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Required Report - public distribution

Date: 3/28/2011

GAIN Report Number: HK1111

Hong Kong

Retail Foods

Retail Food Sector

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Report Highlights:

U.S. exports of high value food products to Hong Kong reached a record level of US\$2.1 billion in 2010, consolidating Hong Kong's position as our 4th largest market for these products after Canada, Mexico and Japan. Benefiting from the strong economic growth in Mainland China, Hong Kong enjoyed 7.8% economic growth in 2010. In addition, it is expected that Hong Kong will maintain its position as one of the top 4 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. Economic growth in Hong Kong is forecasted to be 4.5% in 2011. Post expects that U.S. products will continue to fare well due to competitive prices and consumer confidence in the quality and safety of U.S. products.

Post:

Hong Kong

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 its food supply. According to the latest statistics (in 2009) of the Agricultural Fisheries and Conservation Department, 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.
- 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

Rank	Supplier	(US\$ Million)	2006	2007	2008	2009	2010	Share in 2010	Growth 10 v 09	Re-exports as a % of Gross Imports
	The World	Gross Imports Re-exports Retained Imports**	7,647 1,775 5,873	9,098 2,435 6,663	11,544 3,409 8,135	12,826 3,824 9,001	15,270 4,427 10,843	100% 100% 100%	19% 16% 20%	29%
1	United States	Gross Imports Re-exports Retained Imports	875 220 655	1,042 328 715	1,615 609 1,006	1,972 752 1,220	2,766 1,155 1,611	18% 26% 15%	40% 54% 32%	42%
2	China	Gross Imports Re-exports Retained Imports	1,854 296 1,558	2,007 309 1,698	2,215 356 1,859	2,446 334 2,112	2,735 392 2,344	18% 9% 22%	12% 17% 11%	14%
3	Brazil	Gross Imports Re-exports Retained Imports	645 273 372	989 491 498	1,441 630 811	1,575 737 838	1,415 658 757	9% 15% 7%	-10% -11% -10%	46%
4	Japan	Gross Imports Re-exports Retained Imports	485 38 446	573 36 536	603 41 562	709 43 665	971 51 920	6% 1% 8%	37% 17% 38%	5%
5	France	Gross Imports Re-exports Retained Imports	147 39 108	251 88 164	385 111 274	446 115 331	688 162 526	5% 4% 5%	54% 41% 59%	24%
6	Australia	Gross Imports Re-exports Retained Imports	485 41 444	529 58 470	613 59 553	682 91 591	659 83 576	4% 2% 5%	-3% -8% -3%	13%
7	Thailand	Gross Imports Re-exports Retained Imports	338 161 177	410 226 184	486 267 219	590 350 240	527 288 239	3% 7% 2%	-11% -18% 0%	55%
8	Canada	Gross Imports Re-exports Retained Imports	208 26 182	217 43 173	342 133 209	312 104 207	394 133 261	3% 3% 2%	26% 27% 26%	34%
9	Netherlands	Gross Imports Re-exports Retained Imports	166 34 132	211 60 151	306 100 206	323 95 228	386 91 295	3% 2% 3%	20% -4% 30%	24%
10	Iran	Gross Imports Re-exports Retained Imports	152 67 85	172 73 99	160 53 107	147 69 78	366 129 237	2% 3% 2%	150% 88% 205%	35%
	Total of Top 10	Gross Imports Re-exports	5,354 1,196	6,402 1,713	8,165 2,359	9,201 2,691	10,908 3,142	71% 71%	19% 17%	29%

	Suppliers	Retained Imports	4,158	4,689	5,806	6,511	7,766	72%	19%	
	Total of	Gross Imports	2,293	2,697	3,379	3,624	4,362	29%	20%	
	Rest of	Re-exports	579	722	1,050	1,134	1,285	29%	13%	29%
	The World	Retained Imports	1,714	1,974	2,329	2,491	3,077	28%	24%	

