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## Hong Kong

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### Retail Food Sector Annual 2014

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Retail Foods

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**Report Highlights:**

Total retail sales of food and drinks in Hong Kong for 2013 reached US\$10.75 billion, representing a sound growth of 5.4% over 2012. Hong Kong imports of high value food products from the U.S. reached US\$4 billion in 2013, consolidating our position as the leading food supplier to Hong Kong. It is expected that Hong Kong will maintain its position as one of the top 5 markets for U.S. consumer ready food products in 2014, as it continues to be a major buying center and transshipment point for other markets in the region. Economic growth in Hong Kong is forecast to be 3.5% in 2014. 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.

## SECTION I. MARKET OVERVIEW

### Food Imports

- Due to limited land resources and having a population of 7.2 million, Hong Kong relies on imports for over 95% of its food supply. According to the latest statistics (for 2012) of the Agricultural Fisheries and Conservation Department, the local agricultural industry produced US\$98 million worth of products. That included US\$32 million in crop production (mainly vegetables), US\$34 million in livestock production, and US\$32 million in poultry production. Local production accounted for 1.9 percent of fresh vegetables, 59.5 percent of live poultry and 7.1 percent of live pigs consumed in the territory.
- 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 (2009-2013) of Consumer Oriented Agricultural Products (COAP) & Seafood**

Country	(in US\$ Million)	2009	2010	2011	2012	2013	Growth 13 v 12	Share in 2013	% of Re-exports of Gross Imports
World	Gross Imports	12,232	14,641	17,664	18,166	20,574	13%	100%	27%
	Re-exports	3,810	4,404	5,140	5,185	5,587	8%	100%	
	Retained Imports	8,423	10,237	12,524	12,981	14,987	15%	100%	
United States	Gross Imports	1,983	2,779	3,370	3,450	3,999	16%	19%	31%
	Re-exports	752	1,155	1,619	1,476	1,248	-15%	22%	
	Retained Imports	1,231	1,624	1,751	1,974	2,752	39%	18%	
China	Gross Imports	1,955	2,205	2,652	3,044	3,439	13%	17%	30%
	Re-exports	324	380	494	747	1,034	39%	19%	
	Retained Imports	1,631	1,825	2,158	2,298	2,404	5%	16%	
Brazil	Gross Imports	1,576	1,420	1,650	1,645	2,254	37%	11%	29%
	Re-exports	738	658	551	540	658	22%	12%	
	Retained Imports	838	763	1,099	1,105	1,596	44%	11%	
Netherlands	Gross Imports	323	387	666	860	1,150	34%	6%	11%
	Re-exports	95	91	111	100	129	29%	2%	
	Retained Imports	228	295	555	761	1,021	34%	7%	
France	Gross Imports	437	678	986	815	837	3%	4%	24%
	Re-exports	114	160	215	190	199	5%	4%	
	Retained Imports	323	517	771	625	639	2%	4%	
Australia	Gross Imports	686	666	771	812	835	3%	4%	15%
	Re-exports	92	84	80	99	123	24%	2%	
	Retained Imports	593	582	691	712	712	0%	5%	
Thailand	Gross Imports	575	511	568	612	641	5%	3%	59%
	Re-exports	349	286	312	358	377	5%	7%	

	Retained Imports	226	224	256	254	264	4%	2%	
Japan	Gross Imports	709	973	958	870	947	9%	5%	6%
	Re-exports	44	51	51	45	58	29%	1%	
	Retained Imports	665	923	908	826	889	8%	6%	
Canada	Gross Imports	313	394	402	379	529	40%	3%	16%
	Re-exports	104	132	96	78	87	11%	2%	
	Retained Imports	209	262	306	301	443	47%	3%	
Chile	Gross Imports	242	260	373	425	434	2%	2%	66%
	Re-exports	154	181	279	314	284	-10%	5%	
	Retained Imports	88	79	94	110	150	36%	1%	
Total of Top 10 Suppliers	Gross Imports	8,799	10,274	12,396	12,912	15,064	17%	73%	28%
	Re-exports	2,765	3,179	3,807	3,947	4,196	6%	75%	
	Retained Imports	6,034	7,095	8,589	8,965	10,868	21%	73%	
Total of Rest of World	Gross Imports	3,434	4,366	5,268	5,254	5,510	5%	27%	25%
	Re-exports	1,045	1,225	1,333	1,238	1,391	12%	25%	
	Retained Imports	2,389	3,141	3,935	4,016	4,119	3%	27%	

