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## Hong Kong

**Post:** Hong Kong

### Hong Kong Imports of U.S. Wine Set New Record 2011

**Report Categories:**

Market Development Reports

Wine

**Approved By:**

Erich Kuss

**Prepared By:**

Chris Li

**Report Highlights:**

Hong Kong imports of U.S. wines set a new record at US\$46 million in 2010, a surge of 15% over 2009. The U.S. is currently the 4<sup>th</sup> largest wine exporter to Hong Kong behind France, the UK (mainly auction sales) and Australia. In terms of U.S. wine exports, Hong Kong is set to become the 3<sup>rd</sup> largest market in 2010 after Canada and the UK, up from the 15<sup>th</sup> largest in 2007, 7<sup>th</sup> largest in 2008 and 4<sup>th</sup> in 2009. In addition to being a vibrant local market, Hong Kong also serves as a gateway to wine markets in the region because of its prime geographical location, superior logistical infrastructure and sound legal and financial system. Trade statistics indicated that Hong Kong traders re-exported 19% of wine imports from around the world and retained 81% for local consumption. Exporters of U.S. wine are encouraged to contact ATO Hong Kong or check the ATO Hong Kong website for information on upcoming trade shows and other promotion opportunities.

## SECTION I. MARKET OVERVIEW

- Hong Kong wine imports have soared since the Hong Kong Government's (HKG) elimination of its excise tax on wine in February 2008, making Hong Kong one of the few tax free markets for wine in the world.
- World wine imports into Hong Kong hit a new record in 2010, reaching US\$858 million and 37 million liters, representing an increase of 75% and 14% respectively over 2009.
- The U.S. was the 4<sup>th</sup> largest wine supplying country to Hong Kong after France, the UK (mainly auction sales) and Australia. According to official Hong Kong Government statistics, U.S. wine imports into Hong Kong reached US\$46 million and 3.6 million liters in 2010, a surge of 15% and a drop of 12% respectively over 2009. This indicates that Hong Kong imported relatively more expensive wines from the U.S. in 2010.
- According to official U.S. statistics, U.S. wine exports to Hong Kong have been even greater in 2010, having reached \$66 million through November for an increase of 138% from the same period in 2009. [**Note:** A thorough examination of the discrepancy between the data sets has not been completed. However, for consistency in comparing U.S. figures with those of other exporting countries, official HKG numbers are cited in this report.]

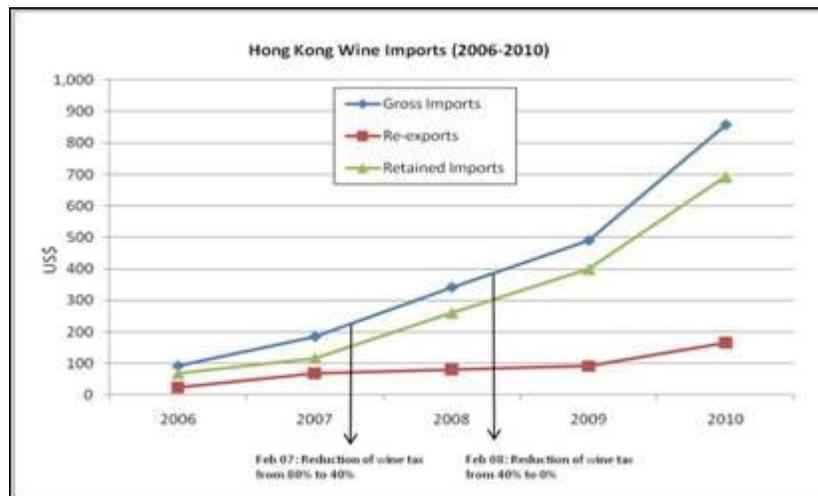
**Table 1: Hong Kong Wine Imports (Value) (HS Code: 220421)**