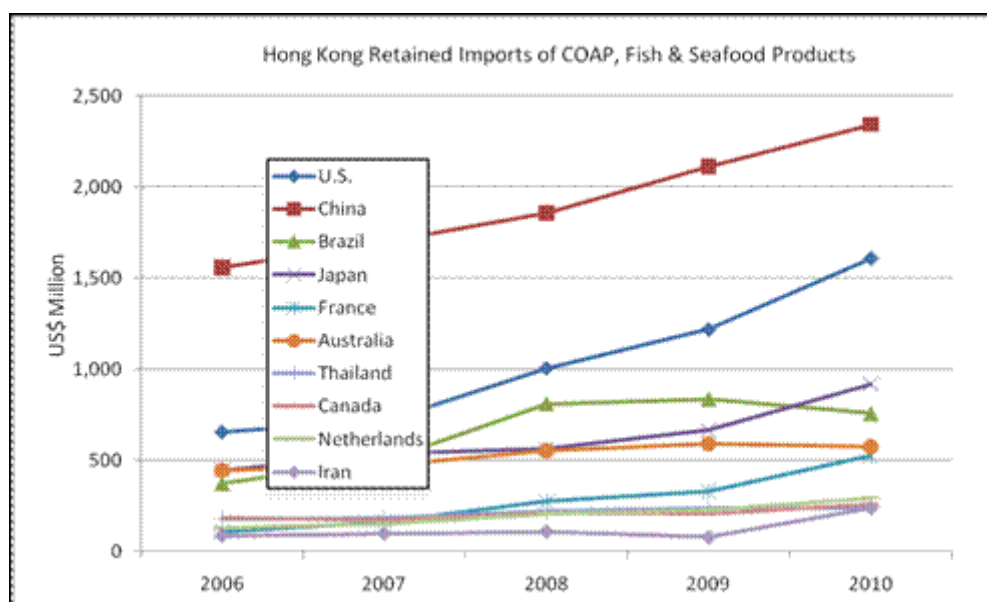
(Source: Calculations based on World Trade Atlas data)

(*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.)

(**Retained Imports = Gross Imports [from a certain supplying country] into Hong Kong less Re-exports [of products originated from that supplying country])

- 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 2010. Major import items included red meats, fruits, poultry meat, seafood and tree nuts.
- Thanks to the fast-growing economy and consumer affluence, total retained imports of Consumer-Oriented Agricultural Products (COAP) and seafood products in Hong Kong grew by 20% in 2010.
- Hong Kong’s status as a gateway for trade with China and Macau are increasingly opening up greater avenues for U.S. high value food products. In 2010, Hong Kong imported over US\$15 billion COAP and Seafood from the world and re-exported 29% of these products. Around 52% of all these re-exports went to China and 9% went to Macau. (Source: Hong Kong Census and Statistics Department).
- “Retained” imports of COAP and Seafood Products have grown from US\$5.9 billion in 2006 to US\$10.8 billion in 2010, an increase of over 84%. The following chart compares the major suppliers of these products from 2006 to 2010.

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



(Source: Calculations based on World Trade Atlas data)

- The U.S. took over China and became the largest supplier of COAP and Seafood products to Hong Kong in 2010. However, in terms of retained imports, China continued to lead as the largest supplier of COAP and Seafood Products to Hong Kong, followed by the United States. Retained imports of these products from China and the U.S. in 2010 reached US\$2.3 billion and US\$1.6 billion, representing market shares of 22% and 15% respectively.
- 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	2009	2010	Growth 10/09
Group 125	Consumer Oriented Agriculture Total	10,279	12,212	19%
Group 77	Fish & Seafood Products	2,547	3,058	20%
TOP 20 ITEMS				
0207	Meat And Edible Offal, Of The Poultry Of Heading	1,214	1,689	39%*
0206	Edible Offal Of Bovine Animals, Swine, Sheep, Goat	1,462	1,382	-5%
0802	Nuts Nes, Fresh Or Dried, Whether Or Not Shelled	738	1,192	62%*
0307	Mol W/N In Shell, Live, Aqua Invert O/T Crust & Mo	786	1,001	27%*
2204	Wine Of Fresh Grapes, Incl Fortified; Grape Must	520	899	73%*
0306	Crust W/N In Shell, Live, Fr Etc; Crust In Shell C	531	572	8%
0203	Meat Of Swine, Fresh, Chilled Or Frozen	538	542	1%
0402	Milk And Cream, Concentrated Or Sweetened	419	539	29%*
1602	Prepared Or Preserved Meat, Meat Offal Or Blood, N	458	518	13%
0305	Fish, Cured; Smoked Fish W/N Cooked; Fish Meal Fit	401	471	17%
0202	Meat Of Bovine Animals, Frozen	419	458	9%
2201	Waters, Incl Nat Or Arti Min Or Aerated Waters Not	398	423	6%
210690	Food Preparations Nes	282	327	16%
0810	Fruits Nes, Fresh	325	287	-12%
1905	Bread,Pastry Etc W/N Cntg Cocoa;Comm Waf Empty Cac	207	280	35%*
0301	Live Fish	251	273	9%
0806	Grapes, Fresh Or Dried	258	251	-3%
0805	Citrus Fruit, Fresh Or Dried	194	226	17%
0809	Apricots, Cherries, Peaches, (Incl Nectarines), Pl	134	186	38%*
2103	Sauces & Prep Nes;Condiments & Seasoning Mxd; Must	161	182	13%

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

Hong Kong agricultural imports from the U.S.

