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Hong Kong

Exporter Guide

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Report Highlights:

Hong Kong is Asia's culinary capital and 4th largest export market for U.S. consumer-oriented agricultural products. With a dynamic food culture, sophisticated buyers and a world-class logistical infrastructure, Hong Kong is a natural destination to promote high-quality, innovative U.S. food and beverage products.

Post:

Hong Kong

SECTION I. MARKET OVERVIEW

U.S. Food and Beverage Exports to Hong Kong

Total U.S. agricultural exports to Hong Kong reached US\$3.8 billion in 2015, making Hong Kong the 4th largest market, by value, for U.S. consumer-oriented products with exports of US\$3.3 billion. U.S. food-related products are valued as high-quality, safe choices in Hong Kong where imports meet 95% of local food requirements due to nominal domestic production. Demand is increasing rapidly for “healthy,” high-quality foods which are market segments where the United States is especially strong. Top prospects for U.S. food exports to Hong Kong include: beef, pork and poultry meats, fresh fruits, tree nuts, aquatic products, processed foods and wine.

With the exception of four types of dutiable commodities, namely liquors, tobacco, hydrocarbon oil and methyl alcohol, food and beverage products are imported to Hong Kong without excise duties. Hong Kong is a major trading hub where buyers make purchasing decisions for a vast range of consumer-oriented products that are transshipped to China and other parts of Asia. Most transshipments to Macau are purchased, consolidated, and shipped via Hong Kong.

Hong Kong also offers many dynamic trade show platforms to showcase U.S. food and beverage products to Hong Kong and Asian Pacific buyers as shown in Table 1.

Table 1 – Hong Kong Trade Shows Featuring Food & Agricultural Products

| Date | Name of Show (check the hyperlink below for more details) |
|--------------------|---|
| Feb 23-25, 2017 | LOHAS Expo (organic and natural foods) |
| Feb 23-25, 2017 | Vegetarian Food Asia |
| May 8-11, 2017 | HOFEX* (all foods) |
| Aug 17-21, 2017 | Hong Kong Food Expo (all foods) |
| Aug 30-Sep 1, 2017 | Natural & Organic Products Asia |
| Sep 5-7, 2017 | Seafood Expo Asia |
| Sep 5-7, 2017 | Restaurant and Bar |
| Sep 6-8, 2017 | Asia Fruit Logistica* (fruits, vegetables and nuts) |
| November 2017 | Hong Kong International Wine and Spirits Fair |
| December 2017 | Agri Pro Asia |
| December 2017 | Hong Kong International Bakery Expo |

(* USDA-endorsed trade shows, more information on USDA-endorsed trade shows can be found at: <http://www.fas.usda.gov/topics/exporting/trade-shows>)

Hong Kong Food Imports

Due to land constraints, local agricultural production in Hong Kong is minimal so Hong Kong

depends on imports to meet its food requirements. The U.S. is Hong Kong largest food supplier, by value, followed by mainland China and Brazil, as shown in Table 2.

Table 2 – Hong Kong Imports (2011-2015) of Consumer -Oriented Agricultural Products and Seafood

| Country | (in US\$ Million) | 2011 | 2012 | 2013 | 2014 | 2015 | Growth 15 v 14 | Share in 2015 | % of Re-exports of Gross Imports |
|---------------|-------------------|--------|--------|--------|--------|--------|-------------------|------------------|--|
| World | Gross Imports | 17,664 | 18,166 | 20,574 | 22,896 | 21,222 | -7% | 100% | 32% |
| | Re-exports | 5,140 | 5,185 | 5,587 | 6,311 | 6,778 | 7% | 100% | |
| | Retained Imports | 12,524 | 12,981 | 14,987 | 16,586 | 14,444 | -13% | 100% | |
| United States | Gross Imports | 3,370 | 3,450 | 3,999 | 4,123 | 3,833 | -7% | 18% | 32% |
| | Re-exports | 1,619 | 1,476 | 1,248 | 1,193 | 1,209 | 1% | 18% | |
| | Retained Imports | 1,751 | 1,974 | 2,752 | 2,930 | 2,624 | -10% | 18% | |
| China | Gross Imports | 2,652 | 3,044 | 3,439 | 3,649 | 3,598 | -1% | 17% | 21% |
| | Re-exports | 494 | 747 | 1,034 | 931 | 767 | -18% | 11% | |
| | Retained Imports | 2,158 | 2,298 | 2,404 | 2,718 | 2,831 | 4% | 20% | |
| Brazil | Gross Imports | 1,650 | 1,645 | 2,254 | 2,544 | 1,776 | -30% | 8% | 64% |
| | Re-exports | 551 | 540 | 658 | 946 | 1,131 | 20% | 17% | |
| | Retained Imports | 1,099 | 1,105 | 1,596 | 1,597 | 645 | -60% | 4% | |