Country	(US\$ Million)	2006	2007	2008	2009	2010	Growth 10 v 09	Share of World (2010)	Retained Imports v Gross Imports (2010)
The World	Gross Imports	91	185	341	491	858	75%	100%	
	Re-exports	23	68	81	91	165	81%	100%	
	Retained Imports	68	117	261	399	693	73%	100%	81%
France	Gross Imports	42	99	204	270	495	83%	58%	
	Re-exports	16	51	61	68	119	74%	72%	
	Retained Imports	26	49	143	202	376	87%	54%	76%
United Kingdom	Gross Imports	5	15	22	71	123	74%	14%	
	Re-exports	1	3	1	2	3	68%	2%	
	Retained Imports	4	12	21	69	121	74%	17%	98%
Australia	Gross Imports	16	25	32	42	53	26%	6%	
	Re-exports	3	6	7	8	11	27%	6%	
	Retained Imports	13	19	25	34	43	26%	6%	80%
United States	Gross Imports	6	8	17	40	46	15%	5%	
	Re-exports	0	1	1	2	3	45%	2%	
	Retained Imports	6	7	16	38	43	14%	6%	94%
Switzerland	Gross Imports	0	2	7	8	28	266%	3%	
	Re-exports	0	0	0	0	0	23%	0%	

	Retained Imports	0	2	7	8	28	267%	4%	100%
Italy	Gross Imports	5	7	10	13	19	46%	2%	
	Re-exports	1	1	2	2	2	33%	1%	
	Retained Imports	4	6	9	11	17	48%	2%	88%
Chile	Gross Imports	7	9	12	13	17	34%	2%	
	Re-exports	1	2	2	3	4	20%	2%	
	Retained Imports	6	7	10	10	13	39%	2%	79%
China	Gross Imports	0	0	1	3	16	370%	2%	
	Re-exports	0	0	0	1	14	1189%	8%	
	Retained Imports	0	0	1	2	2	-17%	0%	12%
Germany	Gross Imports	1	1	3	4	9	166%	1%	
	Re-exports	0	1	1	1	2	20%	1%	
	Retained Imports	0	1	1	2	8	269%	1%	81%
New Zealand	Gross Imports	2	4	5	6	8	50%	1%	
	Re-exports	0	0	0	0	1	68%	0%	
	Retained Imports	2	3	5	5	8	49%	1%	93%
Total of Top 10 Suppliers	Gross Imports	84	171	313	469	815	74%	95%	
	Re-exports	22	65	76	88	157	79%	95%	
	Retained Imports	62	105	237	381	659	73%	95%	81%
Total of Rest of The World	Gross Imports	7	14	29	22	43	97%	5%	
	Re-exports	1	3	5	3	8	155%	5%	
	Retained Imports	5	11	24	18	34	87%	5%	81%

(Source: Calculations based on World Trade Atlas data)

- The following graph illustrates the impact of the elimination of the wine tax on Hong Kong imports of wine by value.



- The table below illustrates Hong Kong wine imports by volume. The growth rate by volume is significantly slower over its surging value in 2010, inferring a rising demand in higher quality and priced wines.

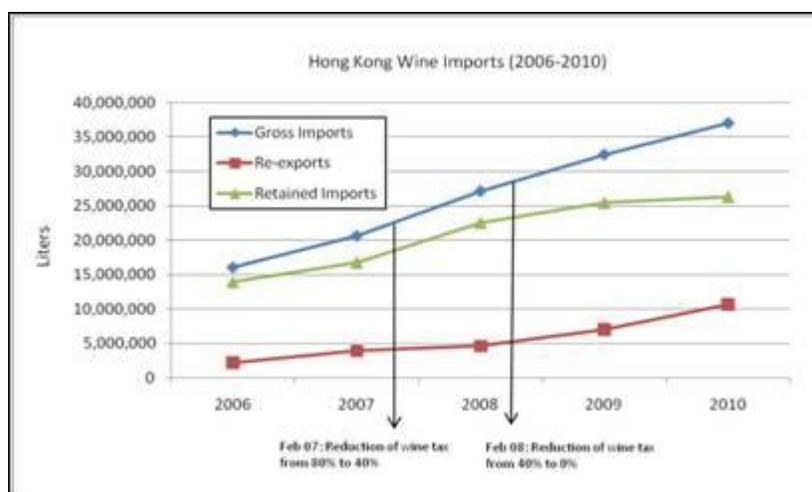
**Table 2: Hong Kong Wine Imports (Volume)**

