



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

**Date:** 11/12/2003

**GAIN Report Number:** HK3039

## Hong Kong

### Retail Food Sector

### Report

### 2003

**Approved by:**

David L. Wolf  
U.S. Consulate General, Hong Kong

**Prepared by:**

Caroline Yuen

---

**Report Highlights:**

In 2002, total retail sales of food and drinks in Hong Kong reached US\$ 6 billion. Although the supermarket category constitutes a very tiny number of Hong Kong's total retail outlets (over 16,000 retail establishments), its share in terms of retail sales has risen from 44 percent of total sales in 1995 to 55 percent in 2002. While Wellcome and ParknShop are two major supermarket chains, other desirable outlets for U.S. products include Jusco, City Super, Oliver, etc. Hong Kong is an important market for consumer-oriented American foods and ranks number five as a U.S. export destination for these products. Hong Kong imported over US\$ 1 billion of consumer-oriented products from the United States in 2002 accounting for 21 percent of the import market share. The Hong Kong market provides great opportunities for U.S. high value consumer foods such as general grocery items, ingredients for home meal replacement, red meats, poultry and health food.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Hong Kong [HK1]  
[HK]

**Table of Contents**

**SECTION I. MARKET SUMMARY ..... 3**  
**SECTION II. ROAD MAP FOR MARKET ENTRY ..... 7**  
    A. Entry Strategy ..... 7  
    B. Market Structure ..... 9  
    C. Supermarkets - Company Profiles ..... 10  
    D. Convenience Stores – Company Profiles ..... 12  
    E. Traditional Markets – Sub-Sector Profile ..... 13  
**SECTION III. COMPETITION ..... 14**  
**SECTION IV. BEST PRODUCT PROSPECTS ..... 17**  
**SECTION V. POST CONTACT AND FURTHER INFORMATION ..... 21**