(Source: Calculations based on Global Trade Atlas data)
 (Retained Imports = Gross Imports into Hong Kong – Re-exports out of Hong Kong)

As a free port, Hong Kong excels as an efficient logistics hub in not only importing food goods but also in moving imports to other Asian markets, including Macau and Mainland China. Hong Kong imports of consumer-oriented agricultural products from the world increased by 6.5% during the first 9 months of 2016 over the same period in 2015 to US\$14.1 billion, amongst which more than 41% (US\$5.78 billion) were re-exported to other regional markets.

General Consumer Tastes and Preferences

Within Hong Kong food and beverage imports, consumer interest in healthy lifestyle products continues to grow. Innovative products that offer sustainable production and nutritional value at a reasonable cost with convenient preparation are in demand. Busy schedules and dual income families are driving the search for ready-to-cook and frozen options for home preparation and premium, healthy options in food service outlets. Consumers are increasingly interested in food’s provenance and production background both at retail and restaurant levels and consider these aspects when making purchasing decisions.

Economy

Hong Kong’s economy continued to grow in 2015 with GDP and per capita GDP increases of 6.4% and 5.5%, respectively over 2014, according to Hong Kong census data. A slight economic slowdown in 2016 made consumers more cautious and budget minded so food businesses adapted to changing consumer preferences, including innovative concepts, menu adaptations and updated

casual dining full-service restaurants and fast casual food chain restaurants. A strong Hong Kong dollar, economic uncertainty and higher menu prices could stifle expected growth in 2017.

Table 3 –Key Strengths and Challenges of the Hong Kong/Macau Markets

| Advantages | Challenges |
|---|--|
| 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 consumer oriented agricultural products to Hong Kong were US\$3.3 billion, consolidating its position as the 4 th largest market for the United States in 2015. | 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 a vast range of consumer oriented products that are transshipped to China and other parts of Asia. | Transportation time and costs plus product availability due to seasonality (e.g. fresh produce) associated with importing U.S. food and beverage products to Hong Kong can make them less competitive than products available from regional suppliers such as China, Australia, and New Zealand. |
| 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. was the largest supplier of agriculture, fishery, and forestry products to Hong Kong in 2015. | Hong Kong labeling and residue standards differ in some cases, which can impact 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. |
| A wide variety of U.S. products are 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 expensive port handling charges. |
| The link between the Hong Kong Dollar (HKD) to the U.S. Dollar helps insulate the HKD from currency fluctuations. | Hong Kong’s top supermarkets are a duopoly that often request slotting fees. |
| 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 re-export 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 rapidly for "healthy", high-quality foods, market segments where the United States is especially strong. | |
| Hong Kong concerns over food safety have made U.S. food products 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. | |
| Lack of local production means virtually no protectionist pressures for food and agricultural products. | |
| Hong Kong is in an economically stable region. | |
| 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. | |

SECTION II. EXPORTER BUSINESS TIPS

Importer Lists

ATO Hong Kong can provide a list of importers to U.S. exporters. Please contact us at

Atohongkong@fas.usda.gov for further information.

Language

The official written languages in Hong Kong are Chinese and English. The official spoken languages are Cantonese (the prominent Chinese dialect in Hong Kong and South China) and English. English is commonly used in business transactions.

Travel Visa

Hong Kong is a Special Administrative Region of Mainland China with a distinct customs and immigration border separate from China. U.S. passport holders do not need a visa to enter Hong Kong but do need a visa to enter Mainland China.

Legal System

Under the principle of “one country, two systems,” Hong Kong’s legal system, which is different from that of Mainland China, is based on the common law, supplemented by written laws and an independent judiciary.

Payment

Hong Kong importers accept letters of credit but after a trading relationship is established they may seek to obtain payment by open account to reduce transaction costs.