(Source: Calculations based on Global Trade Atlas data)

(Retained Imports = Gross Imports into Hong Kong – Re-exports out of Hong Kong)

- 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. 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 2013. Major import items included red meats, fruits, poultry meat, seafood and tree nuts.
- Thanks to the growing economy and strong demand from local consumers and tourists, total retained imports of consumer-oriented agricultural products (COAP) and Seafood products in Hong Kong managed to grow by 15% in 2013.
- The U.S. consolidated its position as the largest supplier of COAP and Seafood products to Hong Kong in 2013. Retained imports of these products from the U.S. and its closest competitor China in 2013 were US\$2.8 billion and US\$2.4 billion, representing market shares of 18% and 16% respectively.
- Hong Kong’s status as a gateway for trade with other markets in the region is increasingly opening up greater avenues for U.S. high value food products. In 2013, Hong Kong imported over US\$20 billion COAP and Seafood from the world and re-exported 27% of these products.

## Economy

- With the continued influx of investment, particularly from Mainland China, Hong Kong’s economy continued to grow in 2013. GDP and per capita GDP grew by 4.2% and 3.7%, and reached US\$272 billion and US\$37,859 respectively in 2013.

**Table 2 – Hong Kong: Gross Domestic Product and GDP per capita**

	2012	2013	Growth 13 vs 12
GDP	US\$261 billion	US\$272 billion	+4.2%
GDP per capita	US\$36,504	US\$37,859	+3.7%

(Source: Hong Kong Census & Statistics Department, US\$1=HK\$7.8)

**Outlook of the Retail Food Sector in 2014**

- The outlook for food imports and spending on food is less optimistic as the Hong Kong economy is expected to grow at a slower pace at 3.5 percent in 2014. However, U.S. agricultural products are well known in the market for their good taste and quality. In addition, the peg between U.S. dollar and HK dollar will provide much needed foreign exchange stability which will make buying U.S. products more advantageous.

**Table 3 – Hong Kong:  
Summary of the Key Strengths and Challenges for the Market**

Strengths	Weaknesses
Hong Kong 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 and beverage (HVFB) products to Hong Kong were US\$3.43 billion, consolidating its position as the 4 <sup>th</sup> largest market for the United States in 2013.	U.S. food products are not always price competitive. China is the largest competitor of U.S. food products.
Hong Kong is a major trading hub where buyers make purchasing decisions for hundreds of millions of dollars of consumer oriented products that are transshipped to China and other parts of Asia.	Lengthy transportation time and availability of product due to seasonality (e.g. fresh produce) associated to importing U.S. food and beverage products to Hong Kong can make them less competitive than products available in the region or from China, Australia, and New Zealand (favorable in terms of location).
U.S. food products enjoy an excellent reputation among Hong Kong consumers, as they are renowned for high quality and food safety standards.	The importance of Hong Kong as a transshipment point and buying center for China and elsewhere is not widely known to U.S. exporters.
The U.S. is the 2 <sup>nd</sup> largest supplier of agricultural, fisheries, and forestry products to Hong Kong. For HVFB products, the United States maintained its position as the largest supplier to Hong Kong in 2013.	Hong Kong labeling and residue standards differ in some cases, which can impede trade.
Technical barriers to imports of U.S. products are generally very low.	Numerous Hong Kong 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 help insulate the HKD from currency fluctuations.	Hong Kong's top supermarkets are a duopoly that often request slotting fees.
In general, implementation and application of regulations is transparent and open.	Inflation is on the rise in Hong Kong. The increase in food prices may cause some consumers to turn to more lower-price lower-quality food products where U.S. products do not enjoy strong competitive advantage.
Hong Kong exporters choose to work with Hong Kong importers and distributors to get their products to Mainland China because of Hong Kong's dependable legal system, financial system and rule of law.	
Most transshipments to Macau are purchased, consolidated, and shipped via Hong Kong.	
Demand is increasing most rapidly for "healthy" and gourmet foods, market segments where the United States is especially strong.	
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" and trend 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.	
Hong Kong is entirely dependent on imports for meeting its food needs. With continued economic growth, U.S. HVFB exports to Hong Kong grew by nearly 11% in 2013 compared to 2012 and consolidated its position as our 4 <sup>th</sup> largest market for HVFB products in the world.	
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 grow by 3.5% in 2014.	
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**

