherries, Peaches, Plums & Sloes, Fresh	44	59	33%	*
0806	Grapes, Fresh Or Dried	48	46	-5%	
0203	Meat Of Swine (Pork), Fresh, Chilled Or Frozen	39	44	13%	
0808	Apples, Pears And Quinces, Fresh	33	44	36%	*
2204	Wine Of Fresh Grapes; Grape Must Nesoi	29	33	13%	
210690	Food Preparations Nesoi	36	31	-13%	
0306	Crustcns Lve Frsh Etc, Ckd Etc.; Flrs Mls H Cnsump	18	28	54%	*
1602	Prepared Or Preserv Meat, Meat Offal & Blood Nesoi	21	28	31%	*
2004	Vegetables Nesoi Prepared Or Preserv Nesoi, Frozen	34	21	-37%	
230910	Dog And Cat Food, Put Up For Retail Sale	19	20	8%	
2103	Sauces & Prep; Mixed Condiments, Mustard Flour Etc	18	19	7%	
1601	Sausages, Similar Prdt Meat Etc Food Prep Of These	19	18	-2%	
2005	Vegetables Nesoi Prepared Etc Nesoi, Not Frozen	17	18	2%	
0407	Birds' Eggs, In The Shell, Fresh, Preserv Or Cookd	15	16	6%	

(Source: Calculations based on World Trade Atlas data)
(* Fastest-growing items are marked with an asterisk)

Economy

- Hong Kong was only slightly affected by the global financial crisis. GDP and per capita GDP dropped by only 2.5% and 2.8% respectively in 2009. Hong Kong's economy quickly recovered and continued to improve in 2010, particularly with the continued influx of investment from Mainland China. It is expected that GDP and per capita GDP will grow by 6.5% and 6.3% and reach US$226 billion and US$31,800 respectively in 2010.

Table 4. Hong Kong: Gross Domestic Product and GDP per capita

	2008	2009	Growth 09 vs 08	2010*	Growth 10 vs 09
GDP	US$215 billion	US$209 billion	-2.5%	US$226 billion*	+6.5%*
GDP per capita	US$30,779	US$29,902	-2.8%	US$31,800*	+6.3%*

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

Outlook in 2010/2011

- Hong Kong's economic growth is expected to be around 6.5% in 2010. However, rents and wages are on the rise in Hong Kong and inflation may limit Hong Kong's future economic growth. Food inflation in October 2010 was 5.7% when compared with the same period in 2009. China is the largest F&B supplier to Hong Kong and appreciation of Chinese Reminbi is the major cause of the significant increase in food prices in 2010. The continuous influx of capital into Hong Kong has also driven up commodity prices. Moreover, Mainland China has taken austerity measures to cool down its economy. The Hong Kong government also undertook new measures to cool down its overheated property market, which is the city's one of the key business sectors. These measures are likely to affect Hong Kong's economic growth in 2011.

- However, post expects that U.S. products will continue to fair better than its competitors due to competitive U.S. prices and consumer confidence in the quality and safety of U.S. products. In addition, the Hong Kong dollar link to the U.S. dollar provides much needed foreign exchange stability among food importers. It is expected that Hong Kong will remain one of the top 5 markets for U.S. consumer ready food products in 2011, as it continues to be a major buying center and transshipment point for China and Southeast Asia.

Table 5. Hong Kong:
Summary of the Key Strengths and Challenges for the 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 is expected to reached US$2 billion in 2010, making it the 4th largest market for the U.S.	U.S. food products are not always price competitive. China is the largest competitor for U.S. food products in Hong Kong.
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 with importing U.S. food products to Hong Kong can make them less competitive than products available in the region such as 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 being 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 2nd largest food supplier to Hong Kong next to China.	Hong Kong labeling and residue standards differ in some cases with U.S. standards, 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).	While Hong Kong has one of the busiest container terminals in the world, it also has the most expensive port handling charges.
The link between the Hong Kong Dollar (HKD) to the U.S. Dollar helps insulate the HKD from currency fluctuations.	Hong Kong's top supermarkets are a duopoly that often request slotting fees.
Most trans-shipments to Macau are purchased, consolidated and shipped via Hong Kong.	
In general, HKG is transparent and open in its implementation and application of regulations.	
Hong Kong exporters choose to work with Hong Kong importers and distributers 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.	
In general, products containing biotech ingredients are not controversial in Hong Kong.	
Lack of local production means virtually no protectionist pressures for food and agricultural products.	