- Hong Kong imported over US\$2.7 billion worth of COAP and Seafood Products from the U.S., which accounted for 18% of the market share. The top U.S. exports to Hong Kong in 2010 were 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	2009	2010	Growth 10/09
Group 125	Consumer Oriented Agriculture Total	1,833	2,592	41%*
Group 77	Fish & Seafood Products	139	173	25%*
TOP 20 ITEMS				
0802	Nuts Nes, Fresh Or Dried, Whether Or Not Shelled O	531	736	39%*
0207	Meat And Edible Offal, Of The Poultry Of Heading 0	168	581	245%*
0206	Edible Offal Of Bovine Animals, Swine, Sheep, Goat	237	212	-10%*
0805	Citrus Fruit, Fresh Or Dried	97	128	31%*
0806	Grapes, Fresh Or Dried	80	100	24%*
0202	Meat Of Bovine Animals, Frozen	69	98	42%*
0307	Mol W/N In Shell, Live, Aqua Invert O/T Crust & Mo	71	92	29%*
0809	Apricots, Cherries, Peaches, (Incl Nectarines), Pl	47	68	45%*
0808	Apples, Pears And Quinces, Fresh	47	67	42%*
0306	Crust W/N In Shell, Live, Fr Etc; Crust In Shell C	48	58	21%*
0203	Meat Of Swine, Fresh, Chilled Or Frozen	62	52	-16%*
1602	Prepared Or Preserved Meat, Meat Offal Or Blood, N	31	49	60%*
121120	Ginseng Root Used Primarily In Pharm, Perf, Insect	44	49	12%*
2204	Wine Of Fresh Grapes, Incl Fortified; Grape Must O	42	48	15%*
210690	Food Preparations Nes	46	42	-7%*
2004	Vegetables Nes, Prepr Or Presv O/W Than By Vinegar	41	28	-31%*
2103	Sauces & Prep Nes; Condiments & Seasoning Mxd; Must	25	28	12%*
2008	Fruits, Nuts & O Edible Pts Of Plants O/W Prepr Or	14	26	90%*
230910	Dog Or Cat Food Put Up For Retail Sale	24	26	7%*
1601	Sausages & Sim Prod, Of Meat, Meat Offal Or Blood;	26	25	-2%*

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

Economy

- Hong Kong's economy continued to grow in 2010, particularly with the continued influx of investment from Mainland China. GDP and per capita GDP grew by 7.8% and 6.8% and reached US\$224 billion and US\$31,709 respectively in 2010.

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

	2009	2010	Growth 10 vs 09
GDP	US\$208 billion	US\$224 billion	+7.8%
GDP per capita	US\$29,695	US\$31,709	+6.8%

Outlook in 2011

- The Hong Kong Government will hand out US\$770 cash to each Hong Kong permanent resident aged 18 or above and provide a tax rebate up to a maximum of another US\$770 to each taxpayer in 2011, resulting in a total outlay of around US\$5.2 billion. This amount is expected to boost the Hong Kong retail food sector as well as the food service sector.
- The earthquake in Japan and the radiation found in some Japanese food imports raised consumers' concern on food safety. The Hong Kong government has imposed ban on dairy products, vegetables and fruit from Japan's Chiba, Tochigi, Ibaraki, Gunma and Fukushima Prefectures from March 24, 2011, after finding three food samples exceeding radiation limits. While the long term impact on the Hong Kong food market is yet to be ascertained, more consumers are concerned about food safety and quality.
- Although Hong Kong enjoyed strong economic growth in 2010, inflation is expected to rise and negatively impact its future economic growth. In addition, Mainland China is expected to take measures to curb its growing inflation in 2011 and these measures could slow down the influx of investment and Hong Kong's economic growth. The Hong Kong Government forecasts that economic growth at 4.5% in 2011.
- However, post expects that U.S. products will continue to fare 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 4 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
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 HVFB products to Hong Kong reached US\$2.1 billion, consolidating Hong Kong's position as the 4th largest market for the U.S. in 2010.	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 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 nd largest supplier of agricultural, fisheries and forestry products to Hong Kong. For HVFB products, the U.S. overtook China as the largest supplier to Hong Kong in 2010.	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 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 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 trans-shipments to Macau are purchased, consolidated and shipped via Hong Kong.	
Demand is increasing most rapidly for "healthy" and gourmet foods, market segments where the U.S. 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 dependent on imports for meeting its food needs. With continued economic growth, U.S. high value food & beverage (HVFB) exports to Hong Kong grew by 24% in 2010 compared to 2009 and consolidated Hong Kong's position as	