Country	(Liters)	2006	2007	2008	2009	2010	Share in 2010	Growth 10 v 09	Retained Imports v Gross Imports (2010)
The World	Gross Imports	16,098,533	20,659,425	27,139,935	32,433,615	36,979,242	100%	14%	
	Re-exports	2,172,828	3,908,206	4,602,240	7,016,799	10,689,151	100%	52%	
	Retained Imports	13,925,705	16,751,219	22,537,695	25,416,816	26,290,091	100%	3%	71%
France	Gross Imports	5,113,588	6,519,766	8,298,338	10,503,349	13,864,740	37%	32%	
	Re-exports	1,115,070	1,909,463	2,324,981	3,482,744	6,237,573	58%	79%	
	Retained Imports	3,998,518	4,610,303	5,973,357	7,020,605	7,627,167	29%	9%	55%
Australia	Gross Imports	3,480,378	4,907,165	5,719,646	7,225,087	6,606,813	18%	-9%	
	Re-exports	428,605	886,487	816,013	1,089,250	1,532,622	14%	41%	
	Retained Imports	3,051,773	4,020,678	4,903,633	6,135,837	5,074,191	19%	-17%	77%
Chile	Gross Imports	2,177,620	2,675,371	3,733,643	3,350,718	3,783,646	10%	13%	
	Re-exports	200,142	408,607	388,052	516,745	518,262	5%	0%	
	Retained Imports	1,977,478	2,266,764	3,345,591	2,833,973	3,265,384	12%	15%	86%
United States	Gross Imports	1,750,978	1,863,266	3,625,268	4,102,374	3,600,689	10%	-12%	
	Re-exports	76,447	134,125	209,576	523,994	435,169	4%	-17%	
	Retained Imports	1,674,531	1,729,141	3,415,692	3,578,380	3,165,520	12%	-12%	88%
Italy	Gross Imports	691,072	940,436	957,298	1,607,617	2,082,687	6%	30%	
	Re-exports	93,169	133,560	186,746	315,004	334,375	3%	6%	
	Retained Imports	597,903	806,876	770,552	1,292,613	1,748,312	7%	35%	84%
Spain	Gross Imports	1,123,361	1,351,834	1,643,648	1,570,414	1,895,022	5%	21%	
	Re-exports	42,675	69,083	101,406	158,546	332,155	3%	110%	
	Retained Imports	1,080,686	1,282,751	1,542,242	1,411,868	1,562,867	6%	11%	82%
New Zealand	Gross Imports	377,249	481,485	636,686	649,447	919,706	2%	42%	
	Re-exports	19,966	41,476	29,351	38,183	45,844	0%	20%	
	Retained Imports	357,283	440,009	607,335	611,264	873,862	3%	43%	95%
Argentina	Gross Imports	400,901	667,367	494,664	823,228	895,620	2%	9%	
	Re-exports	40,039	72,941	116,075	224,695	244,575	2%	9%	
	Retained Imports	360,862	594,426	378,589	598,533	651,045	2%	9%	73%
United Kingdom	Gross Imports	165,682	198,924	294,973	658,582	762,058	2%	16%	
	Re-exports	13,446	16,229	11,884	34,089	34,814	0%	2%	
	Retained Imports	152,236	182,695	283,089	624,493	727,244	3%	16%	95%
South	Gross Imports	275,636	381,137	456,633	570,195	590,163	2%	4%	

Africa	Re-exports	15,334	66,517	58,447	69,435	84,139	1%	21%	
	Retained Imports	260,302	314,620	398,186	500,760	506,024	2%	1%	86%
Total of	Gross Imports	15,556,465	19,986,751	25,860,797	31,061,011	35,001,144	95%	13%	
Top 10	Re-exports	2,044,893	3,738,488	4,242,531	6,452,685	9,799,528	92%	52%	
Suppliers	Retained Imports	13,511,572	16,248,263	21,618,266	24,608,326	25,201,616	96%	2%	72%
Total of	Gross Imports	542,068	672,674	1,279,138	1,372,604	1,978,098	5%	44%	
Rest of	Re-exports	127,935	169,718	359,709	564,114	889,623	8%	58%	
The World	Retained Imports	414,133	502,956	919,429	808,490	1,088,475	4%	35%	55%

(Source: Calculations based on World Trade Atlas data)

- The following graph illustrates the growth in the volume of Hong Kong's wine imports.