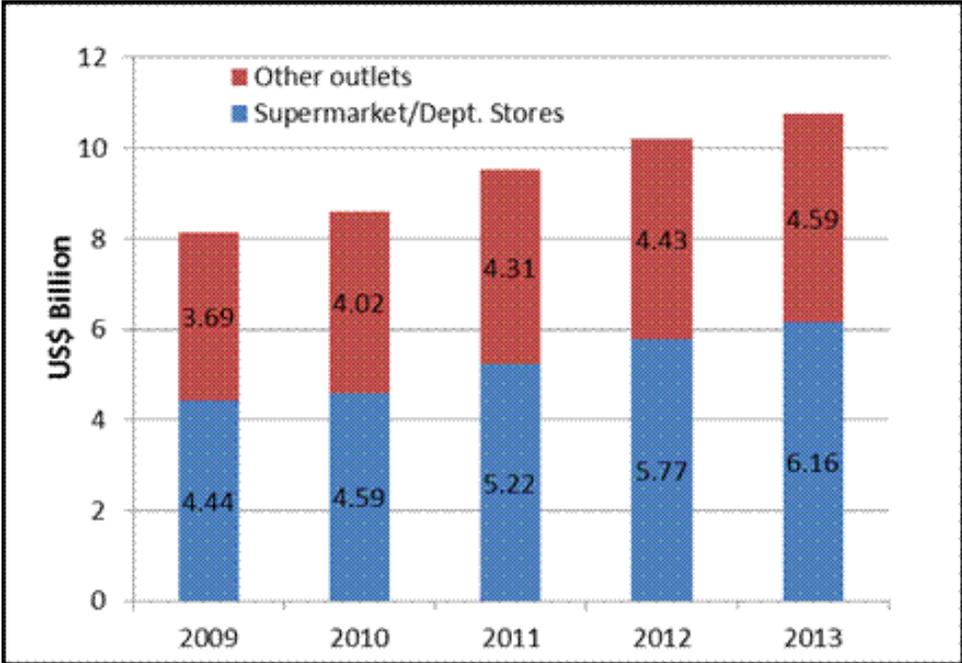
- Total retail sales of food and drinks in Hong Kong for 2013 reached US\$10.75 billion, representing growth of 5.4 percent compared to 2012. Relatively steady economic growth prospects should help maintain growth in the food retail sector and food retail sales in 2014.

**Table 4 – F&B Retail Sales in Hong Kong (US\$ billion)**

Channel	2009	2010	2011	2012	2013	Growth (13 vs 12)
Supermarket/Dept. Stores	4.44	4.59	5.22	5.77	6.16	6.8%
Other outlets	3.69	4.02	4.31	4.43	4.59	3.5%
<b>Total</b>	<b>8.13</b>	<b>8.61</b>	<b>9.53</b>	<b>10.2</b>	<b>10.75</b>	<b>5.4%</b>

(Source: Hong Kong Census and Statistics Department, US\$1=HK\$7.8)

**Chart 1 – F&B Retail Sales in Hong Kong (US\$ billion)**



- Despite a highly centralized supermarket retail network, with two supermarket chains

accounting for about 75 percent of the supermarket turnover, the total number of retail establishments stands at approximately 12,500. Retail shops in Hong Kong generally are very small in size, over 96 percent of which hire less than 10 employees.

- Traditionally, Hong Kong consumers shop for food daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including wet markets and mom-and-pop shops. 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 percent of total sales in 1995 to 57.3 percent in 2013.