**SECTION I. MARKET SUMMARY**

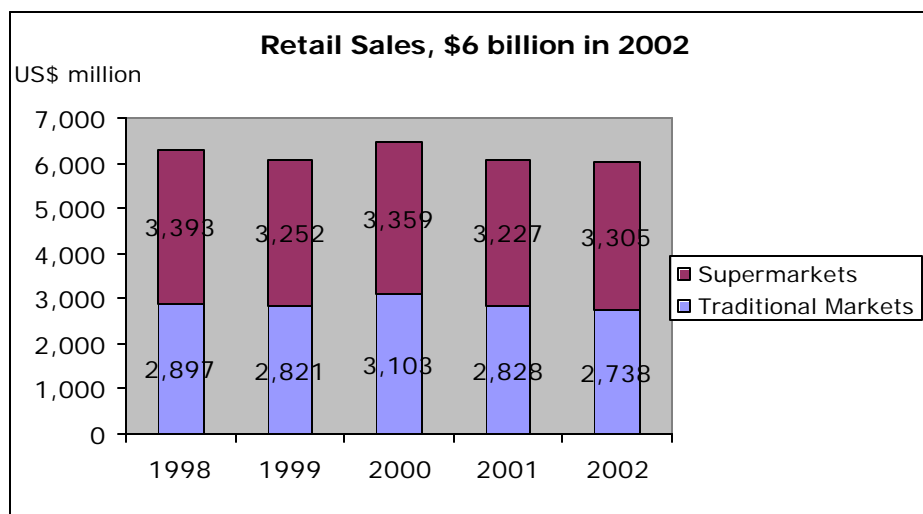
## Economy

- Hong Kong has a population of 6.787 million with an annual growth rate of 0.9%. Its per capita GDP stands at \$24,165. Real GDP dropped by 0.5% in the second quarter of 2003 amid the spread of Severe Respiratory Syndrome (SARS) in mid-March. The domestic sector, including retail trade, entertainment, catering and restaurants, was severely affected by SARS. Fortunately, a solid growth in Hong Kong's merchandise exports helped somewhat cushion its impact. With signs of improvement in inbound tourism and merchandise exports, a firmer pick-up of the Hong Kong economy is expected for the second half. The official forecast of GDP growth for 2003 was revised upward to 2% in August, up from 1.5% in May.
- The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) was concluded in late June 2003, granting duty-free access of Hong Kong products to the mainland and additional market access of Hong Kong companies in the mainland on services industry in phases. The agreement is expected to be able to boost the Hong Kong economy.
- Political and economic confidence in Hong Kong rebounded sharply in August, according to a recent survey. Rising most sharply is the index of "improvement in employment", which rose sharply by almost 75%. Other economic indices that performed well include the "economic prospects of Hong Kong" which rose by 28%, "confidence in the property market" which rose by 18%, and "China-Hong Kong economic relations" which rose by 17%. These positive indices reflect the improving prospects for exporting food products to Hong Kong in the coming year.

## Retail Sales and Outlets

- Total retail sales of food and drinks in Hong Kong for 2002 reached U.S.\$6 billion. For January - August 2003, retail sales of food, alcoholic drinks, and tobacco for traditional markets decreased 2% and 0.3% for supermarkets, compared with the same period last year. The decrease was largely due to deflation and a more conservative consumption pattern by consumers when the economy turned sluggish.
- Retail establishments in 2001 amounted to approximately 16,478, which included (1) 82 supermarkets and convenience stores establishments (including retail outlet branches, estimated at about 800) and (2) 16,396 wet market stalls and "mom and pop" shop operators. Retail shops in Hong Kong generally are very small in size, about 98 percent of which hire less than 10 employees.
- Different retail outlets have their own features. Wet markets are still very strong in "fresh food" retail such as meat, seafood, fruit and vegetables. "Mom-and-pop" shops sell conventional snacks and drink products. Convenience stores are characterized by a round-the-clock operation. Food products available include mainly snacks and beverages. In the past, Hong Kong supermarkets sold mainly canned food, snacks, biscuits (cookies and crackers), and beverages. In recent years, meat and produce also have become available in supermarkets. It is very evident that supermarkets are expanding their fresh meat and produce sections in order to capture additional market share from traditional wet markets. There are 9 department stores in Hong Kong that have supermarkets in them. Most of these are Japanese department stores and they tend to carry novelty products, particularly those from Japan.

- Although the supermarket category constitutes a very tiny number of Hong Kong's total retail outlets, its share in terms of retail sales has risen from 44 percent of total sales in 1995 to 55 percent in 2002. The significant jump may indicate that supermarkets have taken much business away from traditional wet markets.



- There are two dominant supermarket chains in Hong Kong: The Wellcome Co. Ltd. (244 outlets) and ParknShop (215 outlets). ParknShop and Wellcome account for about 80 percent of the supermarket turnover. Both supermarkets are able to work closely with real estate developers to open stores in strategic locations, thus maintaining their significant market share. Each supermarket chain carries over 10,000 SKUs. The other players include: China Resources Supermarket (CRC), Dah Chong Hong, Jusco, City Super and Oliver Delicatessen.
- In recent years, a "shopping mall" concept has emerged in the operation of some new superstores, i.e., a variety of services are provided. For example, a Wellcome store, with a floor area of 54,000 square feet, provides massage service. A doctor specializing in Chinese medicine has an office within the store providing consultation to patients. The largest ParknShop store in Hong Kong has a floor area of 72,000 square feet and sells over 20,000 product categories ranging from snacks to electrical household appliances. New features include a drug store operating inside the superstore with a full-time pharmacist. Also, this superstore provides free internet service to customers once they have made a minimum purchase. This ParknShop mega store contains a zone in which all goods are priced at HK\$8, in a move that could set off a war with existing HK\$10 bargain stores. The HK\$8 zone features 1,000 Japanese-style items ranging from cooking utensils to skin-care products.
- Currently ParknShop, Wellcome, and City Super are the three supermarkets offering 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 and the cost of delivery.
- Hong Kong has witnessed a development of private label products in recent years. Wellcome, ParknShop, China Resources and Jusco have taken the trend in selling their private label products including food items. In general, the retail prices of private label products are about 10% to 20% less than the most popular brand of the same product category.