Hong Kong is in an economically vibrant region and its economy is expected to continue its growth in 2011.	
Hong Kong's duopolistic supermarkets have a wide distribution network. Cold chain and distribution channels for food products are generally efficient and dependable, as is the customs clearance process.	

Retail Sales and Outlets

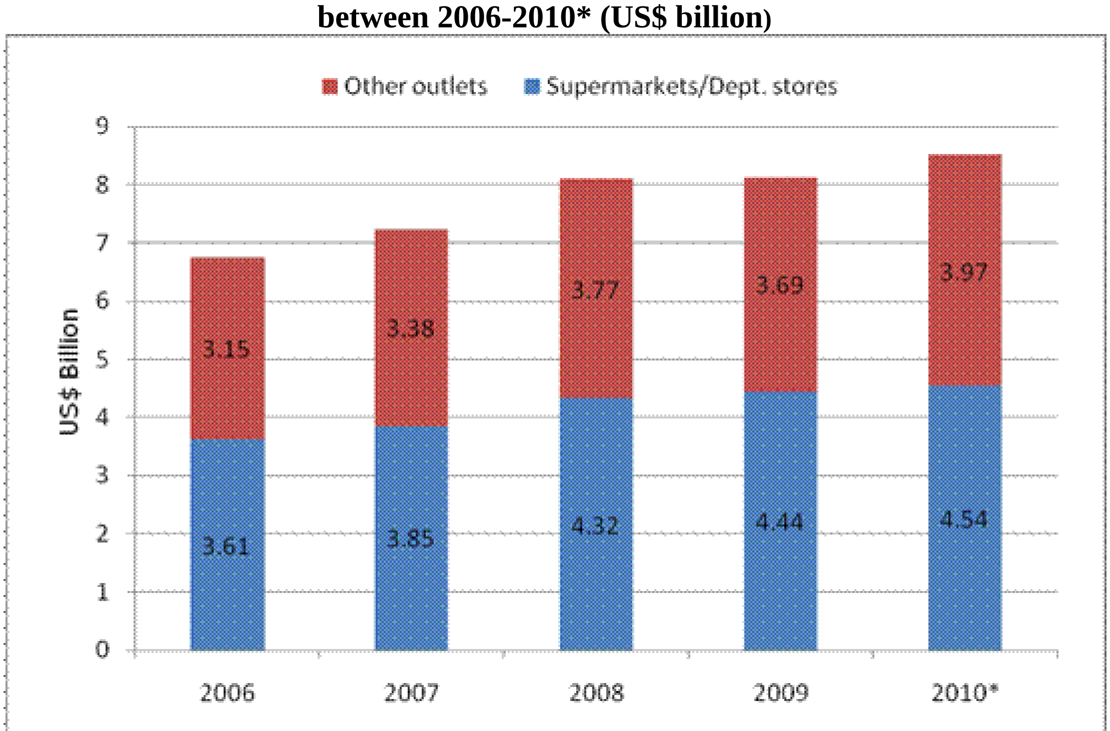
- The global financial crisis is expected to have nominal impact on the food retail sector and food retail sales, which are expected to reach US$8.51 billion in 2010, representing a growth of 4.7% compared to 2009.

Table 6. Hong Kong F&B Retail Sales between 2006–2010* (US$ billion)

	2006	2007	2008	2009	2010*	Growth 10* v 09
Supermarkets/Dept. stores	3.61	3.85	4.32	4.44	4.54	+2.3%
Other outlets	3.15	3.38	3.77	3.69	3.97	+7.6%
Total	**6.76**	**7.23**	**8.09**	**8.13**	**8.51**	**+4.7%**

(Source: Calculations based on data from Hong Kong Census and Statistics Department)
(* Estimated figures for 2010)

Chart 2: Hong Kong F&B Retail Sales through supermarkets & other outlets between 2006-2010* (US$ billion)



(Source: Calculations based on data from Hong Kong Census and Statistics Department)
(* Estimated figures for 2010)

- Despite a highly centralized supermarket retail network, with two supermarket chains accounting for about 80% of the supermarket turnover, the total number of retail establishments stands at approximately 14,000. Retail shops in Hong Kong generally are very small in size, about 96% of which hire less than 10 employees. (Source: Hong Kong Census and Statistics Department)

- 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. While both wet market and supermarket sales are increasing, supermarkets are taking a greater share of total sales. The supermarket's share in terms of retail sales rose from 44% of total sales in 1995 to 54% in 2010.