Import Regulations

Duties

With the exception of four types of dutiable commodities, namely liquors, tobacco, hydrocarbon oil and methyl alcohol, food and beverage products are imported to Hong Kong without excise duties.

Certificates & Permits

Technical requirements for imports vary significantly according to the product. Products that require import permits/health certificates include egg, meat, aquatic, milk and frozen confections. Local importers are required to apply for import permits. U.S. exporters should supply their agents/importers with any necessary documentation, such as health certificates, issued by the U.S. government.

Labeling

All prepackaged food products offered for sale in Hong Kong must comply with Hong Kong’s labeling regulations including requirements for allergens and nutrients. Should a U.S. label fail to meet Hong Kong labeling requirements, stick-on food labels at import are allowed and can be arranged by Hong Kong importers with the permission of the manufacturer.

The marking or labeling of prepackaged food can be in either English or 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 must be provided in both languages.

Labeling for Biotech Food

The Hong Kong Government does not have specific regulations regarding the labeling of biotech

ingredients in food products. Nevertheless, the Government continues to promote voluntary labeling of any biotech ingredient of 5 percent or more under guidelines issued in 2006 that are advisory in nature and have no legal effect. Negative labeling is not recommended.

Organic Certification

While the Hong Kong Organic Center provides organic certification for local production, Hong Kong does not have a law regulating organic food products. U.S. organic products may be sold in Hong Kong with the USDA organic logo without further certification

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Among the three major market sectors of Hong Kong: the retail and HRI (hotel, restaurant and institutional) sectors present the best opportunity for U.S. exporters. The food processing sector in Hong Kong is relatively small and presents minimal opportunity for market development.

Food Retail

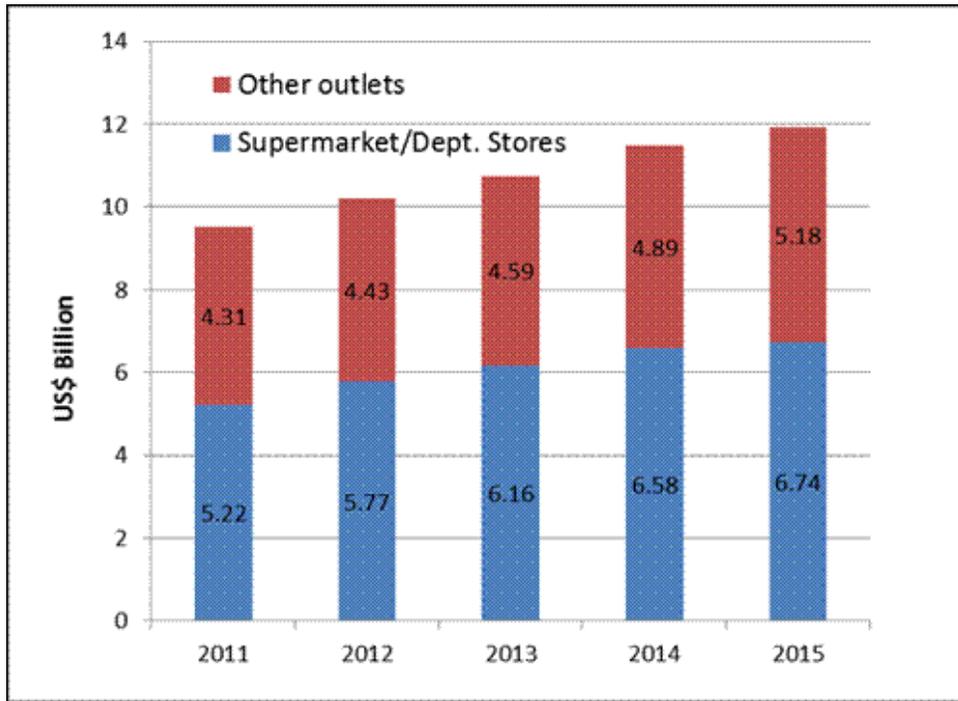
Traditional Markets

Traditional street (wet) markets are popular for daily shopping for fresh grocery products in Hong Kong. Some, but not all, stalls in wet markets have freezers and chilling equipment to maintain food quality. U.S. food exporters usually need to work with local importers/agents to place products in traditional markets.

Modern Outlets

Street markets competition with modern grocery retail outlets has intensified in recent years. As reflected in Chart 3, supermarket sales have been eroding market share of traditional street markets - from 44 percent of total retail sales in 1995 to 56.5 percent in 2015 - and this trend is expected to continue as consumers seek convenience and high-quality options in larger stores.