### Import Regulations

- Food products can be imported to Hong Kong duty free except cigarettes and alcoholic drinks. As for technical import requirements, the basic tenet is that no food intended for sale should be unfit for human consumption. Products which require import permits/health certificates include meat, milk and frozen confections. The Hong Kong government 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. Details refer to Gain Report #3024.
- At present, there is no labeling requirement for biotech foods. The Hong Kong government is considering adopting voluntary labeling and pre-market safety assessment for biotech foods but has set no timetable for implementation. It will conduct a public consultation on the proposed system in early 2004.
- The Hong Kong government also intends to implement a mandatory nutrition labeling system, which will start to run on a voluntary basis for a period of five to ten years. According to the proposal, all prepackaged foods will eventually be subject to nutrition labeling. Drafting of the regulation has not yet started. The government is planning to launch a public consultation on the proposal on nutrition labeling in the coming months.

### Imported Food vs. Domestic Products

- Due to limited land resources and rapid urbanization, Hong Kong has to rely heavily on imports for its food supply. In 2002, local production contributed only 5 percent of fresh vegetables, 24 percent of live poultry, and 28 percent of live pigs. However, Hong Kong's total imports of consumer-oriented products and fish & seafood products amounted to US\$5 billion and US\$1.8 billion respectively in 2002. Though 32 percent of consumer-oriented products and 20 percent of seafood products were re-exported, a total of US\$4,826 million worth of these imported products were retained in Hong Kong for local consumption.
- Hong Kong is an important market for consumer-oriented American foods and ranks number five as a U.S. export destination for these products. Hong Kong imported over US\$1 billion of consumer-oriented products from the United States in 2002 accounting for 21 percent of the import market share.

### Consumer Preference

- 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 and home meal replacement. To cash in on this growing trend, supermarkets are opening "convenience food" counters targeting consumers seeking low-cost, quick meals.
- Furthermore, the economic downturn and pressure on employees to work longer hours has aggravated the trend that people spend more on convenience food, such as frozen meals, and less on fresh food. A survey showed that consumers who ate at home were buying about 20 percent more convenience and frozen food in 2002 than 2001 at the expense of fresh foods.
- 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 in Hong Kong, and small package food products are preferred.

- Hong Kong consumers have become increasingly more aware of food safety issues and nutrition values of food products. A clear indication of nutritional value on the package is certainly a good marketing strategy for health foods.
- The health-supplement market continues to enjoy healthy growth in recent years. According to Euromonitor's latest study, there has been a steady growth in the past six years in Hong Kong from \$106 million in 1997 to \$121 million in 2002. US-based Nu Skin Enterprises, one of the largest direct selling companies in the world, opened a shopping plaza in Hong Kong in July 2003. The company made a \$1 million plus investment in Hong Kong's retail sector because it sees significant potential in the health products markets and regards Hong Kong as a stepping-stone to China. The company representative revealed that the company has experienced double-digit growth in Hong Kong since 2000.
- Health products are well received in Hong Kong. A sales survey indicated that sales of milk surged in Hong Kong in 2001 as a result of aggressive marketing promoting its health benefits. Milk is promoted as one of the best sources of calcium and a health product. Since some Chinese have intolerance to lactose, a component of milk, they may develop intestinal problems such as gas and diarrhea. Therefore, Nestle has recently launched a lactose-reduced milk. Adult consumers are particularly interested in low-fat milk.
- The same survey identified some top sales growth products, which include breakfast cereal, chewing gum, soy drinks, drinks containing fruit juice, and ready-to-drink tea. Breakfast cereal and soy drinks are promoted as health food items. Marketers have been very creative in positioning chewing gum as an effective cold remedy. Money spent on chocolate grew by more than 10 per cent, as did that spent on corn or potato chips. Frozen dim sum sales also grew, in what retailers said was a mark of its convenience, low price and quality.
- According to a survey result released in July 2003 by one supermarket chain in Hong Kong, the top ten most popular product brands were: Amoy dim sum, Coca-Cola, Doll dim sum, Dreyer's ice cream, Lee Kum Kee oyster sauce, Mr. Juicy orange juice, Nestle Dairy Farm fresh milk, Nissin instant noodle, Vitasoy soy milk and Yakult lactic drink. The two surveys reflected Hong Kong consumers' preferences to a certain extent.
- In short, 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. A contact in the supermarket revealed that U.S. canola oil is very popular as health-conscious consumers tend to replace other vegetable oils with this oil.
- To better understand Hong Kong consumers' preferences for western foods, the Hong Kong Agricultural Trade Office commissioned a pilot study from a Hong Kong market research firm on consumer preferences among Hong Kong Chinese consumers for four different categories of food products: hot dogs, salty snacks, fruit juice beverages and celery. The purpose of the study is to identify consumer attitudes and buying habits so as to help U.S. exporters gain an insight as to how to introduce western foods in the most effective way to Hong Kong consumers. For details, please refer to Gain Report# HK0056.