**Table 5 – Sales by Retail Outlet**

<b>Outlet</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Supermarkets/ Dept. stores	53%	53%	55%	57%	57.3%
Other outlets	47%	47%	45%	43%	42.7%
Total	100%	100%	100%	100%	100%

(Source: Hong Kong Census and Statistics Department)

- 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 foods at very competitive prices and providing a comfortable shopping environment, which is different from traditional wet markets.
- Overall, wet markets are strong in fresh foods, while supermarkets are strong in processed, chilled and frozen, high added value, and canned food products. The competition between wet markets and supermarkets has intensified in recent years. Some wet markets have turned air-conditioned and provide free shuttle to nearby residential areas.

## **Import Regulations**

### ***Duties***

With the exception of spirits, all food and beverage products can be imported to Hong Kong duty free.

### ***Certificates & Permits***

In Hong Kong, the legal framework for food safety control is defined in part V of the Public Health and Municipal Services Ordinance and the Food Safety Ordinance. The basic tenet is that no food intended for sale should be unfit for human consumption. Technical requirements for imports vary significantly according to the product. Products which require import permits/health certificates include meat, milk and frozen confections. The HKG 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.

### ***Labeling***

All prepackaged food products in Hong Kong have to comply with Hong Kong's labeling regulation.

There are also labeling requirements for allergens and nutrients. U.S. labels may not be able to meet with Hong Kong labeling requirements particularly for products with nutritional claims. However, the Hong Kong government allows stick-on food labels, which could be arranged by Hong Kong importers with the permission of the manufacturers.

The marking or labeling of prepackaged food can be in either the English or the Chinese language or in both languages. If both languages are used in the marking and labeling of prepackaged food, the name of the food, ingredient lists and nutrition information have to be provided in both languages.

### ***Labeling for Biotech Food***

The HKG does not have any specific biotechnology regulations with regard to the labeling of biotech food products. It makes no distinction between conventional and biotech foods. All are subject to the same food safety regulation. The HKG continues to promote voluntary labeling of GMO products as a viable alternative for the trade. The guidelines on labeling for biotech foods, released in 2006, are advisory in nature and do not have any legal effect. The threshold level applied in the guidelines for labeling purpose is 5 percent, in respect of individual food ingredient. Negative labeling is not recommended.

### ***Organic Certification***

While the Hong Kong Organic Center provides organic certification for local produce, Hong Kong does not have a law regulating organic food products. U.S. organic products can be sold in Hong Kong with the USDA organic logo.

### ***Others***

Under the food ordinances, there are regulations governing the use of sweeteners, preservatives, coloring matters, and metallic contaminants. The Hong Kong government enforces its food safety control according to Hong Kong's food regulations. In the absence of a particular provision in Hong Kong food regulations, the HKG would draw reference from Codex and/or conduct risk assessments to determine whether a food meets the food safety standard.

In 2012, Hong Kong enacted its first-ever pesticide residue regulation, which will be implemented in August 2014. Its framework is largely built on Codex's standard, supplemented by standards adopted in China, Thailand and the U.S.

For details on Hong Kong's general import regulations for food products, please refer to GAIN Report #[HK1344](#).

## **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 6 – Profiles of Leading Supermarket Chains in Hong Kong**

Name of Retailer	Ownership	No. of Outlets	Type of Purchasing agent
Wellcome	Hong Kong	Over 270	Importers/Agents Exporters Consolidators
ParknShop	Hong Kong	Over 260	Importers/Agents Exporters Consolidators
CRVanguard Shops	China	95 shops	Importers/Agents Exporters

DCH Food Mart	Hong Kong	Over 90 DCH Food Mart & DCH Food Mart Deluxe	Importers/Agents Exporters
Market Place by Jasons	Hong Kong	43	Importers/Agents Exporters Consolidators
AEON Stores (HK) Ltd.	Japan	9 supermarkets within department stores and 5 separate supermarkets	Importers/Agents
YATA	Japan	6	Importers/Agents
CitySuper	Hong Kong	4	Importers/Agents Consolidators
Sogo	Japan	2	Importers/Agents
Oliver's The Delicatessen	Hong Kong	1	Importers/Agents Consolidators
Uny	Japan	1	Importers/Agents