- Outlook for 2011:** According to auction house Acker Merrall & Condit (Asia) Ltd., Hong Kong has now overtaken New York as the world's largest wine auction center. Its vibrant local market and prime geographic location serve as a platform for growing wine trade in other Asian markets. Hong Kong re-exported 19% by value of its wine imports and retained 81% for local consumption (please refer to Table 1). To help the industry better grasp the business opportunities in the Mainland, the Hong Kong Government (HKG) has signed an agreement with the General Administration of Customs to facilitate exports of wines from Hong Kong to Mainland China. The measures were implemented on a trial basis in Shenzhen in the second quarter of 2010. For more details on these measures, please refer to the following website:  
<http://www.info.gov.hk/gia/general/201002/09/P201002090213.htm>
- U.S. wine is well known in Hong Kong for being a quality product, but at an affordable price. This is partly attributed to the depreciation of the U.S. dollar in the past few years and aggressive promotional efforts by the U.S. Agricultural Trade Office, the U.S. Wine Institute and U.S. wine distributors in the market. Opportunities to increase awareness and sales of U.S. wines are bountiful at the retail and food service level. Wine promotions at leading retail outlets, wine seminars, tastings, food pairings and trade shows are effective means to promote U.S. wines (please also refer to Section VI of this report).

- Growth of U.S. wine imports was 135% in 2009 but according to HKG statistics slowed down to 15% in 2010. A key reason for the slowed growth was keen competition for other wine exporting countries. In particular, French and Australian interests strongly promoted their wines throughout the year. Conducting more promotions to increase consumers' knowledge and interest on US wines will help gain more market shares in Hong Kong.

## **SECTION II. COMPETITION**

- French wine still dominates the market, accounting for 54% of total retained wine imports value and 29% of import volume in 2010 (please refer to Table 1). However, New World wines, including those from the U.S. continue to gain popularity and growth in the market.
- The growth of New World wines is attributed to the boom of the wine appreciation culture and consumers beginning to realize that they can buy high quality New World wine at competitive prices.
- It should be noted that wine represents a much larger portion of France's overall food and beverage exports (~70%) to Hong Kong when compared to the United States (slightly over 1%). Thus French wines may continue to enjoy substantial marketing resources to maintain and grow market share given the relative importance of the wine industry to its overall food and beverage trade.

## **SECTION III. MARKET SECTOR OPPORTUNITIES AND THREATS**

### **Consumption Patterns Driving the Market**

- Most consumers believe that drinking about two glasses of wine a day is beneficial to health and that is a major influence on the boom of the wine market in Hong Kong.
- Trade statistics revealed that Hong Kong consumers prefer red wine to white wine. In 2010, gross imports of red wine were US\$826 million, constituted 96% of total wine imports into Hong Kong. In contrast, gross imports of white wine were only US\$29 million (3.4% of total wine imports). Wine traders and retailers pointed out that it is because they like the flavor of the wine, the color of the wine and more perceived health benefits associated with drinking red wine.
- Hong Kong wine traders are cautiously optimistic about the wine market. As Hong Kong wine imports have reached a larger base, traders expect a slightly slower growth in wine imports in 2011.
- Cabernet Sauvignon, Merlot and Shiraz are the three most popular grape varieties for red wine in Hong Kong. Together they accounted for around 80% of total volume sales. Of these, Cabernet Sauvignon is the most popular, accounting for around 50% of total red wine sales.
- For white wine, Chardonnay is the most popular grape type, accounting for over 60% of total white wine sales.

## **Sales Channels**

- Hong Kong's retail markets, such as supermarkets, specialty stores and convenience stores, account for approximately 60% of the wine sales in terms of volume, and 40% in value terms. The remainder is sold through the restaurants and bars. Generally, wine mark-ups are high in the food service market, resulting in prices being three to four times higher than in the retail market.

## **Retail Market**

- Supermarkets account for the greatest share of wine volume sales among retailers, accounting for 50% of all retail sales. The two largest supermarket chains – Wellcome Supermarkets (253 outlets) and ParknShop (260 outlets), because of their large turnovers, usually import wine directly from overseas suppliers to reduce middlemen's mark-ups. Therefore they can price their wines more competitively to their customers, who are generally more price-conscious and rank wine quality, country-of-origin and age as secondary for importance in selection.
- Wine specialty stores account for 35% of wine retail sales. Watson's Wine Cellar is largest wine specialist in Hong Kong with 13 outlets. Specialty stores serve a consumer group who pay more attention to wine quality, country of origin, and age, rather than just price. Wine specialty stores offer greater opportunities for moderate and high price point U.S. wine. Other high-end retailers such as Oliver's, Three-Sixty, Taste, Market Place by Jasons...etc that also carry higher priced wines, but at a much smaller scale due to their fewer number of outlets.