Advantages	Challenges
World's freest economy (Economic Freedom of the World, 2003 Annual Report, published by the Cato Institute of the United States in conjunction with the Fraser Institute of Canada and some 50 other research institutes around the world). Consistent free trade and free enterprise policies. No import duty except on wine, liquor, cigarettes, hydrocarbon oils and methyl alcohol. Separate customs territory from Mainland China. No foreign exchange controls.	Severe competition between different supplying countries.
H.K. dollar pegged to the U.S. dollar, so U.S. products are not subject to price fluctuations based on exchange rates. (Can be a disadvantage when U.S. dollar is strong. Then products from other supplying countries become more price competitive compared to U.S. products.)	A very price sensitive market; importers' buying decisions depend largely on price.
Foreign and local businesses operate on a level playing field.	U.S. products are disadvantaged by a higher transport cost when compared with Australian and Chinese products.
As one of the most affluent economies in Asia, a market leader for new products.	Lack of trader and consumer awareness of U.S. foods. Traditional preference for European foods, due to previous ties with the U.K.
International city; residents travel frequently and are receptive to western and novel food.	A virtual duopoly in food retailing allows retailers to charge high slotting (shelf space) fees. See section on Supermarkets.
Sophisticated, reliable banking system.	
Consistent import regulations and rule of law.	

## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. Entry Strategy

To set up a representative office in Hong Kong is one of the most effective means that U.S. companies can use to sell their products to this market, but it is very costly. Apart from this entry strategy, there are three different ways for new-to-market exporters to get into the Hong Kong market:

Through agents : U.S. exporters may consider hiring a local agent. There are several factors to consider when hiring an agent. 1) Does the prospective agent already have an account with major supermarkets? Supermarkets will more readily accept new brand products when the

agent already has an account with the supermarkets. 2) Does the prospective agent have a good marketing record and widespread distribution network?

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 but to very extensive distribution outlets.