Table 7. Percentage of Sales by Retail Outlets

	2006	2007	2008	2009	2010*
Supermarkets/ Dept. stores	53%	52%	54%	53%	54%
Other outlets	47%	48%	46%	47%	46%
Total	100%	100%	100%	100%	100%

(Source: Calculations based on data from Hong Kong Census and Statistics Department)
(* Estimated figures for 2010)

- Although there will not be significant growth of the number of supermarkets, the retail sales share of supermarkets is expected to continue to expand in the future at the expense of that of traditional markets. 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 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 started providing air-conditioning and provide free shuttles to nearby residential areas.

Import Regulations

1. 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 Hong Kong Government (HKG) also plans to implement a health certification requirement for eggs and seafood products. 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 #0026. (This report is available at:
  http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx)

2. New Nutritional Labeling Law

- Hong Kong's Legislative Council on May 28, 2008 passed a nutrition labeling regulation, which took effect July 1, 2010. Hong Kong's nutrition labeling regulation requires all prepackaged food sold in Hong Kong have to label the contents 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.

- Details of the regulation are contained in the Technical Guidance Notes on Nutrition Labeling and Nutrition Claims, which is 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 HK0011, HK8017 & HK7011. (These reports are available at: http://www.fas.usda.gov/scriptsw/AttacheRep/legacy.asp)

3. Preservatives Regulations

- Hong Kong amended its Preservatives Regulation, which became effective July 1, 2008. A two-year transitional period for compliance ended on June 30, 2010. Compared to the original regulation, the new regulation no longer allows for the use of propyl para-hydroxybenzoate, but additionally allows the use of the following preservatives:

  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 amendment to the regulation is the adoption of a food category system based on Codex's General Standard for Food Additives (GSFA) 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#8021 & HK#7018. (These reports are available at:
  http://www.fas.usda.gov/scriptsw/AttacheRep/legacy.asp)

4. 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, 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 and are based on the following four principles:

    - 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.

- 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:
    - GMO free
    - 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#8019 & HK#6016 respectively. (These reports are available at: http://www.fas.usda.gov/scriptsw/AttacheRep/legacy.asp)

- Hong Kong passed a Genetically Modified Organisms (Control of Release) Ordinance and the Genetically Modified Organisms (Documentation for Import and Export) Regulation in March 2010 and November 2010 respectively. With the expected commencement of the Ordinance and the Regulation in March 2011, there will be documentation requirements for shipments containing genetically modified organisms (GMOs). GMOs in the Ordinance are referred to as LMOs or living modified organisms. Shipments containing GMOs will need to be accompanied by documentation containing the following information:
    - If the identity of the GMO is known, the shipment contains such a GMO; if the identity of the GMO is not known, the shipment may contain such a GMO;
    - The GMO is not intended for release into the environment;

    - The common name, scientific name and, where available, commercial name of the GMO;
    - The transformation event code of the GMO or, where available, its unique identifier code; and,
    - The details of the importer or exporter (such as name, address and contact information) for further information.

- There is no specific requirement regarding the form of documentation accompanying GMO shipments. The use of a commercial invoice or other documents required by existing documentation systems would be sufficient.

General Consumer Tastes and Preferences

- There is a growing popularity of frozen foodstuffs because more and more consumers believe that frozen foods are more hygienic. However, Hong Kong consumers in general still prefer fresh foodstuffs, particularly fish and poultry meat.

- 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, especially in their pre-prepared sections that are virtually serving ready-to-eat 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 more aware of food safety issues and nutrition values of food products. Clear indications of nutritional value on the package have been a good marketing strategy for health foods.

- The sales of organic products have been increasing steadily. The price discrepancy between conventional and organic foods has also narrowed over the years. Currently, organic products are generally priced between 20-40% 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 latest trend in health foods now is "Low Glycemic Index" and "Antioxidants".

- Foods categorized as natural and having benefits to health are also appealing to Hong Kong consumers. For example, nut suppliers promote nuts as healthy snacks good for the heart, and many cereals are marketed as an effective means of controlling cholesterol.