our 4th largest market for HVFB products in the world.	
Biotech products are freely imported and products containing biotech ingredients are generally not controversial.	
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 4.5% 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

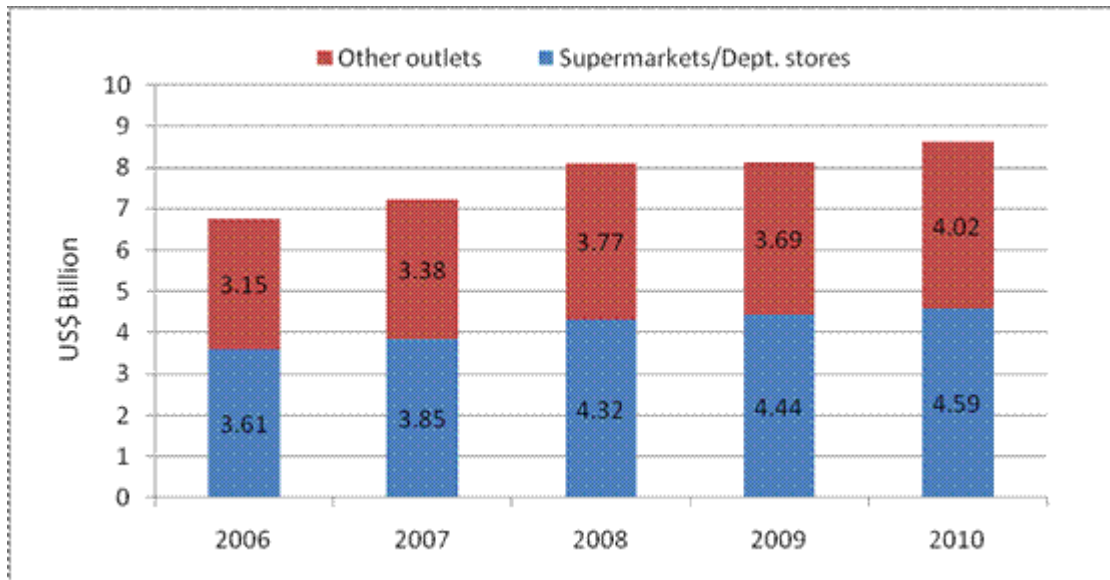
- The global financial crisis only had nominal impact on food retail sales, which reached US\$8.61 billion in 2010, representing a growth of 5.9% compared to 2009.

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	4.59	+3.4%
Other outlets	3.15	3.38	3.77	3.69	4.02	+8.9%
Total	6.76	7.23	8.09	8.13	8.61	+5.9%

(Source: Calculations based on data from Hong Kong Census and Statistics Department)

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)

- 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 had been maintained at around 53% for the past five years (2006-2010).
- Although there will not be significant growth in 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 and 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 carrying out 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#0009 & HK#6026 respectively. (These reports are available at: <http://www.fas.usda.gov/scripts/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 in 2010 reached US\$858 million and 37 million liters, an increase of 75% in value and 14% in quantity over 2009. For more information on the wine market in Hong Kong, please refer to GAIN Report #HK1104. (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 7. - 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	80	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	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
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- 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 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, 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 17 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 8. - 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	303	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 (303 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.
- "Yu Kee" and "Kai Bo" are two growing local supermarket chains which started business in early 1990s. Yu Kee now has 52 stores and Kai Bo has 85 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. "Yu Kee" featured more on fresh produce and "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.