## **Restaurant and Bar**

- Price points of wine sold in restaurants and bars vary according to the overall price point of the outlet. A glass of low-end wine normally costs between US\$4-9, whereas a medium-end one costs US\$8-20 and a high-end one costs US\$20 and above. As is the case almost anywhere, the higher-end the restaurant, the more premium the wine it will serve and vice versa.
- Restaurants in Hong Kong normally charge a high mark-up on wine consumption. Restaurants that allow customers to bring their own wine charge high corkage fees around US\$25-38 per bottle.
- Since the abolishment of the wine tax in February 2008, many restaurants and hotels have launched more wine-tasting classes and special promotions. These activities have supplemented sales promotions at the retail market in an effort to spread the wine appreciation culture and increase the demand for more fine wines. U.S. suppliers of high price point wines should expect more opportunities and target this market segment.

## **SECTION IV. PRICING**

### **Retail Price Segments**

- The abolition of its wine tax has created intense competition in the Hong Kong wine market, placing downward pressure on retail prices of wines. A study of the wines available at the two largest local supermarket chains revealed the 57% of the red wines on offer were priced below US\$13, 35% were priced between US\$13-26 and only 8% were priced above US\$26.
- As for white wines, 62% were priced at below US\$13, 33% were priced between US\$13-26 and only 5% were priced above US\$26.
- To see a list of popular wines available in the Hong Kong retail market and their retail prices, please visit the websites of the two leading supermarkets and the leading wine specialist:

Wellcome Supermarket      <http://shop.wellcome.com.hk/>

ParknShop                      <http://www1.parknshop.com/WebShop/Home.do>

Watson's Wine Cellar        <http://www.watsonswine.com/>

*(Note: Retail prices of wine you can find on their websites are based in Hong Kong dollars and US\$1 equals to approximately HK\$7.8.)*

## **SECTION V. MARKET ACCESS**

For information on Hong Kong's import regulations on wine, please refer to GAIN Report #HK0033. (This report is available at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>)

## **SECTION VI. ENTRY AND MARKETING STRATEGY**

For new-to-market wineries that wish to enter the Hong Kong market, the following approaches are recommended:

- One-on-one meetings with potential importers: Most local importers are interested in meeting new-to-market exporters in a private environment. A list of local wine importers is available by contacting our Agricultural Trade Office in Hong Kong.
- Exhibiting in a local trade show: There are trade shows in Hong Kong for U.S. wine exporters to showcase their high quality wine to buyers from Hong Kong, Macau, China and the region.
- For information on Hong Kong's major food and beverage trade shows in 2011, please refer to GAIN Report #HK0029. (This report is available at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>)
- Participating in wine promotional activities: The Agricultural Trade Office in Hong Kong organized, co-organized with other U.S. wine promotional associations or participated in promotional activities such as seminars, wine tastings, receptions, food pairings and trade

shows to promote U.S. wines. You can contact our office to check out the dates of confirmed activities and see if you may be able to participate in those activities. Below please find some photos taken at these activities for your reference:



Tasting of California wine at Watermark Restaurant



Tasting of California wine at Harbor Grand Hong Kong Hotel



Reception at ATO Director's Residence



Promotion of US wine at American Club



Vinexpo 2010



Promotion of US wine at American Food Festival at ParknShop



Promotion of US wine at Jusco Stores



Promotion of US wine at New Yaohan Department Store



Hong Kong Wine & Dine Festival



Hong Kong Int'l Wine & Spirits Fair



US wine tasting at Hong Kong Int'l Wine & Spirits Fair



US wine at Great American BBQ

## **SECTION VII. KEY CONTACTS AND FURTHER INFORMATION**

- U.S. wine suppliers, traders, exporters...etc seeking marketing information pertaining to food and beverage import regulations, promotional opportunities, trade inquiries and marketing assistance are welcomed to contact ATO Hong Kong at:

### **U.S. Agricultural Trade Office Hong Kong**

18 St. John's Building  
33 Garden Road, Central  
Hong Kong  
Tel: (852) 2841-2350  
Fax: (852) 2845-0943  
E-mail: ATOHongKong@usda.gov  
Website: <http://www.usfoods-hongkong.net>

- The Wine Institute of California also has a local representative in Hong Kong who assists its members in promoting U.S. wines in Hong Kong and Macau:

### **Wine Institute**

Mr. Phillip C. Holloway  
Ringe Marketing Service Limited  
Room 401, Dannies House  
20 Luard Road, Wanchai  
Hong Kong  
Tel: (852) 2366-3089  
Fax: (852) 2722-6300  
E-mail: ringe@netvigator.com