(Source: Websites of the above supermarkets)

- There are two dominant supermarket chains in Hong Kong: The Wellcome Co. Ltd. (over 270 outlets) and ParknShop (over 260 outlets). ParknShop and Wellcome account for about 75% of all supermarket turnovers 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, Market Place by Jasons, AEON, YATA and CitySuper.
- 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 also a major food importer.
- Market Place by Jasons, CitySuper and Oliver's The 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 22 stores and Gateway has 1 store. Both supermarkets import directly from U.S. consolidators and do not charge listing fees.
- AEON, YATA, 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 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 direct and 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 7 – Profiles of Leading Convenience Stores in Hong Kong**

<b>Retailer Name</b>	<b>Ownership</b>	<b>No. of Outlets</b>	<b>Locations</b>	<b>Purchasing agent</b>	<b>Year established</b>
7-Eleven	Hong Kong	Over 900	Hong Kong	Importers Agents	1981
Circle K	Hong Kong	Over 350	Hong Kong	Importers Agents	1985
VanGO	China	79	Hong Kong	Importers Agents	2007

(Source: Websites of the above convenience stores)

- There are over 1,300 convenience stores in Hong Kong. Two major chains dominate the market: 7-Eleven (over 900 outlets) and Circle K (over 350 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.

**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.
- “Kai Bo” is a growing local supermarket chains which started business in early 1990s. Kai Bo now has 89 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. “Kai Bo” featured more on frozen products. However, only a few U.S. foods are on their shelves as these stores feature cheap prices and are after the mass market.
- “759 Store” is another fast growing local supermarket chains which started business in 2010. “759” used to operate small stores like convenience stalls selling pre-packaged products, particularly snacks. The shop has now expanded to 185 outlets including some larger-sized stores selling more food items including frozen foods, baby foods and other groceries.

#### 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.
- ATO Hong Kong organizes in-store promotions with major supermarkets to increase awareness of the high quality and variety of U.S. food products among them and their customers. Buyers from Hong Kong supermarkets realize the quick-changing consumption temperament of local consumers, and many have expressed the need to source new products from the U.S. 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 participates in 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 8 – Hong Kong:  
Trade Shows Featuring Food & Agricultural Products**

Date	Name of Show	Website
May 27-29, 2014	Vinexpo Asia Pacific	<a href="http://asiapacific.vinexpo.com/en/">http://asiapacific.vinexpo.com/en/</a>
Aug 14-18, 2014	HKTDC Food Expo	<a href="http://www.hktdc.com/fair/hkfoodexpo-en/">http://www.hktdc.com/fair/hkfoodexpo-en/</a>
Aug 27-29, 2014	Natural & Organic Products Asia	<a href="http://www.naturalproducts.com.hk/en/index.php">http://www.naturalproducts.com.hk/en/index.php</a>
Sep 2-4, 2014	Seafood Expo Asia	<a href="http://www.seafoodexpo.com/asia/">http://www.seafoodexpo.com/asia/</a>
Sep 2-4, 2014	Restaurant and Bar	<a href="http://www.restaurantandbarhk.com/en/index.php">http://www.restaurantandbarhk.com/en/index.php</a>
Sep 3-5, 2014	Asia Fruit Logistica	<a href="http://www.asiafruitlogistica.com/en/">http://www.asiafruitlogistica.com/en/</a>
Nov 6-8, 2014	Hong Kong Int'l Wine & Spirits Fair	<a href="http://www.hktdc.com/fair/hkwinefair-en/#">http://www.hktdc.com/fair/hkwinefair-en/#</a>

### SECTION III. COMPETITION

Note: Trade Statistics for 2013; Market Share in terms of Gross Import Value  
Source: Global Trade Atlas – Hong Kong Census & Statistics Department

**Table 9 – 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
<b>Red Meats</b>	1. Brazil –	Products from Brazil and China	Local production is largely

