

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary  Public

**Date:** 8/23/2013

**GAIN Report Number:** HK1333

## Hong Kong

**Post:** Hong Kong

### Product Brief - Tree Nuts in Hong Kong

**Report Categories:**

Tree Nuts

Product Brief

Market Development Reports

Market Promotion/Competition

**Approved By:**

Erich Kuss

**Prepared By:**

Annie Lai

**Report Highlights:**

Despite being a city with a population of 7.2 millions in an area only six times the size of Washington D.C., Hong Kong carries the reputation of one of the top markets for U.S. tree nuts exports. While a large part of these tree nuts is re-exported to other countries, Hong Kong itself is a vibrant market and a gateway to Mainland China. Hong Kong consumers, with a root of Chinese culture and acceptance of western way of living, have a history of consuming nuts as snacks and gifts. Nowadays, as health consciousness is growing in the region, Hong Kong consumers also eat tree nuts as part of their healthy diet. A major tree nuts grower and exporter in the world, the U.S. made its way into being the top tree nuts supply country to Hong Kong in 2007 continues to maintain the greatest market share by a large margin. This report provides an overview of the

Hong Kong tree nuts market, the business opportunities and the challenges in entering the market. Exporters of U.S. tree nuts are encouraged to contact ATO Hong Kong or check the ATO Hong Kong website for information for promotion opportunities.

## SECTION I. MARKET OVERVIEW

### Shipment Figures

Hong Kong is the top market of U.S. tree nuts exports surpassing the second and third markets, Spain and Germany, by a significant percentage.

**Table 1: U.S. Tree Nut Exports**

United States Export of Tree Nuts to the Top 10 Markets and Rest of World					
Tree Nuts					
Export Markets	Export Values in US Dollars				
	2008	2009	2010	2011	2012
World Total	3,137,670,259	3,479,823,498	4,184,592,873	5,025,927,240	6,087,484,542
1. Hong Kong	292,797,178	581,480,863	653,473,022	819,824,034	1,219,677,147
2. Spain	353,973,111	300,689,747	328,183,765	414,134,844	416,052,008
3. Germany	282,676,273	248,200,465	312,193,157	363,640,416	403,709,874
4. China	84,490,085	140,369,505	140,914,596	197,024,544	390,407,216
5. Canada	211,584,332	188,503,930	234,943,430	305,073,253	348,883,744
6. India	186,621,582	188,775,000	242,494,793	306,123,506	327,803,207
7. Japan	172,327,028	162,207,308	217,669,855	230,950,980	281,606,053
8. United Arab Emirates	90,287,580	155,372,274	233,488,165	252,792,736	230,814,812
9. Turkey	88,493,642	154,607,509	184,663,682	223,367,770	228,133,545
10. Netherlands	149,861,675	159,912,069	200,911,342	216,805,522	226,852,600
Total of Top 10 Markets	1,913,112,486	2,280,118,670	2,748,935,807	3,329,737,605	4,073,940,206
Total of Rest of World	1,224,557,773	1,199,704,828	1,435,657,066	1,696,189,635	2,013,544,336

(Source: Global Trade Atlas)

Not all U.S. tree nuts exported to Hong Kong are consumed in the domestic market. As a purchasing hub, Hong Kong re-exports over half of its imported tree nuts to other markets with Vietnam, China and Taiwan being the top three re-export markets in 2012. Table 2, which details Hong Kong imports and retained imports, provides a clearer picture of how much tree nuts Hong Kong consumes:

**Table 2: Hong Kong Tree Nut Imports and Re-Exports**

Hong Kong Imports and Retained Imports from World					
Tree Nuts					
Supplying Countries		Value (US\$)			Percentage of Imports Retained in HK in 2012
		2010	2011	2012	
World	Gross Imports	1,208,788,841	1,287,436,505	1,688,260,562	
	Re-Exports	489,388,818	842,316,386	917,456,709	
	Retained Imports	719,400,023	445,120,119	770,803,853	45.66%
1. United States	Gross Imports	736,014,767	929,154,881	1,227,948,865	
	Re-Exports	319,364,139	612,392,236	730,747,382	