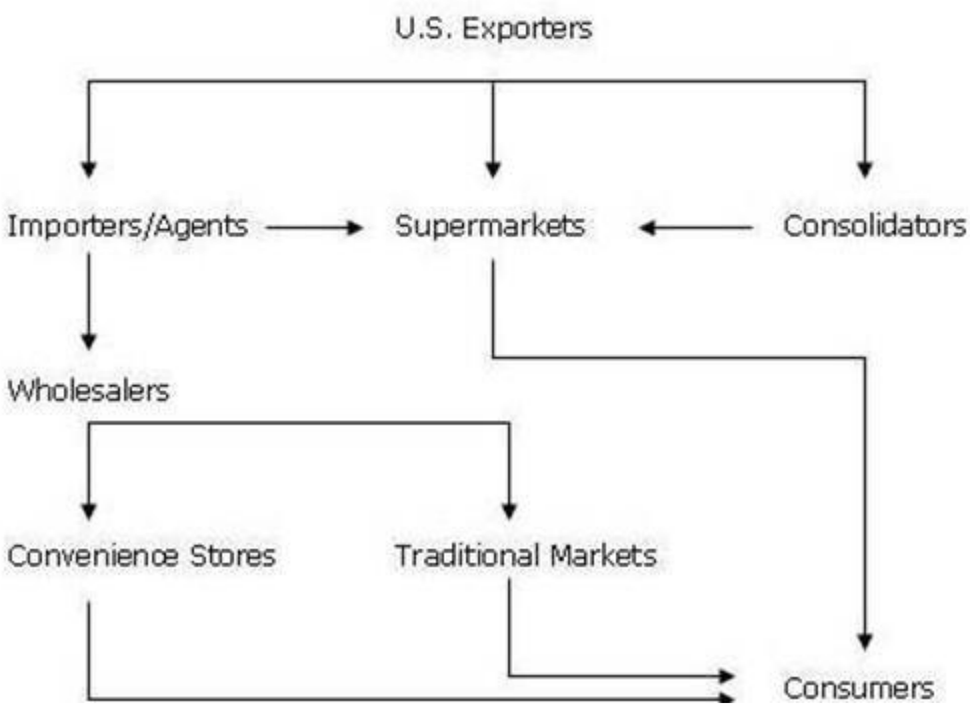
- Hong Kong eliminated its import duty on wine in February 2008 and stimulated a surge in volumes and quantity of wines imports into Hong Kong. Consumption of wine is growing in popularity in Hong Kong. Hong Kong's wine imports for the first 9 months in 2010 reached US$576 million and 26 million liters, an increase of 73% in value and 12% in quantity compared with the same period in 2009. For more information on the wine market in Hong Kong, please refer to GAIN Report #HK0004. (This report is available at: http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx)

- Demand for promotion package and discounts. Consumers are very price sensitive. Marketing tactics such as selling bundled economy packs or enclosing complimentary samples are usually used to stimulate sales. The most direct and effective marketing tool is to offer discounts.

- 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.

SECTION II Road Map for Market Entry

A. Market Structure



- U.S. exporters intending to sell to supermarkets can go through either one of the above channels. While certain supermarkets have tried to order an assortment of imports through consolidators, the bulk of supplies come from local agents or importers.

- Convenience stores and traditional retail outlets buy goods from local importers and agents. Due to relatively little turnover, they are not interested in buying direct from exporters or through consolidators. Therefore, U.S. food exporters have to go through Hong Kong importers to have their products sold in convenience stores or traditional markets.

Supermarkets

Table 8. - Profiles of Leading Supermarket Chains in Hong Kong

Name of Retailer	Ownership	Annual Food Sales	No. of Outlets	Type of Purchasing agent
Wellcome	Hong Kong	Over US$1 billion (est.)	Around 250	Importers/Agents Exporters Consolidators
ParknShop	Hong Kong	Over US$1 billion (est.)	Around 250	Importers/Agents Exporters Consolidators
CRVanguard Shops	China	Not available	97	Importers/Agents Exporters
DCH Food Mart	Hong Kong	Not available	75	Importers/Agents Exporters
Jusco Stores (HK) Ltd.	Japan	Over US$250 million (est.)	5 supermarkets within department stores and 5 separate supermarkets	Importers/Agents
CitySuper	Hong Kong	Not available	4 and 1 other called Log-on selling snacks only; 1 convenience store called Pit-in	Importers/Agents Consolidators
Oliver's The Delicatessen	Hong Kong	Not available	1	Importers/Agents Consolidators
Uny	Japan	Not available	1	Importers/Agents
Sogo	Japan	Not available	2	Importers/Agents

- There are two dominant supermarket chains in Hong Kong: The Wellcome Co. Ltd. (around 250 outlets) and ParknShop (around 250 outlets). ParknShop and Wellcome account for about 80% of all supermarket turnover in Hong Kong. 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 Vanguard Shops (CRVanguard), Dah Chong

Hong (DCH) Food Marts, 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 of its 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 three high-end supermarkets cater mostly to the expatriates and 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.