<p><b>chilled/frozen</b></p> <p>Imports US\$4.13 billion 1,290,622 MT</p> <p>Retained Imports US\$3.34 billion 769,809 MT</p>	<p>39%</p> <p>2. U.S. – 22%</p> <p>3. China – 6%</p> <p>4. Germany – 5%</p>	<p>are price competitive, but they are of different market segments from U.S. products.</p> <p>U.S. market share dropped from 21% in 2003 to 3% in 2005 as a result of the ban on U.S. bone-in beef. Market share gradually picked up following Hong Kong’s opening to U.S. boneless beef since the beginning of 2006.</p> <p>U.S. market share further increased from 15% in 2012 to 22% in 2013 after Hong Kong re-opened its market for U.S. bone-in beef.</p> <p>U.S. beef is highly regarded in Hong Kong. It is always the top choice for high-end restaurants and sophisticated consumers. U.S. beef is largely for the high-end market.</p>	<p>on freshly slaughtered meats.</p>
<p><b>Red Meats, Prepared/preserved</b></p> <p>Imports US\$1.11 billion 451,320 MT</p> <p>Retained Imports US\$1.00 billion 374,252 MT</p>	<p>1. China – 29%</p> <p>2. U.S. – 13%</p> <p>3. Spain – 8%</p>	<p>Chinese supplies dominate the market because there is a big demand for price competitive prepared/preserved meatballs and other products typical in Chinese dishes in Chinese restaurants and processing in China is cost effective.</p>	<p>Local production is insignificant.</p>
<p><b>Poultry Meat (Fresh, chilled &amp; frozen)</b></p> <p>Imports US\$1.31 billion 820,572 MT</p> <p>Retained Imports US\$656 million 246,806 MT</p>	<p>1. Brazil – 40%</p> <p>2. China – 20%</p> <p>3. U.S. – 17%</p>	<p>Brazil remained the leading supplier of poultry for Hong Kong market, due to price competitiveness of its products and established business relationship between Brazilian exporters and Hong Kong importers.</p>	<p>Local production is on freshly slaughtered meats.</p> <p>HRI sector tends to use chilled and frozen chicken products rather than freshly slaughtered chickens because the latter are far more expensive.</p>
<p><b>Dairy Products</b></p>	<p>1. Netherlands</p>	<p>Netherlands is strong in dairy product supplies and it has</p>	<p>Local companies supply fresh milk drinks which are</p>

<p>Imports US\$1.50 billion 246,769 MT</p> <p>Retained Imports US\$1.28 billion 221,881 MT</p>	<p>– 52%</p> <p>2. New Zealand – 10%</p> <p>3. Ireland – 7%</p> <p>(U.S. – 2%)</p>	<p>established position in Hong Kong.</p> <p>Dairy products from major supplying countries primarily include concentrated dairy and cream.</p> <p>Melamine was found in eggs and dairy products from China and that has led consumers to pay more attention to food safety and seek high quality products from other supplying countries.</p>	<p>processed in Hong Kong with milk originated from farmlands in the southern part of China.</p> <p>Local companies can easily fulfill local milk registration requirements.</p>
<p><b>Eggs</b></p> <p>Imports US\$205 million 2.25 billion eggs</p> <p>Retained Imports US\$201 million 2.22 billion eggs</p>	<p>1. China – 47%</p> <p>2. U.S. – 25%</p> <p>3. Thailand – 11%</p>	<p>Eggs from China are price competitive. However, since 2006, when some Chinese eggs were found tainted with Sudan red (which is a dye for industrial use), Hong Kong consumers lost confidence in the safety of all Chinese eggs.</p> <p>The U.S. consolidated its position as the second largest eggs supplier to Hong Kong. U.S. dominates the white egg markets.</p> <p>Melamine was found in eggs and dairy products from China and that has led consumers to pay more attention to food safety and seek high quality products from other supplying countries.</p>	<p>Local production is insignificant.</p>
<p><b>Fresh Fruit</b></p> <p>Imports US\$1.73 billion 1,518,000 MT</p> <p>Retained Imports US\$860 million 628,938 MT</p>	<p>1. U.S. – 24%</p> <p>2. Chile – 20%</p> <p>3. Thailand – 19%</p>	<p>U.S. fresh fruits are highly regarded as having good quality.</p> <p>Chile’s biggest fruit item to Hong Kong is grapes. The supplying season is different from the U.S.</p> <p>Thai Trade commission in Hong Kong aggressively sponsors trade promotion activities. Thai’s tropical fruits are very popular in Hong Kong.</p>	<p>No local production.</p>