Chart 3 – Food and Beverage Retail Sales in Hong Kong (US\$ billion)



Total retail sales of food and beverages in Hong Kong reached US\$11.9 billion, representing growth of 3.9 percent compared to 2014, as shown in Table 4. In 2015, supermarkets accounted for 55 percent of retail sales within grocery retailers. The supermarket industry is introducing larger size stores to provide more convenience for customers. In addition to traditional grocery and household products, supermarkets are moving towards larger, more modern stores with more fresh food.

Table 4– Food and Beverage Retail Sales in Hong Kong (US\$ billion)

| Channel | 2011 | 2012 | 2013 | 2014 | 2015 | Growth (15 vs 14) |
|--------------------------|-------------|-------------|--------------|--------------|--------------|-------------------|
| Supermarket/Dept. Stores | 5.22 | 5.77 | 6.16 | 6.58 | 6.74 | 2.4% |
| Other outlets | 4.31 | 4.43 | 4.59 | 4.89 | 5.18 | 5.9% |
| Total | 9.53 | 10.2 | 10.75 | 11.47 | 11.92 | 3.9% |

(Source: Hong Kong Census and Statistics Department)

Two grocery chains have the most outlets and selling space in Hong Kong and account for about 75 percent of the revenue. Dairy Farm International Holdings remained the leading grocery retailer with its Wellcome supermarket chain, holding a retail value share of 24%, and growth of 3% in 2015 with AS Watsons' ParknShop chain holding the second spot, according to Euromonitor. Both chains expanded their premium and upscale outlets recently as consumers continue to seek high-quality, imported gourmet products.

Table 5 – Profiles of Leading Supermarket Chains in Hong Kong

| Name of Retailer | Ownership | No. of Outlets | Target Customer | Type of Purchasing agent |
|---------------------------|--|---|-------------------------------|--|
| Wellcome | Dairy Farm Intl Holdings, Hong Kong | Over 280 | Middle Class | Importers/Agents Exporters Consolidators |
| ParknShop | AS Watson, Hong Kong | Over 260 | Middle Class | Importers/Agents Exporters Consolidators |
| CR Vanguard Shops | China Resources Enterprises, China | 57 shops | Primarily Local | Importers/Agents Exporters |
| DCH Food Mart | Dah Chong Kong Holdings Ltd, Hong Kong | Over 70 DCH Food Mart & DCH Food Mart Deluxe | Middle Class, Primarily Local | Importers/Agents Exporters |
| Market Place by Jasons | Dairy Farm Intl Holdings, Hong Kong | 37 | Affluent | Importers/Agents Exporters Consolidators |
| AEON Stores (HK) Ltd. | AEON Group, Japan | 9 department stores with supermarkets and 3 separate supermarkets | Middle Class | Importers/Agents |
| YATA | Sun Hung Kai Properties Japan | 7 | Middle Class, Primarily Local | Importers/Agents |
| City'Super | City Super Group, Hong Kong | 21 | Affluent | Importers/Agents Consolidators |
| Sogo | Lifestyle Intl Holdings, Japan | 2 | Middle Class, Primarily Local | Importers/Agents |
| Oliver's The Delicatessen | Dairy Farm Intl Holdings, Hong Kong | 1 | Affluent | Importers/Agents Consolidators |
| APITA (Uny) | Uny (HK) Co., Ltd, Japan | 1 | Middle class, Primarily Local | Importers/Agents |

(Source: Websites of the above supermarkets)

Many Hong Kong supermarkets charge slotting fees during a trail period for new products, as well as other terms, such as promotion discounts (number of discount promotions offered each year), back-end income (flat rebate per year that a supplier pays to the retail chain based on the annual turnover), D.A. (Distribution allowance - the fee that the supermarkets charge for distributing the products from its warehouse to its many branch stores), and incentive rebates (a percentage of turnover rebated to the supermarkets when sales exceed an agreed amount. For general reference, about 15% of the annual turnover is rebated to the major supermarkets and 8% to smaller ones).

Supermarkets may import direct from the U.S. supplier or may use consolidators, depending on the product and minimum order quantity, to source new products from the U.S. Most major supermarkets like ParknShop and Wellcome offer online grocery shopping platforms that are increasingly appealing to busy Hong Kong shoppers with discounts and delivery services.