- Dairy Farm, which owns another major supermarket chain – Wellcome, has opened an upscale supermarket in Hong Kong’s central commercial area catering to the more affluent clientele. The new store called “Three Sixty” was opened in November 2006. With a floor area of 23,000 square feet, it is Hong Kong’s largest retail outlet for organic and natural products. About 6,000 items or 70% of the items in the store are organic or natural products. The store includes an organic sector for baby products. “Health” and “natural” are the key concepts of this store. The second “Three Sixty” was opened in October 2007.

- CRVanguard focuses on local customers. While carrying a variety of products from different countries, a major portion of them comes from China.

- Dah Chong Hong’s outlets (DCH Food Marts) are generally located near wet markets. While being an importer of a variety of products, its retail outlets focus on frozen meat and seafood products. Dah Chong Hong is a major food importer too.

- CitySuper and Oliver Delicatessen capture an upscale market. Clientele includes mainly well-off middle class and expatriates. Customers are generally receptive to western foods. Both high-end supermarkets require no listing fees.

- Gateway Superstore and PrizeMart are two supermarkets in Hong Kong selling primarily U.S. products. PrizeMart has 16 stores and Gateway has 1 store. Both supermarkets import directly from US consolidators and do not charge listing fees.

- Jusco, Sogo and Uny are Japanese department stores with supermarket sections. These supermarkets attract many middle-class customers, who are receptive to new products and do not mind to pay for higher prices for higher quality products. These three stores are popular spots for in-store promotions as they are packed with consumers seven days a week.

- Hong Kong supermarkets require listing fees which are fees 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% 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 as it is normally just transferred to their principals.

- 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% of the annual turnover has to be rebated to the major supermarkets and 8% 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.

- In face of strong competition, major supermarket stores often offer discounts and tend to transfer the cost to suppliers by requesting lower prices for supplies. Given supermarkets' strong bargaining power, many suppliers have to give supermarkets special discounts which ordinary retailers do not enjoy.

- There is excellent growth potential 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.

- Using 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

Table 9. - Profiles of Leading Convenience Stores in Hong Kong

Retailer Name	Ownership	No. of Outlets	Locations	Purchasing agent	Year established	Clients' age
7-Eleven	Hong Kong	963	Hong Kong	Importers Agents	1981	15-35
Circle K	Hong Kong	312	Hong Kong	Importers Agents	1985	15-35

- There are over 1,300 convenience stores in Hong Kong. Two major chains dominate the market: 7-Eleven (963 outlets) and Circle K (312 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 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.

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% 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 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 built and managed by the Hong Kong government with air-conditioning and a more hygienic and pleasant environment 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 housing estates and schools are ideal retail outlets for drinks and snack foods. Such traditional markets offer small stalls and personal services that many Hong Kong consumers enjoy.

- "Yu Kee" and "Kai Bo" are two growing local supermarket chains which started business in early 1990s. Yu Kee now has 72 stores and Kai Bo has 64 stores. A typical store has a floor area ranging around 1,500 sq. feet. Their stores sell mainly processed foods and produce. Most of the food supplies in these shops come from China and South East Asia. They also import snack foods and drinks from Europe. However, only a few U.S. foods are on their shelves as these stores feature cheap prices and are after the mass market.

Market Entry Approach

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

Trends in Promotional/Marketing Strategies and Tactics

- Supermarkets expanding store size: The supermarket industry is undergoing a face-lift to introduce larger size stores with an objective to provide one-stop shopping and convenience for customers. In addition to traditional grocery and household products, supermarkets are moving towards larger, more modern stores with more fresh food.

- Increasing demand for promotion packages and discounts: 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.

- In face of strong competition, major supermarket stores often offer discounts and tend to transfer the cost to suppliers by requesting lower prices for supplies. Given supermarkets' strong bargaining power as they have many retail outlets, many suppliers have to give supermarkets special discounts which ordinary retailers do not enjoy.