	Retained Imports	416,650,628	316,762,645	497,201,483	40.49%
2. Iran	Gross Imports	360,440,408	206,357,236	267,082,975	
	Re-Exports	125,723,324	101,415,029	130,265,075	
	Retained Imports	234,717,084	104,942,207	136,817,900	51.23%
3. South Africa	Gross Imports	23,139,381	43,870,299	67,493,743	
	Re-Exports	5,935,618	8,074,180	4,175,966	
	Retained Imports	17,203,763	35,796,119	63,317,777	93.81%
4. Mexico	Gross Imports	27,656,998	26,863,264	35,415,918	
	Re-Exports	878,246	2,068,446	2,339,425	
	Retained Imports	26,778,752	24,794,818	33,076,493	93.39%
5. China	Gross Imports	7,791,997	12,101,804	14,691,353	
	Re-Exports	9,277,436	12,276,238	13,182,192	
	Retained Imports	(1,485,439)	(174,434)	1,509,161	10.27%
Others	Gross Imports	53,745,290	69,089,021	75,627,708	
	Re-Exports	28,210,055	106,090,257	36,746,669	
	Retained Imports	25,535,235	(37,001,236)	38,881,039	51.41%

(Source: Calculation based on Global Trade Atlas data)

The breakdown by item of retained imports in the Hong Kong market indicates the preferences of Hong Kong consumers. Pistachios are very popular during Chinese New Year, the biggest festival of the year, and shelled almonds are widely used in bakery chains and for snacking. These two items hence are ranked first and second of retained imports in Hong Kong.

**Table 3: Hong Kong Tree Nut Consumption**

<b>Breakdown of Retained Imports from World to Hong Kong (by Value)</b>			
Description	2010	2011	2012
	Value (US\$)		
All Tree Nuts Retained Tree nuts in Hong Kong	719,400,023	445,120,119	770,803,853
<i>Figures of the leading Items:</i>			
Pistachios, In Shell or Shelled	346,370,710	180,968,174	307,826,677
Almonds, Shelled	100,191,607	114,457,173	123,352,797
Nuts Nesoi, Fresh Or Dried, Shelled Or Not	99,148,758	64,985,125	114,724,998
Almonds, In Shell	59,028,359	16,738,406	81,744,067
Walnuts, In Shell	53,531,847	55,650,232	81,398,413
Macadamia Nuts, In Shell or Shelled	11,228,936	22,067,932	32,266,100
Walnuts, Shelled	9,111,246	10,022,579	8,666,364
Cashew Nuts, Fresh Or Dried, Shelled	7,383,246	9,760,208	7,517,773

(Source: Calculation based on Global Trade Atlas data)

**Table 4: Types of U.S. Tree Nuts Consumed in Hong Kong**

<b>Breakdown of Retained Imports from the U.S. to Hong Kong (by Value)</b>			
Description	2010	2011	2012
	Value (US\$)		
All Tree Nuts Imported from the U.S. Retained in Hong Kong	416,650,628	316,762,645	497,201,483

<i>Figures of the leading Items: _____</i>			
Pistachios, In Shell or Shelled	123,840,626	114,142,249	167,026,518
Almonds, Shelled	95,567,970	114,232,812	121,490,709
Almonds, In Shell	58,636,061	24,591,932	87,391,288
Walnuts, In Shell	51,321,325	57,206,306	72,045,969
Nuts Nesoi, Fresh Or Dried, Shelled Or Not	59,725,236	20,137,296	43,931,903
Walnuts, Shelled	7,697,376	9,395,493	5,890,059
Hazelnuts Or Filberts, Fresh Or Dried, In Shell	19,065,289	(17,939,613)	5,228,284
Hazelnuts Or Filberts, Fresh Or Dried, Shelled	680,586	268,709	239,046
Cashew Nuts, Fresh Or Dried, Shelled	107,296	410,213	(57,990)
Macadamia Nuts, In Shell or Shelled	(226,463)	(1,845,062)	(3,049,318)

(Source: Calculation based on Global Trade Atlas data)

### ***Consumers Behaviors***

Hong Kong consumers are increasingly health conscious. Back in the 1980s, tree nuts were mainly perceived as a delicious snacks as promoted in TV commercials and other advertisements. Today, local distributors tout the health benefits of tree nuts in addition to their brand building programs. Promoting staff at promotion stands are educated with health related selling points.