To enter the grocery retail market sector, several approaches are possible:

- Establishing a representative office in Hong Kong: A good method to build trade relationships but rents and operating expenses can be costly.
- Working with U.S. Consolidators: Method to supply less than minimum order quantities to importers and retail markets.
- Developing a relationship with a Hong Kong Agent: Well-established companies have extensive distribution networks not limited to one or two supermarkets.
- Exporting Direct to Supermarkets: Branded products that sell direct to supermarkets may be required to provide exclusive sales rights for the products in Hong Kong. In this case, expensive slotting 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 for cost savings.

Convenience Stores

Convenience stores, such as 7-Eleven (operated by Dairy Farm) and Circle K (Convenience Retail Asia) are very popular in Hong Kong with more than 1300 outlets that offer drinks and snacks and some hot food options.

Table 6 – Profiles of Leading Convenience Stores in Hong Kong

| Retailer Name | Ownership | No. of Outlets | Locations | Purchasing agent | Year established |
|----------------------|------------------|-----------------------|------------------|-------------------------|-------------------------|
| 7-Eleven | Hong Kong | Over 900 | Hong Kong | Importers Agents | 1981 |
| Circle K | Hong Kong | Over 330 | Hong Kong | Importers | 1985 |

| | | | | | |
|-------|-------|----|-----------|---------------------|------|
| | | | | Agents | |
| VanGO | China | 58 | Hong Kong | Importers Agents | 2007 |

(Source: Websites of the above convenience stores)

Recent expansion of health food, confectioners and regional specialty stores are increasing competition for traditional convenience stores. For example, “759 Store” started in 2010 with small stores selling pre-packaged products, particularly snacks. The chain has now expanded to over 260 outlets including some larger-sized stores selling more food items including frozen foods, baby foods and other groceries. To place products in convenience stores, U.S. exporters would usually need to work through such a local distributor since this is the most common supply source for convenience stores.

Hotel, Restaurant and Institutional (HRI)

The HRI sector is expected to continue showing positive growth in 2017 despite a slight weakening in the overall economy. Restaurant operators are taking advantage of softening rents to expand strategic outlets while updating menu options for Hong Kong’s enthusiastic “foodie” consumers that demand novel, premium cuisines. In 2015, Hong Kong restaurant food and beverage purchases, valued at US\$4.51 billion, generated estimated sales of US\$13.38 billion, an increase of 2.2 and 3.9 percent, respectively, over 2014 as shown in Table 8. A strong Hong Kong dollar and higher menu prices could negatively influence the amount of the growth rate.

Fast casual dining outlets with moderate prices and attractive décor have been popular with consumers and are expected to continue to see strong growth. Discovering new dishes and sharing them on social media via photos on Facebook are popular social activities for young adults whose food fervor drives a persistent trend for new and innovative menu options. Hong Kongers frequently dine out with family and friends, a tradition that will continue to provide robust business for the food service industry which offers reasonable prices, comfortable ambience and healthy, innovative menu options produced in an environmentally responsible manner.

Table 8 – Hong Kong Restaurants Receipts and Purchases (US\$ Billion)

| | 2014 | 2015 | Growth (15 vs 14) |
|----------------------|-------|-------|-------------------|
| Restaurant Receipts | 12.87 | 13.38 | 3.9% |
| Restaurant Purchases | 4.41 | 4.51 | 2.2% |

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

For Hong Kong statistical purposes, restaurants are grouped into five broad categories: Chinese, non-Chinese, fast food, bars and other establishments. Hong Kong’s Chinese cuisine offerings are popular and, according to Hong Kong Census and Statistics Bureau, account for the largest amount of receipts amongst the 5 restaurant categories. Alternatively, Hong Kong consumers and tourists also enjoy non-Chinese cuisine options, including Western, Japanese, Korean, Thai, Vietnamese and noodle and congee restaurants. Fast food outlets suit Hong Kong’s quick-paced lifestyle where

dining out twice per day at convenient locations is not uncommon. McDonald's, KFC and Pizza Hut are recognized options across the region as are more local chains such as Café De Coral, Maxim's and Fairwood that serve both Chinese and Western foods. Competition among fast food chains is intense as brands strive to retain customers and raise brand awareness. To further meet competition, fast food operators are updating outlets and adding new healthier food options. In 2015, McDonald's transformed an existing location into a McDonald's Next - an elevated concept featuring a glass and metallic interior, mobile-charging stations, Wi-Fi, self-ordering options and a salad bar, including quinoa - with table service after 6 p.m. and premium coffee blends.