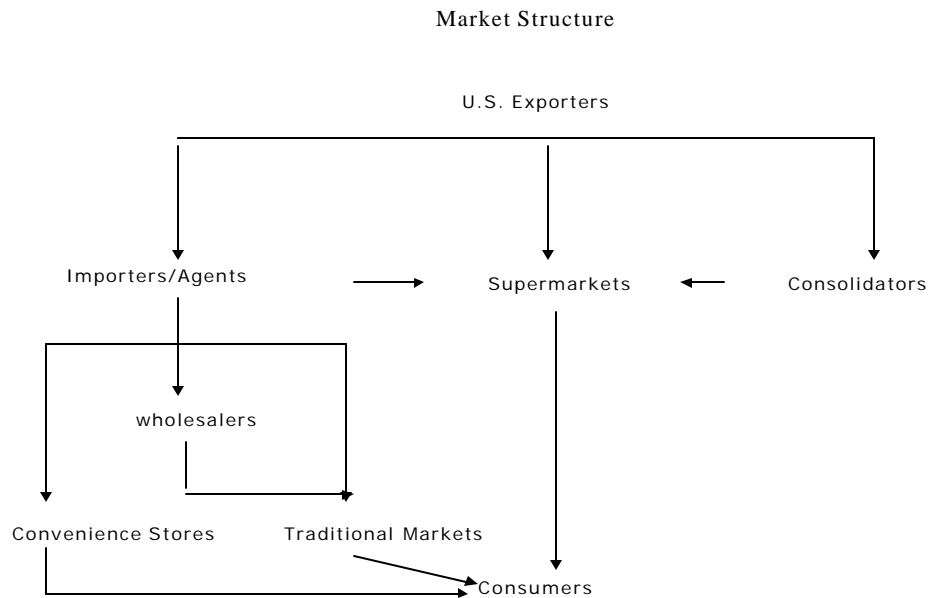
Direct to supermarkets : For branded products to sell direct to supermarkets, supermarkets usually require exclusive rights in selling the products in Hong Kong through their own outlets only. Otherwise, they will not consider any direct imports. In this case, expensive listing fees may be waived. For 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 dealing directly with retailers.

Through consolidators : Major supermarkets in Hong Kong work with U.S. consolidators for some of their products. Their purpose is to introduce new products, which have already been very popular in other overseas markets, to Hong Kong.



## B. Market Structure



- U.S. exporters intend to sell to supermarkets can go through either one of the above channels. For products with large and regular turnover such as meats and fruits, major supermarkets try to order directly from exporters so as to cut costs. 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.
- ATO Hong Kong provides lists of local supermarkets and importers/wholesalers to U.S. exporters and we are happy to line up appointments if U.S. exporters come to Hong Kong exploring the market.

**C. Supermarkets - Company Profiles**

Name of Retailer	Ownership	Food Sales US\$	No. of Outlets	Location	Type of Purchasing agent
Wellcome	Hong Kong	over \$1 billion	261, 27 of which are superstores	Hong Kong	Importers/Agents Exporters Consolidators
ParknShop	Hong Kong	over \$1 billion	215, 45 of which are superstores*	Hong Kong	Importers/Agents Exporters Consolidators
China Resources Supermarket	China	not available	81	Hong Kong	Importers/Agents Exporters
Dah Chong Hong	Hong Kong	not available	45	Hong Kong	Importers/Agents Exporters
Jusco Stores (HK) Ltd.	Japan	not available	7	Hong Kong	Importers/Agents
City Super	Hong Kong	not available	3 and 2 other called Log-on selling snacks only	Hong Kong	Importers/Agents Consolidators
Oliver Delicatessen	Hong Kong	Not available	1	Hong Kong	Importers/Agents Consolidators

- ParknShop and Wellcome account for almost 80 percent of the supermarket turnover. Both supermarkets are able to work closely with real estate developers to open stores in strategic locations, thus maintaining their significant market share. Because of their significant market share, they are able to make suppliers offer goods to them at very competitive prices, so that they are able to set retail prices lower than their competitors'. Consequently, it is difficult for small competitors to survive and new players to enter into the market.
- China Resources 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 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.
- Jusco is a supermarket located in a Japanese Department store. Jusco chain attracts many middle-class customers, who are receptive to new products and do not mind to pay for higher prices for better quality products. The listing fee that Jusco charges is HK\$2,000 (US\$257) per item for a period of three months. Also there is a weekly promotion charge of HK\$1,000 (US\$129) per item per store.