U.S. food products enjoy an excellent reputation among Hong Kong consumers as they are renowned for high quality and food safety standards. As the 6th largest export market of U.S. exports of agricultural products, Hong Kong carries a high potential for quality products from the United States. Many department stores and supermarkets hold U.S. food festival annually or periodically to promote new and existing U.S. food products.

Hong Kong tree nut consumption is concentrated during the winter season, particularly during Chinese New Year. During this period, nuts are bought as gifts and as snacks to serve visiting guests. Therefore over 50% of import values of tree nuts are recorded during the October to December period. The retail sales of tree nuts are also most active between December to Chinese New Year in January or February. There is also year-round consumption for bakery use and retail sales.

## **SECTION II. COMPETITION**

While the U.S. remains the top supplier of tree nuts to Hong Kong in recent years, other countries continue to provide competition for U.S. products.

### ***Pistachios - Iran***

The most vigorous competition lies in pistachios where Iran is the second largest supplying country, taking up 41.8% of pistachios gross import value to Hong Kong and following closely behind the U.S. (56.4%) in 2012. In fact 2011 was the first time since 1998 that U.S. surpassed

Iran in supplying pistachios to Hong Kong. Iran's pistachios are known for their crispiness and sharp taste that suit the Chinese palate. Importers believe the trend of increasing U.S. pistachios would sustain if the supply side is stable and marketing efforts are continuously put to strengthen the positioning.

### **Macadamias – South Africa and Australia**

Although macadamias is translated into "Hawaiian nuts" in Chinese, most macadamias in Hong Kong are not from Hawaii. South Africa is the top supplier taking up 67.6% of gross import values of macadamias into Hong Kong in 2012. At the retail level, consumers are familiar with Australian macadamia nuts, especially the ones flavored with abalone. In fact, Australia has put significant marketing efforts in exporting tree nuts in recent years, and their products are easily seen at retail and wholesale markets.

### **Walnuts – China and Others**

The United States, Chile, Australia and China are four major suppliers of Walnuts to Hong Kong. While U.S. is the top supplier of walnuts to Hong Kong, Chinese walnuts are well known at consumer level especially to the older generation. Older Chinese have a long established habit of eating walnuts and they believe walnut is a "brain food" as it resembles the shape of the brain. The genuine health benefits and product strengths of U.S. walnuts are to be further conveyed to consumers.

### **Pecans – Mexico and Others**

While there is no specific statistical figures on pecans nuts, according to a major local importer, Mexico is an active supplier of pecan nuts. This has become a potential threat to U.S. pecans, which are difficult for Hong Kong importers to handle because of the plants' long distance from ports, fluctuation in prices, and variation in quality. Australian pecans are also found at the retail market.

### **Cashews – India and Vietnam**

Though the U.S. is not an active exporter in cashew nuts, cashew nuts are widely consumed by the Chinese population and are a substitution to other tree nuts. Cashew nuts consumed in Hong Kong are mainly from India and Vietnam. The regular consumption involves snacking and as cooking ingredients for Chinese dishes; seasonal consumption is concentrated around Chinese New Year.

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

The food manufacturing industry is not significant in Hong Kong as many manufacturers have chosen China to locate their manufacturing arms in order to save costs. Therefore tree nuts in Hong Kong are consumed mainly for direct consumption such as snacks and gifts, and ingredients for baking and cooking.

## **Retail Market**

### **Regular Packaged Retail Items**

While many retail tree nut items are shipped to Hong Kong in the formats of tins, jars and pouches, some retailers and distributors repack their own labels in Hong Kong or in other Asian countries. Repacking in Hong Kong requires licenses. Exporters interested in repacking need to check with the clients for their licenses and conditions of repacking units.