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 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 9. Hong Kong: Trade Shows Featuring Food & Agricultural Products

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
4 th Hong Kong Int'l Wine & Spirits Fair	http://hkwinefair.hktdc.com	Nov 3-5, 2011
Wine & Gourmet Asia (Macau)	http://www.wineandgourmetasia.com/	Nov 10-12, 2011
AgriPro Asia Expo	http://www.verticalexpo.com/eeditor/index.php?expo_id=8	Nov 30-Dec 2, 2011

SECTION III. COMPETITION

Note: Trade Statistics for 2010; Market Share in terms of Gross 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
<p>Red Meats, chilled/frozen</p> <p>Imports US\$2.5 billion 1,206,000 MT</p> <p>Retained Imports US\$1.4 billion 404,000 MT</p>	<p>1. Brazil – 30%</p> <p>2. U.S. – 15%</p> <p>3. China – 11%</p> <p>4. Germany – 8%</p>	<p>Products from Brazil and China 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 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.</p>	<p>Local production is largely on freshly slaughtered meats.</p>

		<p>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.</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>Red Meats, Prepared/preserved</p> <p>Imports US\$612 million 326,000 MT</p> <p>Retained Imports US\$496 million 248,600 MT</p>	<p>1. China – 31%</p> <p>2. U.S. – 13%</p> <p>3. Spain – 10%</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. About 51% of the U.S. preserved red meat exports to Hong Kong belong to sausages. The U.S. is the largest supplier of sausages in the Hong Kong market.</p>	<p>Local production is insignificant.</p>
<p>Poultry Meat (Fresh, chilled & frozen)</p> <p>Imports US\$1.7 billion 1,150,000 MT</p> <p>Retained Imports US\$822 million 379,776 MT</p>	<p>1. Brazil – 36%</p> <p>2. U.S. – 34%</p> <p>3. China – 14%</p>	<p>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.</p> <p>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.</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>

		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.	
Dairy Products Imports US\$677 million 175,420 MT Retained Imports US\$594 million 159,852 MT	1. Netherlands – 27% 2. Ireland – 17% 3. Japan – 15% U.S. – 1%	Netherlands is strong in dairy product supplies and it has established position in Hong Kong. Dairy products from 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.	Local companies supply fresh milk drinks, which are processed in Hong Kong with milk originated from farmlands in the southern part of China. Local companies can easily fulfill local milk registration requirements.
Eggs Imports US\$128 million 1.9 billion eggs Retained Imports US\$126 million 1.89 billion eggs	1. China – 59% 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.

<p>Fresh Fruit</p> <p>Imports US\$1.26 billion 1,278,410 MT</p> <p>Retained Imports US\$663 million 529,556 MT</p>	<p>1. U.S. – 31%</p> <p>2. Thailand – 20%</p> <p>3. Chile – 15%</p>	<p>U.S. fresh fruits are highly regarded as having good quality.</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>Chile’s biggest fruit item to Hong Kong is grapes. The supplying season is different from the U.S.</p>	<p>No local production.</p>
<p>Fresh Vegetables</p> <p>Imports US\$218 million 625,210 MT</p> <p>Retained Imports US\$208 million 615,948 MT</p>	<p>1. China – 69%</p> <p>2. U.S. – 9%</p> <p>3. S. Korea – 5%</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. A lower U.S. dollar value helps U.S. exports to Hong Kong.</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>Processed Fruit & Vegetables</p> <p>Imports US\$382 million 237,400 MT</p> <p>Retained Imports US\$272million 179,319 MT</p>	<p>1. China – 31%</p> <p>2. U.S. – 29%</p> <p>3. Thailand – 9%</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>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.</p>	<p>Local production is insignificant.</p>
<p>Tree Nuts</p> <p>Imports US\$1.2 billion 284,250 MT</p> <p>Retained Imports US\$719 million 127,417 MT</p>	<p>1. U.S. – 61%</p> <p>2. Iran – 30%</p> <p>3. Mexico – 2%</p>	<p>46% of the tree nuts imported to Hong Kong are pistachios.</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 China for processing.</p>	<p>No local production</p>
<p>Wine</p>	<p>1. France –</p>	<p>France is the major supplier for</p>	<p>Hong Kong has</p>

Imports US\$858 million 37 million liters	58%	wine. French wine is highly regarded in Hong Kong though expensive.	insignificant wine production.
Retained Imports US\$693 million 26 million liters	2. U.K. – 14% 3. Australia – 7% 4. U.S. – 5%	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.	