- Consumers becoming increasingly health-conscious and organic products picking up in popularity: There has been a gradual shift in what food 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 websites. The service is however not attracting a lot of interest, due to the convenience of shopping in Hong Kong, security concerns over payment via the internet 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 an advertising medium. The at-work online audience is large and growing - out of the total Hong Kong workforce of 3.7 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 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 their range of U.S. products.

- To promote U.S. food products, ATO will participate major trade shows in Hong Kong. U.S. exporters may wish to consider participating in these trade shows so as to introduce their products to Hong Kong buyers as well as buyers from other countries in the region.

Table 10. Major Hong Kong F&B Trade Shows in 2011

HOFEX 2011	http://www.hofex.com	May 11-14, 2011
Natural Products Expo Asia	http://www.naturalproductsasia.com	Aug 25-27, 2011
Restaurant and Bar	http://www.restaurantandbarhk.com	Sep 6-8, 2011
Asian Seafood Exposition	http://www.asianseafoodexpo.com	Sep 6-8, 2011
Asia Fruit Logistica	http://www.asiafruitlogistica.com	Sep 7-9, 2011
4th Hong Kong Int'l Wine & Spirits Fair	http://hkwinefair.hktdc.com	Nov 3-5, 2011

SECTION III. COMPETITION

Note: Estimated statistics for 2010; Market Share in terms of Import Value
Source: World Trade Atlas – Hong Kong Census & Statistics Department

Table 11. 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
Breakfast Cereals & Pancake Mixes Imports US$32 million 10,511 MT Retained Imports US$29 million 9,822 MT	1. China – 52% 2. Thailand – 14% 2. U.S. – 10%	China is the largest supplier, imports include some international brands, which have manufacturing establishments in China. 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. Melamine was found in eggs and dairy products from China and that has led consumers to pay more attention to food safety and seek high quality products from other supplying countries.	Local production is insignificant

Red Meats, chilled/frozen Imports US$2.48 billion 1,193,382 MT Retained Imports US$1.44 billion 394,322 MT	1. Brazil – 31% 2. U.S. – 16% 3. China – 10% 4. Germany – 8%	Products from Brazil and China are price competitive, but they are of different market segments from U.S. products. 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. Market share of U.S. beef gradually picked up following Hong Kong's opening to U.S. beef since the beginning of 2006. Hong Kong currently allows U.S. boneless beef derived from animals less than 30 months of age. Bone-in beef and offals from the U.S. are not yet allowed entry into Hong Kong. Hong Kong Government adopts zero tolerance on bone fragments. 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.	Local production is largely on freshly slaughtered meats.
Red Meats, Prepared/preserved Imports US$560 million 302,908 MT Retained Imports US$448 million 226,786 MT	1. China – 33% 2. U.S. – 11% 3. Spain – 10%	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. About 51% of the U.S. preserved red meat exports to Hong Kong belong to sausages. The	Local production is insignificant.

		U.S. is the largest supplier of sausages in the Hong Kong market.	
Poultry Meat (Fresh, chilled & frozen) Imports US$1.63 billion 1,047,867 MT Retained Imports US$853 million 392,768 MT	1. Brazil – 37% 2. U.S. – 34% 3. China – 14%	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 depreciation of U.S. dollar attracted more imports of U.S. products to Hong Kong and market share of the U.S. grew more significantly & reached 34% in 2010. 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.	Local production is on freshly slaughtered meats. HRI sector tends to use chilled and frozen chicken products rather than freshly slaughtered chickens because the latter are far more expensive.
Dairy Products Imports US$650 million 172,210 MT	1. Netherlands – 30% 2. Japan – 15%	Netherlands is strong in dairy product supplies and it has established position in Hong Kong. Dairy products from	Local companies supply fresh milk drinks, which are processed in Hong Kong with milk originated from

Retained Imports US$574 million 157,912 MT	3. Ireland – 14% U.S. – 1%	Netherlands and New Zealand primarily include concentrated dairy and cream. Chinese dairy products to Hong Kong primarily include not-concentrated milk and cream. Dairy products from the U.S. primarily include ice cream. 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.	farmlands in the southern part of China. Local companies can easily fulfill local milk registration requirements.
Eggs Imports US$133 million 1.86 billion eggs Retained Imports US$131 million 1.85 billion eggs	1. China – 57% 2. U.S. – 18% 3. Thailand – 8%	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. U.S. dominates the white egg markets. Melamine was found in eggs and dairy products from China and that has led consumers to pay more attention to food safety and seek high quality products from other supplying countries.	Local production is insignificant.
Fresh Fruit Imports US$1.34 billion	1. U.S. – 28% 2. Thailand	U.S. fresh fruits are highly regarded as having good quality.	No local production.