The two dominant supermarket chains in Hong Kong, ParknShop and Wellcome Supermarket with over 260 outlets each, account for about 80% of all supermarket turnovers in Hong Kong. The number of SKUs in the two major supermarket chains adds up to 85 supplied by 25 different brands, and some of these brands or items were newly added in 2012-2013. Out of all items, 73 SKUs are snacks and 12 SKUs are baking ingredients. Breakdown by type is listed below\*:

**Table5 : Retail Variety in Hong Kong**

<i>Type of Tree Nuts</i>	<i>Number of SKUs</i>	<i>Average Pack Size</i>	<i>Biggest Pack</i>	<i>Smallest Pack</i>
Almonds (Natural, Salted, Flavored, Chopped, Sliced)	24	168g	454g	85g
Cashews (Salted, Unsalted, Raw)	20	220g	454g	30g
Macadamias (Salted, Flavored)	12	119g	170g	85g
Mixed Nuts	11	206g	280g	36g
Roasted Pistachios Salted	10	233g	454g	100g
Walnuts (Natural)	6	148g	227g	100g
Pecans	2	125g	150g	100g

*\*Information taken from websites of ParknShop and Wellcome Supermarket in July 2013*

Other than the two major supermarket chains, active channels for retailing of tree nuts include other supermarket chains, department stores, concept stores, and convenience stores. Department stores and concept stores especially welcome special products and innovative ideas, and in these stores, there are a number of promotional stands with staff reaching out and giving samples to shoppers.

Convenience stores are dominated by two chains that operate over 900 and 400 outlets respectively. While turnover is huge for popular impulsive items, the operational cost is high and suppliers are expected to contribute to and support the stores for traffic-drawing promotional programs such as trendy item redemptions to attract young shoppers and counter-top deep cut sales to push new-to-market products.

### **Seasonal Retail Items**

The peak sales season of tree nuts in Hong Kong is during December to February when consumers shop for Chinese New Year. The Chinese name of pistachios carries the meaning of "happiness", and they are particularly popular during festive seasons as snacks for gathering and as gifts to bless one another. Other nuts are also consumed for the same purposes during this time of the

year. The most commonly seen formats are value packs and gift packs.

- Value Packs: For Hong Kong consumers, pack size of one pound or more are considered to be large. These larger packs would be placed in prominent areas in supermarkets during the festive seasons.
- Gift Packs: As consumers are getting more health conscious, nut gifts are becoming more popular and are getting a place in the market where candy gifts used to dominate.

#### Loose Pack Nuts for Retail

Some snack shops, supermarkets and department stores sell nuts by weight. These nuts are not brand specific and are generally priced lower compared to the packaged branded ones. Some shops roast the nuts locally adding flavors that are appealing to the local consumers.

Hong Kong consumers would make trips to Chinese grocery stores and Chinese drug stores to shop for dried seafood such as dried scallops and shark fin during Chinese New Year and Mid Autumn Festival (around September or October according to the lunar calendar), and therefore these stores also sell loose nuts, mainly pistachios and some almonds, especially during Chinese New Year to capture more sales opportunities.

#### **Food Service**

##### Portion Packs for Hospitality Industry

- Airlines: Since tree nuts are of higher value, airlines usually serve nuts in business class and first class only. Package size and material need to meet the specific requirement of the airlines. Most of the time airlines will require tailor made items and will invite qualified suppliers to bid for periodic tenders. These suppliers are usually local distributors.
- Hotels: Due to the growing tourism industry in Hong Kong and especially in Macau, hotels are expanding and active in sourcing products suitable for customers use. Tree nuts packs or tins are served in hotel mini bars. Some hotels also use tree nuts for their in-house bakery shop and restaurants & bars.

##### Ingredients for Bakery Chains and Shops

Hong Kong consumers eat breads for breakfast. Bakery chains hence locate their shops at prime spots such as subway stations, residential areas or office centers to capture consumers on the way to schools and offices. Walnuts are one increasingly popular ingredient in breads.

In addition to bread, these bakery chains also make cakes and seasonal pastries such as moon cakes and Chinese cookies with some nuts as ingredients. Almond slices, dices, meal and shelled walnuts are major items in bakery. Some high end shops use hazelnuts, macadamias and pistachio meats.

## **SECTION IV. PRICING**

Table 6 shows the price points of different types of nuts in the two major supermarket chains\*.

Exporters need to bear in mind that the prices cover retailers' margin (often over 30%) and distributors' margin which varies among different distributors. Some distributors build in the advertising and promotional costs into the margin, and some would work with budgets provided by the brand owners.