<p><b>Fresh Vegetables</b></p> <p>Imports US\$392 million 812,824 MT</p> <p>Retained Imports US\$386 million 809,384 MT</p>	<p>1. China – 76%</p> <p>2. U.S. – 6%</p> <p>3. Australia – 3%</p>	<p>Products from China are very price competitive. Due to expensive operation costs in Hong Kong, some farmers in Hong Kong move their operations to China and sell their products back to Hong Kong.</p> <p>High-end restaurants and five-star hotels prefer to use high quality U.S. products.</p>	<p>Local production is about 5 % of total demand. Production costs, both in terms of land and labor, in Hong Kong are high. The Hong Kong Government has encouraged organic farming so as to find the niche market for local vegetables.</p>
<p><b>Processed Fruit &amp; Vegetables</b></p> <p>Imports US\$530 million 242,984 MT</p> <p>Retained Imports US\$401 million 190,092 MT</p>	<p>1. U.S. – 30%</p> <p>2. China – 28%</p> <p>3. Thailand – 7%</p>	<p>U.S. overtook China as the largest supplier of processed fruit and vegetables to Hong Kong in 2013, showing a demand for high value processed fruit &amp; vegetable products.</p> <p>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.</p>	<p>Local production is insignificant.</p>
<p><b>Tree Nuts</b></p> <p>Imports US\$1.91 billion 350,031 MT</p> <p>Retained Imports US\$1.07 billion 106,553 MT</p>	<p>1. U.S. – 75%</p> <p>2. Iran – 12%</p> <p>3. S. Africa – 4%</p>	<p>The U.S. is very strong in supplying almonds, walnuts, hazelnuts and pistachios.</p> <p>Some of the imports are re-exported to Vietnam and China for processing.</p>	<p>No local production</p>
<p><b>Wine</b></p> <p>Imports US\$966 million 47.3 million liters</p> <p>Retained Imports US\$771 million 29.3 million liters</p>	<p>1. France – 57%</p> <p>2. U.K. – 11%</p> <p>3. Australia – 9%</p> <p>4. U.S. – 7%</p>	<p>France is the major supplier for wine. French wine is highly regarded in Hong Kong though expensive.</p> <p>Hong Kong people are becoming more familiar with California wine.</p> <p>The Hong Kong Government abolished the tax on wine in February 2008. The new policy has attracted more wine imports into Hong Kong.</p>	<p>Hong Kong has insignificant wine production.</p>

## SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Notes :

1. 95% of Hong Kong food supplies are imported. Since Hong Kong's domestic production is nominal the market size in the following table is equal to retained imports without taking into account local production. U.S. exports to Hong Kong are also based on imports minus exports.
2. Import tariff rates for all food and beverage products in the tables are zero except for spirits with 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 (2009-2013).

**Table 10 – Hong Kong: Top 10 Prospects**

<b>Product Category</b>	<b>2013 Retained Imports (MT)</b>	<b>2013 Retained Imports (US\$ million)</b>	<b>2009 – 2013 Average Annual Retained Import Growth</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
<b>Fish &amp; Seafood Products</b>	130,327 MT	US\$2.38 billion	-10% (volume) +5% (value)	Major suppliers of fish and seafood products are China (30%), Japan (15%), U.S. (6%) and Norway (5%).	U.S. fish and seafood products are perceived as high quality and safe. It is anticipated that these seafood products will continue to be popular among HRI sector in Hong Kong.
<b>Fresh Fruit</b>	628,938 MT	US\$860 million	+4% (volume) +9% (value)	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. fresh fruit are well known for their large variety, good quality and tastes.  U.S. was the largest supplier (24%) of fresh fruit to Hong Kong, followed by Chile (20%) and Thailand (19%).
<b>Poultry</b>	246,806 MT	US\$656	-6%	Brazil moved in as the no	Hong Kong imported