1,377,524 MT Retained Imports US$691 million 558,800 MT	– 27% 3. Chile – 16%	Thai Trade commission in Hong Kong aggressively sponsors trade promotion activities. Thai's tropical fruits are very popular in Hong Kong. Chile's biggest fruit item to Hong Kong is grapes. The supplying season is different from the U.S.	
Fresh Vegetables Imports US$209 million 617,849 MT Retained Imports US$200 million 609,055 MT	1. China – 70% 2. U.S. – 9% 3. S. Korea – 4%	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. High-end restaurants and five-star hotels prefer to use high quality U.S. products. A lower U.S. dollar value helps U.S. exports to Hong Kong.	Local production is about 5 % of total demand. Production costs, both in terms of land and labor, in Hong Kong are high. The Hong Kong Government has encouraged organic farming so as to find the niche market for local vegetables.
Processed Fruit & Vegetables Imports US$357 million 231,733 MT Retained Imports US$263million 179,791 MT	1. China – 31% 2. U.S. – 29% 3. Thailand – 9%	Supplies from China are price competitive. Besides, some international brands have operations in China and their exports to Hong Kong are considered as imports from China. 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.	Local production is insignificant.
Tree Nuts Imports US$684 million 173,503 MT	1. U.S. – 63% 2. Iran – 24%	40% of the tree nuts imported to Hong Kong are pistachios. The U.S. is very strong in supplying almonds.	No local production

Retained Imports US$386 million 76,308 MT	3. Mexico – 3%	hazelnuts and pistachios. Some of the imports are re-exported to China for processing.	
Fruit & Vegetable Juices Imports US$26 million 19,957 MT Retained Imports US$23 million 17,986 MT	1. U.S. – 32% 2. China – 13% 3. Australia – 10%	U.S. products are highly regarded in the local market. Products from China include international brands manufactured in China. Australian products are generally perceived as natural.	Local companies are well established in the market with well distribution and marketing network. However, they rarely are considered as premium products.
Wine Imports US$768 million 34.6 million liters Retained Imports US$622 million 24.5 million liters	1. France – 58% 2. U.K. – 16% 3. Australia – 6% 4. U.S. – 6%	France is the major supplier for wine. French wine is highly regarded in Hong Kong though expensive. Hong Kong people are becoming more familiar with California wine. The Hong Kong Government abolished the tax on wine in February 2008. The new policy has attracted more wine imports into Hong Kong.	Hong Kong has insignificant wine production.

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Notes:

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 (2005-2009).

Table 12. Hong Kong: Top 10 Prospects in 2010

Product Category	2009 Retained Imports (MT)	2009 Retaine d Imports (US$ million)	2005 – 2009 Average Annual Retaine d Import Growth	Key Constraints Over Market Development	Market Attractivenes s For USA
Fish & Seafood Products	Volume statistics not available	US$2.2 billion **Expecte d to reach US$2.5 billion in 2010**	+8.8% (value)	Major suppliers of fish and seafood products are Japan (17%), China (15%), Australia (9%) and the US (5%).	U.S. fish and seafood products are perceived as high quality and safe. 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.
Fresh Fruit	541,822 MT **Expected** **to reach 558,800 MT in**	US$613 million **Expecte d** **to reach US$691**	-0.8% (volume) +6.6% (value)	The Hong Kong fresh fruit market had negative volume growth over the past 5 years because of bad crops in some categories	U.S. fresh fruit are well known for their large variety, good quality and tastes.