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Notes

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- 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 (2006-2010).

Table 11. Hong Kong: Top 10 Prospects

Product Category	2010 Retained Imports (MT)	2010 Retained Imports (US\$ million)	2006 – 2010 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Fish & Seafood Products	Volume statistics not available	US\$2.6 billion	+11.1% (value)	Major suppliers of fish and seafood products are Japan (18%), China (15%), Australia (9%) and the US (6%).	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	529,556 MT	US\$663 million	-2.4% (volume) +4.9% (value)	<p>The Hong Kong fresh fruit market had negative volume growth over the past 5 years because of bad crops in some categories.</p> <p>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.</p>	<p>U.S. fresh fruit are well known for their large variety, good quality and tastes.</p> <p>U.S. was the largest supplier (31%) of fresh fruit to Hong Kong, followed by Thailand (20%).</p> <p>The top U.S. fruit exports to Hong Kong were citrus products (US\$128 million), grapes (US\$96 million), apples (US\$67 million), cherries (US\$46 million), plums, sloes & peaches (US\$19 million) and strawberries (US\$13 million).</p> <p>These U.S. products will continue to be popular among Hong Kong consumers.</p>
Poultry Products	379,776 MT	US\$822 million	+5.7% (volume) +21% (value)	<p>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 cases in the United States. Though the ban was later</p>	<p>U.S. exported US\$581 million worth of chicken products to Hong Kong, accounting for 34% of the market share.</p> <p>U.S. products are highly regarded in food quality and food safety. More popular U.S.</p>

				<p>lifted, Brazil continues to be the largest supplier due to its price advantage and its exporters' relationships with Hong Kong importers.</p> <p>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.</p> <p>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.</p>	<p>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.</p>
Pork	145,376 MT	US\$413 million	<p>+0.5% (volume)</p> <p>+15% (value)</p>	<p>China and Brazil are the top suppliers of pork to Hong Kong because their products are very price competitive.</p> <p>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.</p>	<p>U.S. exported US\$52 million worth of pork to Hong Kong, accounting for 10% of the market share.</p> <p>U.S. products are highly regarded for quality and food safety.</p>
Processed Fruit & Vegetables	179,319 MT	US\$272 million	<p>+0.77% (volume)</p> <p>+5.5% (value)</p>	<p>China is the largest supplier (31%), closely followed by the U.S. (29%).</p> <p>Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.</p>	<p>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</p>

					pineapples will continue to be in large demand in Hong Kong.
Beef, Frozen	87,687 MT	US\$317 million	+16% (volume) +31% (value)	<p>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.</p> <p>Bone-in beef and variety beef from the U.S. are not yet allowed in.</p> <p>Currently only 25 plants have been EV approved and are eligible to export beef products to Hong Kong.</p> <p>Short U.S. beef supplies make U.S. beef very expensive.</p> <p>Brazil beef took the opportunity to gain market share. Brazil beef imports grew from US\$49 million in 2004 to US\$182 million in 2010.</p>	U.S. exported US\$98 million worth of frozen beef to Hong Kong in 2010, accounting for 21% market share. Although U.S. beef was banned in Hong Kong in 2004 and 2005, Hong Kong consumers still have high regards for U.S. beef in terms of quality and safety.
Wine	26 million liters	US\$693 million	+17% (volume) +79% (value)	<p>Competition is keen in Hong Kong. Major competitors come from France and Australia. French wine is traditionally more popular in Hong Kong.</p>	<p>U.S. exported US\$46 million of wine to Hong Kong in 2010, accounting for 5.4% of the market share.</p> <p>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.</p>

					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	127,417 MT	US\$719 million	+32% (volume) +48% (value)	46% 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	18,725 MT	US\$24 million	+0.4% (volume) -3% (value)	The U.S. is still the market leader, exported US\$8.7 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 2011.
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	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 2011. USDA Organic enjoys an excellent reputation among consumers in Hong Kong. Consumers generally have more

	growth of 10-15%)				<p>confidence on USDA Organic standards than other countries’.</p> <p>Grain products, soybeans, cereals, oats, noodles...etc are in good demand.</p> <p>Other products such as organic meat (beef and pork), condiments, poultry, eggs etc are starting to have more interest in the market.</p> <p>There is also a strong demand for organic vegetables and fruits, organic coffee and tea products.</p>
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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
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 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/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
Web site: <http://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
Web site: <http://www.tdctrade.com>