Hong Kong's vibrant nightlife is renowned and is served by more than 1,000 bars, pubs and other eating and drinking establishments across Hong Kong. Although tea holds a traditional preference in Asia, the Asian coffee market has grown an average 4% per annum since 2000, according to statistics provided by the organizer of the largest food trade show in Hong Kong ("HOFEX") and Hong Kong consumers continue to drive an increase in food service coffee demand.

Institutional Catering

Hong Kong is located less than five flying hours from half of the world's population so its airport is very busy. Connected to over 190 destinations, the Hong Kong airport handled 68.5 million passengers in 2015 and its catering facilities provided over 15,000 meals each day for plane passengers. Given the competition among airlines, airlines have an increasingly high standard for the meals provided to their clients. Some partner with five-star hotels or famous restaurateurs to design menus for business class and first class passengers.

In addition, Hong Kong has raised its profile as a cruise hub with the development of the Kai Tak Cruise Terminal – the former site of the city's urban airport in Kowloon - that can accommodate the largest ships in the cruise industry. The increasing number of calls of luxury cruises to Hong Kong bodes well for the demand for fine dining needs both on cruises and the city. To provide products to the institutional market in Hong Kong, U.S. exporters would commonly work with local importers to explore potential business opportunities and distribution networks.

Trends in Promotional/Marketing Strategies and Tactics

- Identify key players for the products - ATO Hong Kong can provide lists of importers, distributors, commodity cooperators and regional business groups.
- Test marketing may be required prior to establishing a presence in the market.
- Communicate product benefits to end-users - although distributors maintain relationships with their customers, end users assert influence over the buying decisions, it is important to directly educate all stakeholders as to the features and benefits of your products.
- Participate in or visit trade shows – Hong Kong has an excellent reputation for hosting international trade shows. In cooperation with cooperators and regional groups, the shows will demonstrate the versatility and safety of U.S. food products.

- Stage menu promotions with major restaurant chains - Menu promotion dollars will be maximized if spent on promotion events held with the major restaurant chains. With the restaurant chains' announced intention to have an image overhaul, this provides for an opportunity to introduce new U.S. foods.
- Invite restaurant owners/chefs to seminars and/or to the U.S. - ATO Hong Kong/ cooperators organize seminars and trade missions to the U.S. with an intention to introduce U.S. products, meet U.S. exporters, and share with them food service operations in the U.S.

Food Processing

The food processing industry in Hong Kong is small compared to food retail and HRI sectors. The total output of the local food processing industry is estimated below US\$1 billion. Major local production includes instant noodles, macaroni, spaghetti, biscuits, pastries and cakes for both domestic consumption and export. Other significant sectors include canning, preserving and processing of seafood (such as fish, shrimp, prawns, and crustaceans); manufacture of dairy products (fresh milk, yogurt and ice cream); seasoning and spirits.

Based on the trade agreement between Hong Kong and China (called Closer Economic Partnership Arrangement, or CEPA in short), all foods and beverages made in Hong Kong, subject to the CEPA's rules of origin, can enjoy duty-free access to the Chinese mainland. Non-Hong Kong made processed food and beverages products remain subject to rates according to China's tariff schedule.

The CEPA zero tariff product list includes aqua-marine products, food and beverages, (certain dairy products such as yogurt and cheese, certain prepared meats, certain sugar confectioneries and cocoa preparations; certain preserved meats and seafood, bread, biscuits and cakes; preserved vegetables and fruits, fruit juices; sauces, water, etc.) and leather and fur products.

Processed food and beverages items must comply with Hong Kong rules of origin in order to be imported to China tariff free. The rule of origin of individual products is basically determined by the manufacturing or processing operation. For example, milk and cream products are considered as "made in Hong Kong" only when the manufacturing processes of mixing, freezing sterilization and cooling are conducted in Hong Kong. The origin criteria for nuts is that the baking, seasoning, and/coating must take place in Hong Kong. In the case of ginseng, the principal manufacturing processes of cutting and grinding must be conducted in Hong Kong. More information on CEPA can be found at: <http://www.tid.gov.hk/english/cepa/> .