- Citysuper and Oliver Delicatessen capture an upscale market and no listing fee is required. Clientele includes mainly well-off middle class and expatriates. Customers are generally receptive to western foods. Both high-end supermarkets require no listing fees. Oliver carries over 6,000 SKUs.
- Gateway Superstore and PrizeMart are two supermarkets in Hong Kong selling primarily U.S. products. PrizeMart has 10 stores and carries about 1,500 SKUs. Gateway, with only one store in the Central district, carries over 4,500 SKUs, all of which imported directly from US consolidators. Both supermarkets do not charge listing fees.
- In 2001, a new upscale supermarket opened called Great Food Hall, with one outlet at the moment. It is associated with ParknShop but products on the shelf are more upscale. Located in a commercial area, it targets at a better-off clientele. Both Great Food Hall and City Super are competing in the same market segment. The opening of the Great Food Hall provides another excellent retail outlet for quality U.S. products. When new products are proved popular in this new outlet, then they can find their way easily to ParknShop's chain stores.
- Most Hong Kong supermarkets require listing fees, that is, a fee charged to allow a new product to be put on their shelves. The listing fees are extremely negotiable, largely based on turnover, and vary greatly among different supermarket chains. For example, Wellcome and ParknShop that have many branch stores have expensive listing fees. A product with five product ranges is expected to pay US\$26,000 to \$39,000. This is a very general reference. For some products with high turnover, like drinks, rice and pasta, the listing fees can be as high as over US\$130,000 for three months. The agent will not bear this cost, so it is transferred to the principal exporter.
- In face of strong competition, major supermarkets very 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 that ordinary retailers do not enjoy.
- U.S. exporters should be prepared to face trading terms 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); 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 percent of the annual turnover has to be rebated to the major supermarkets and 8 percent to small ones.
- In general, importers or agents have 20 percent mark-up from C.I.F. prices for food with a net profit margin of about 12 to 14 percent. The supermarket chains will mark up about 18 to 23 percent. The mark-up for different products inevitably varies. One example is that a C.I.F. Hong Kong price of a drink is HK\$9 and the retail price is HK\$17.

#### Report by the Consumer Council

- According to a report released by the Consumer Council in August 2003, there are some findings with regard to supermarkets. First, prices at the big two supermarkets and CRC over the first half of the year had gone up by an average of 1.5% compared with a year earlier. When discounts and promotions were taken into account, average prices had

dropped by 0.8%. However, government figures show that deflation for June was running at 3.1 percent, year on year.

- Secondly, in the six years from 1996 to 2001, there has been a substantial decline of small supermarket operators by approximately 41 percent.
- Thirdly, from 1993 to 2003, the two major supermarket chains have grown 29% by the number of retail outlets (31% for Wellcome and 28% for ParknShop respectively).
- The Consumer Council warned that consumers would be deprived of choice if the market was monopolized - especially as smaller supermarkets and wet markets were phased out. When there is a lack of fair competition, supermarket giants may control the variety of products available. Therefore, it called for a wide-ranging law on fair competition, and a high-powered authority to oversee it.
- The Hong Kong government responded that there was no sign the two dominant supermarket chains engaged in anti-competitive acts or abused their market power. The government said it did not see the need for a competition law, but a new set of guidelines would be issued on how to tackle any anti-competitive environment.

#### D. Convenience Stores – Company Profiles

Note: Gas station marts are not included in this section because they are not significant in Hong Kong. This is a small city and there are not any real long drives.

Retailer Name	Ownership	No. of Outlets	Locations	Purchasing agent	Year established	Clients' age
7-Eleven	Hong Kong	484	HK	Importers Agents	1981	15-35
Circle K	Hong Kong	180	HK	Importers Agents	1985	15-35

- There are around 700 convenience stores in Hong Kong. Two major chains dominate the market: 7-Eleven (484 outlets) and Circle K (180 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.
- The average store size of a convenience store is 1,000 sq. ft.
- Listing fees are also required for convenience stores.
- According to a study, Hong Kong can accommodate 1,200 convenience stores. Given that there are about 600 stores presently, there is still a room for expansion. The primary strategy of convenience stores is to increase services providing "convenience" to consumers and to increase the number of stores so as to reach economies of scale. 7-eleven, operated on a franchise basis, is able to expand the number of stores quickly. The owners of 7-eleven will increase to 500 stores by early 2004. Meanwhile, Circle K is continuing to expand.