<b>Meat (Fresh, chilled &amp; frozen)</b>		million	(volume)  +2% (value)	1 poultry exporter to Hong Kong when U.S. poultry imports were temporarily banned during February 11 to April 30, 2004 due to Avian Influenza cases in the United States. Though the ban was later lifted, Brazil continued to be the largest competitor due to price competitiveness of its products and established business relationship between Brazilian exporters and Hong Kong importers.	US\$224 million worth of poultry products from the U.S., accounting for 17% of the market share.  U.S. products are highly regarded in food quality and food safety. More popular U.S. chicken products include chicken wing mid joints and chicken legs because of their sizes and quality. These two products are particularly popular among Hong Kong style cafes.
<b>Pork</b>	306,997 MT	US\$1.07 billion	+2% (volume)  +12% (value)	China and Brazil are the top suppliers of pork to Hong Kong because their products are very price competitive.  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.	Hong Kong imported US\$87 million worth of pork from the U.S., accounting for 7% of the market share.  U.S. products are highly regarded for quality and food safety.
<b>Processed Fruit &amp; Vegetables</b>	190,092 MT	US\$401 million	+2% (volume)  +11% (value)	The U.S. has surpassed China to become the largest supplier (30%) while China accounts for 28% of the market share.  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.
<b>Beef</b>	337,669 MT	US\$1.68 billion	+32% (volume) +44% (value)	Because of BSE cases in the U.S., Hong Kong banned U.S. beef since 2005. Brazil beef took the opportunity to gain market share. Market share of U.S. beef gradually picked up following Hong Kong's opening to U.S. beef, first to boneless beef, since the beginning of 2006. Hong Kong re-opened its market for U.S. bone-in beef in February 2013, leading to a further increase of U.S. beef into Hong Kong.	Hong Kong consumers have high regards for U.S. beef in terms of quality and safety. The re-opening of the Hong Kong market for U.S. bone-in beef presents good opportunities.
<b>Wine</b>	29.3 million liters	US\$771 million	+4% (volume) +18% (value)	Competition is keen in Hong Kong. Major competitors come from France and Australia. French wine is traditionally more popular in Hong Kong.	Hong Kong imported US\$65 million of U.S. wine in 2013, accounting for 7% of the market share.  The HKG abolished the import tax on wine and beer in February 2008.  Hong Kong consumers are more and more receptive to wine.  The HRI sector in Macau is growing, making it an excellent opportunity for U.S. wine traders to expand their exports.
<b>Tree Nuts</b>	106,553 MT	US\$1.07 billion	+6% (volume) +28% (value)	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

<b>Fruit &amp; Vegetable Juices</b>	19,378 MT	US\$44 million	+1% (volume)  +16% (value)	The U.S. is still the market leader. Hong Kong imported US\$27 million worth of fruit & vegetable juices from the U.S. in 2013, accounting for a market share of 57%.	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 popular in 2014.
<b>Organic Food and Beverage</b>	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 is expected to grow in 2014.  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.
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## 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

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@fas.usda.gov](mailto: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<sup>rd</sup> Floor, Queensway Government 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<sup>th</sup>-8<sup>th</sup> Floors, Cheung Sha Wan Government Offices

303 Cheung Sha Wan Road

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<sup>th</sup> Floor, 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

18<sup>th</sup> 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<sup>th</sup>-9<sup>th</sup> 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  
24<sup>th</sup> and 25<sup>th</sup> 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  
9<sup>th</sup>-11<sup>th</sup> Floors, Citicorp Center  
18 Whitfield Road, North Point  
Hong Kong  
Tel: (852) 2807-6543  
Fax: (852) 2806-0303  
Home Page: <http://www.hktourismboard.com>

**Semi-Government Organization Providing Hong Kong Trade Information**

Hong Kong Trade Development Council  
38<sup>th</sup> 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>