Food ingredients are sourced both through direct import by food processors and through consolidators. Hong Kong traders and end-users tend to stay with suppliers with whom they have a relationship. While exporters would do well exploring all channels, patience and understanding are required to establish a relationship of trust sometimes before trading can commence.

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Notes :

- 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.
- 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%.
- Products listed below either enjoy a large market import value or a significant growth rate for the last 5 years (2011-2015).

Table 9 – Hong Kong: Top 10 Prospects

(** Ranking and figures are based on gross import values)

(Source of data: Hong Kong Census and Statistics Department via Global Trade Atlas)

| Product Category | 2015 Retained Imports (MT) | 2015 Retained Imports (US\$ million) | 2011 – 2015 Average Annual Retained Import Growth | Key Constraints Over Market Development** | Market Attractiveness For USA** |
|------------------------------------|----------------------------|--------------------------------------|---|---|---|
| Fish & Seafood Products | 248,742 MT | US\$2.41 billion | 4% (volume) -3% (value) | Asian countries enjoy advantages of proximity. Major suppliers of aquatic and seafood products in 2015 were China (27%), Japan (14%), U.S. (5%), Vietnam (5%) and Norway (4%). | U.S. fish and seafood products are perceived as high quality, safe choices. |
| Fresh Fruit | 690,610 MT | US\$998.5 million | +4% (volume) +7% (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 transit time for shipments from these countries to Hong Kong also | U.S. fresh fruit are well known for their variety, high quality and taste. In 2015, the U.S. was the third largest supplier (18%) of fresh fruit to Hong Kong. Chile and Thailand were the top two suppliers with 20% of import values |

| | | | | | |
|--|------------|-------------------|-------------------------------|---|---|
| | | | | render their products “fresh” to Hong Kong consumers. | respectively. |
| Poultry Meat | 205,830 MT | US\$525.8 million | -20% (volume) -17% (value) | Although Brazil dropped to being the second largest supplier of poultry meat to Hong Kong, Brazil is still a very strong competitor due to price competitiveness and relationships between Brazilian exporters and Hong Kong importers. Similar scenario also applies to China where products are price competitive, and Chinese exporters also enjoy advantages of proximity and relationship. | U.S. products are highly regarded for quality and safety with chicken wing mid-joints and chicken legs popular due to their size and quality. |
| Pork | 305,995 MT | US\$956.8 million | -2% (volume) -1% (value) | China and Brazil are the top suppliers of pork to Hong Kong. Their products are 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\$78.5 million worth of pork from the U.S., accounting for 7% of the market share. U.S. meat products are generally perceived as high-quality, safe products. |
| Processed Fruits and Vegetables | 205,075 MT | US\$555.5 million | +7% (volume) +21% (value) | China has been Hong Kong’s largest supplier since 2014 with 40% market share. Chinese mushroom and truffles remain | U.S. processed fruit and vegetables are well known for superior quality and taste. U.S. processed fruit and vegetables such as some nut items |

| | | | | | |
|---|---------------------|-------------------|--|--|--|
| | | | | <p>important ingredients in Chinese cuisines. The U.S. was the 2nd largest supplier with 24% market share.</p> <p>Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.</p> | <p>potatoes, sweet corn, mushrooms, peaches and pineapples will continue to be in large demand in Hong Kong.</p> |
| Beef | 242,033 MT | US\$1.37 billion | <p>+22% (volume)</p> <p>+21% (value)</p> | <p>Strong competition from Australia, Brazil and China.</p> <p>Hong Kong market only fully open to all U.S. beef cuts excluding SRM since 2014.</p> | <p>Hong Kong consumers have high regard for U.S. beef in terms of quality and safety.</p> |
| Wine (Wines, wine, and sparkling wine) | 36.0 million liters | US\$775.0 million | <p>+5% (volume)</p> <p>-6% (value)</p> | <p>Competition is keen in Hong Kong. Major competitors come from France, Italy and Australia. French wine is traditionally popular in Hong Kong.</p> | <p>Hong Kong imported US\$64.5 million of U.S. wine in 2015, accounting for 5% of the market share.</p> <p>The Hong Kong Government abolished import tax on wine and beer in February 2008.</p> <p>Hong Kong consumers are more and more receptive to wine.</p> <p>The HRI sector in Macau is growing, making it an excellent opportunity for U.S. wine traders to expand their exports.</p> |
| Tree Nuts | 68,591 MT | US\$834.5 million | <p>39% (volume)</p> <p>+17% (value)</p> | <p>Some import handling issues compromise quality.</p> | <p>No local production</p> <p>The U.S. is very strong in supplying almonds, hazelnuts and</p> |