**Table 6: Price Variation at the Retail Level in Hong Kong**

Type of Tree Nuts	Average Price Per LB (USD)	Price of Most Expensive Item Per LB (USD)	Price of Least Expensive Item Per LB (USD)
Almonds	13.02	18.56	8.47
Cashews	13.33	24.64	8.98
Macadamias	27.43	37.00	20.49
Mixed Nuts	12.41	19.71	5.81
Pistachios	10.91	14.56	8.47
Walnuts	17.26	22.62	10.26
Pecans	25.04	26.80	23.28

\*Information taken from websites of ParknShop and Wellcome Supermarket in July 2013

## **SECTION V. MARKET ACCESS**

There are no tariffs or duties for tree nuts in Hong Kong.

Exporters may choose to contact retailers directly or appoint a distributor to represent them. For tree nuts in Hong Kong, most distributors may take up the following work for exporters:

Retail products:

- Develop a marketing plan that will involve distribution of products to multiple channels.
- Handle repacking and labeling locally.
- Provide merchandizing service that sometimes is required by retailers.
- Organize in-store promotion which involves logistic issues and hiring of local staff.

Ingredients in bulk:

- For exporters who wish to sell ingredients to bakery chains, ingredients sales are always done by contracts which often will involve a tendering process. Some experienced distributors are familiar with the tendering process and the documentation involved.

Exporters should also take into account of the following environment in Hong Kong.

### Storage, Packaging and Quality

The weather in Hong Kong is generally humid. In eight months of 2012, the average relative

humidity was over 80%. Storage conditions in Hong Kong are generally less favorable to tree nuts as they are in the United States. Due to small home sizes, consumers usually do not have large refrigerators or cool storage facilities. The risk of nuts turning rancid or losing crispiness is relatively high. The situation is similar with the food service sector where some nuts are packed in boxes without liners or with liners unsealed. Exporters therefore should take into account investments for packaging technologies such as nitrogen flushing and vacuum sealing.

#### Buyers Purchasing Preference of Products

Buyers of supermarkets, bakery chains, and wholesalers are the key persons to make purchase decision. There are things exporters need to be aware of when dealing with these decision makers:

- Importers state that quality of almonds is generally up to the industry's expectation when products reach the USDA standard; however for walnuts and pecans, since the grading is comparatively broad and also the products are vulnerable to oxidation due to its high oil content, buyers are more cautious and would often request a bigger quantity of samples at the stage of evaluating the products.
- Particularly for walnuts, Hong Kong buyers usually prefer light colored meats, and color variation sometimes causes disputes in goods receiving.
- The food industry is cautious about food safety and reliability of origin. This generally has become an advantage for U.S. products, but clients might request many supporting certificates, lab test reports and a number of declaration forms to be filled out properly. Sometimes a generic specification may not cover all requirements. Exporters need to be supportive and provide the required documents in time.

#### Food Labeling Law

The Hong Kong nutrition labeling regulation took effect on July 1, 2010. While U.S. products also carry nutrition information, the requirements of the Hong Kong government differ from the U.S.' and some products would need re-labeling. In addition, tree nut is listed as an allergen and must be specified in the ingredient list in the required format, and some health claims that are legitimate in the U.S. are not acceptable in Hong Kong or need to be expressed in different ways. Most distributors and retailers have the experience and facilities to handle re-labeling, but it involves costs and might negatively affect the aesthetic presentation of the packaging. For detailed information on the labeling law, please refer to the FAIRS Report available at: <http://usfoods-hongkong.net/res/mns/00191/HK1233.pdf>

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

For new-to-market tree nuts exporters 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 nuts 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. nuts exporters to showcase their high quality foods to buyers from Hong Kong, Macau, China and the region. For information on Hong Kong's major food and beverage trade shows in 2013, please refer to GAIN Report: <http://usfoods-hongkong.net/res/mns/00195/HK1243.pdf>
- *Participating in food promotional activities:* The Agricultural Trade Office in Hong Kong organized, co-organized with other U.S. food and beverage associations or participated in promotional activities such as seminars, food tastings, receptions, and trade shows to promote U.S. nuts. 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. You may find some photos of these activities at our website: [http://usfoods-hongkong.net/photo\\_gallery.php](http://usfoods-hongkong.net/photo_gallery.php)

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

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

The Almond Board of California and American Pistachio Growers also have representatives in Hong Kong. Please contact ATO Hong Kong for more information.