	2010	**million in 2010**		Hong Kong consumers prefer fresh fruit to frozen fruit. Competition from Thailand and China is keen as these countries supply tropical fresh fruit at competitive prices. The shorter travel time for shipments from these countries to Hong Kong also render their products "fresh" to Hong Kong consumers.	U.S. was the largest supplier (25%) of fresh fruit to Hong Kong, followed by Thailand (22%). The top U.S. fruit exports to Hong Kong (in 2009) were citrus products (US$97 million), grapes (US$77 million), apples (US$47 million), cherries (US$34 million), plums, sloes & peaches (US$11 million) and strawberries (US$13 million). These U.S. products will continue to be popular among Hong Kong consumers.
Poultry Products	316,491 MT **Expected to reach 392,768 MT in 2010**	US$609 million **Expected to reach US$853 million in 2010**	-2.4% (volume) +10% (value)	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	U.S. exported US$168 million worth of chicken products to Hong Kong, accounting for 14% of the market share. U.S. products are highly regarded in food quality

				cases in the United States. Though the ban was later lifted, Brazil continues to be the largest supplier due to its price advantage and its exporters' relationships with Hong Kong importers. The depreciation of U.S. dollar attracted more imports of U.S. products to Hong Kong and market share of the U.S. grew more significantly & reached 34% in 2010. Hong Kong's certification requirements for U.S. chicken feet, which took effect in May 2005, reduced U.S. chicken feet supplies to Hong Kong. By the requirement, U.S. chicken feet are required to have ante mortem and post mortem inspection.	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.
Pork	157,850 MT **Expected to reach 147,755**	US$462 million **Expecte d to reach**	+3% (volume) +16% (value)	China and Brazil are the top suppliers of pork to Hong Kong because their products are very price competitive.	U.S. exported US$62 million worth of pork to Hong Kong, accounting for 12% of the market share.

	MT in 2010	**US$404 million in 2010**		There is a big demand for price competitive prepared/preserved meatballs and other products typical in Chinese dishes in Chinese restaurants, which are made from pork. China enjoys the advantage of low processing cost.	U.S. products are highly regarded for quality and food safety.
Processed Fruit & Vegetables	176,228 MT **Expected to reach 179,791 MT in 2010**	US$262 million **Expected to reach US$263 million in 2010**	+3% (volume) +7% (value)	The U.S. is the largest supplier (32%), closely followed by China (29%). Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.	U.S. processed fruit and vegetables are well known of their superior quality and tastes. U.S. processed fruit and vegetables such as potatoes, nuts, sweet corn, mushrooms, peaches and pineapples will continue to be in large demand in Hong Kong.
Beef, Frozen	91,829 MT **Expected to reach 100,979 MT in 2010**	US$317 million **Expected to reach US$442 million in 2010**	+20% (volume) +31% (value)	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. Bone-in beef and variety beef from the U.S. are not	U.S. exported US$69 million worth of frozen beef to Hong Kong in 2009, accounting for 17% market share. Although U.S. beef was banned in Hong Kong in 2004 and 2005, Hong Kong consumers still have high

				yet allowed in. Currently only 25 plants have been EV approved and are eligible to export beef products to Hong Kong. Short U.S. beef supplies make U.S. beef very expensive. Brazil beef took the opportunity to gain market share. Brazil beef imports grew from US$49 million in 2004 to US$211 million in 2009.	regards for U.S. beef in terms of quality and safety.
Wine	25.4 million liters **Expected to reach 24.5 million liters in 2010**	US$399 million **Expected to reach US$622 million in 2010**	+20% (volume) +59% (value)	Competition is keen in Hong Kong. Major competitors come from France and Australia. French wine is traditionally more popular in Hong Kong.	U.S. exported US$40 million of wine to Hong Kong in 2009, accounting for 8% of the market share. 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

					Hong Kong consumers are more and more receptive to wine. The total elimination of the excise tax on wine would probably help nurture wine drinking culture in Hong Kong.
Tree Nuts	85,779 MT **Expected to reach 76,308 MT in 2010**	US$397 million **Expecte d to reach US$386 million in 2010**	+19% (volume) +20% (value)	40% of the tree nuts imported to Hong Kong are pistachios. The U.S. is very strong in supplying almonds, hazelnuts and pistachios. Some of the imports are re-exported to Vietnam and China for processing.	No local production
Fruit & Vegetable Juices	18,683 MT **Expected to reach 17,986 MT in 2010**	US$25 million **Expecte d to reach US$23 million in 2010**	+0.4% (volume) -1% (value)	The U.S. is still the market leader, exported US$9.6 million worth of fresh fruit juices to Hong Kong, accounting for a market share of 32%.	Given the high quality of U.S. fruit & vegetable juices, U.S. 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 2010.
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%)	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 2010. 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. Other products such as organic meat (beef and pork), condiments, poultry, eggs etc are starting to have more interest in the

					market. There is also a strong demand for organic vegetables and fruits, organic coffee and tea products.

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
Web site: 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