| | | | | | |
|-------------------------------------|--------------------------|--------------------------|-----------------------------------|---|--|
| | | | | | pistachios. Some of the imports are re-exported to Vietnam and China for processing |
| Fruit & Vegetable Juices | 28,046 MT | US\$91.7 million | +13% (volume) +33% (value) | | The U.S. is the market leader. Hong Kong imported US\$66.5 million worth of fruit & vegetable juices from the U.S. in 2015, accounting for a market share of 68% and growth of 71% in value compared to last year. U.S. fruit and vegetable juices such as orange, apple, grape, grapefruit, tomato and pineapple are expected to continue to be popular. |
| Organic Food and Beverage | Statistics not available | Statistics not available | Statistics not available | Organic F&B products are generally 20-40% higher in prices compared to non-organic products. Hong Kong does not have government regulation in organic labeling and standards. Poor quality of a certain organic product may negatively affect the image of all organic products in the market. | According to supermarket online stores (#Great Food Hall, Marketplace by Jasons, ParknShop and Wellcome), 4.1% of total food and beverage items are organic. Popular organic categories include baby food, meat, canned food, condiment, spice, breakfast cereal, and non-alcoholic beverages. |

** Ranking and figures are taken from gross import values

Figures were taken from the retailers' websites in September 2016

Source of data: Global Trade Atlas by Hong Kong Census & Statistics Department

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Post Contact
Foreign Agricultural Service (FAS)
Home Page: <http://www.fas.usda.gov>

Agricultural Trade Office
Consulate General of the United States, Hong Kong and Macau
18th 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
Web site: <http://www.usconsulate.org.hk>
<http://www.usfoods-hongkong.net>

Department charged with Food Safety Control

Food & Environmental Hygiene Department
43rd Floor, Queensway Government Offices
66 Queensway
Hong Kong
Tel: (852) 2868-0000
Fax: (852) 2834-8467
Web site: <http://www.fehd.gov.hk>

Department responsible for the Control of Importation of Plants & Live Animals

Agriculture, Fisheries & Conservation Department
5th – 8th Floor, 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 responsible for the Issuance of Licenses for Imported Reserved Commodities

Trade & Industry Department
18th 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 responsible for the Registration of 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 responsible for Issuing Licenses for Imported Dutiable Commodities

Hong Kong Customs & Excise Department
Office of Dutiable Commodities Administration
6th - 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 responsible 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>

APPENDIX – STATISTICS

Table A. KEY TRADE & DEMOGRAPHIC INFORMATION

| | |
|--|------------------------|
| Agricultural Imports from All Countries (\$Mil)/U.S. Market Share (%) ¹ | \$21,618 million / 18% |
| Consumer Food Imports from All Countries (\$Mil)/U.S. Market Share (%) ¹ | \$18,046 million / 20% |
| Edible Fishery Imports from All Countries (\$Mil)/U.S. Market Share (%) ¹ | \$3,149 million / 5% |
| Total Population (Millions)/Annual Growth Rate (%) | 7.3 million / 0.6% |
| Urban Population (Millions)/Annual Growth Rate (%) | 7.3 million / 0.6% |
| Number of Major Metropolitan Areas ² | 3 |
| Size of the Middle Class (Millions)/Growth Rate (%) ³ | 3.2 million / 4.7% |
| Per Capital Gross Domestic Products (U.S. Dollars) | US\$42,174 |
| Unemployment Rate (%) | 3.3% |
| Per Capita Food Expenditures (U.S. Dollars) | US\$4,178 |
| Percent of Female Population Employed ⁴ | 54.9% |
| Exchange Rate (US\$1 = HK Dollars) ⁵ | HK\$7.78 |

Footnotes

- 1 FAS' web-enabled UNTrade database - GATS (HS 6-digit option)
- 2 Population in excess of 1,000,000
- 3 Middle class is defined as persons with monthly household income US\$3,856 (HK\$30,000) or above with average household size being 2.9 persons.
- 4 Percent against total number of women (15 years old or above).
- 5 Hong Kong dollar is pegged to U.S. dollar.