- A Circle K representative revealed that average purchases per customer had dropped to HK\$10.62 (U.S.\$1.56) for the first three quarters of 2002, down 7% from a year ago.
- A new development in 2003 is that ParknShop expanded into 24-hour convenience store operations. The supermarket giant has opened a number of stores under the name ParknShop Express on a trial scheme and may expand the network across Hong Kong if the experiment succeeds. Currently, there are about ten Express stores. ParknShop has intrinsic competitive advantages over its rivals because it can use the leverage of the group's existing infrastructure to offer products at low prices. The stores carry the products as other convenience stores such as cooked food, drinks, newspapers and magazines. In a bid to lure customers, the 1,000 products offered by ParknShop Express are priced at the same level as those being sold at ParknShop. This is in contrast to other convenience store operators charging at a premium of up to 15 per cent from those selling at supermarkets.

#### **E. Traditional Markets – Sub-Sector Profile**

- Almost all of the clientele of the traditional markets are local Hong Kong Chinese people.
- 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 percent 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 enlarge in the future.
- Despite the growing significance of supermarkets in terms of food retailing, traditional markets remain as key food retail outlets, particularly for seafood, meat and groceries. Wet markets still occupy about 80 percent of the retail sales of fresh foods. Wet markets in Hong Kong have changed gradually over the years. The newly built markets are air-conditioned and more hygienic and more environmentally pleasant 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 the housing estates and schools are ideal retail outlets for drinks and snack foods. One feature of traditional markets is that stalls are small, but the service they offer is personal.
- A traditional mom-and-pop shop that started business in 1990 has expanded to 60 plus stores spreading all over Hong Kong in recent years. The stores are called Yu Kee, with floor area ranging around 1,500 sq. feet each. They sell mainly processed foods and produce. Most of the food supplies come from China and South East Asia. They also import snack foods and drinks from Europe. However, U.S. foods are not yet on their shelves. The stores feature cheap prices and are after the mass market.
- Another chain stores worth mentioning is called Magic House. With 67 retail stores, they operate like "convenience stores" except that their business hours are only around 10 hours instead of 24 hours. They primarily sell snack foods, drinks and ice cream.

## SECTION III. COMPETITION

Note : 2002 statistics

<b>Product Category</b>	<b>Major Supply Sources</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
<b>Snack Foods</b>  Imports \$211 million 65,338 MT  Retained Imports 49,009 MT	1. China – 23%  2. Japan – 15%  3. Italy – 10%  U.S. – 7%	Though China is the largest supplier, imports include some international brands, which have manufacturing establishments in China.  Japanese snacks have good retail outlets in Hong Kong through supermarkets located in Japanese department stores.	Local production is insignificant.
<b>Red Meats, chilled/frozen</b>  Imports \$637 million 533,106 MT  Retained Imports 240,594 MT	1. Brazil – 21%  2. China – 19%  3. U.S. – 18%	Products from Brazil and China are price competitive, but they are of different market segments from U.S. products.  U.S. beef is largely on the high-end market.	Local production is largely on freshly slaughtered meats.
<b>Red Meats, Prepared/preserved</b>  Imports \$177 million 88,360 MT  Retained Imports 75,525 MT	1. China – 57%  2. U.S. – 20%  3. Thailand – 8%	China supplies dominate the market because there is a big demand for price competitive prepared/preserved meat balls and other products typical in Chinese dishes in Chinese restaurants and processing in China is cost effective.  Ham and canned meat products from the U.S. are highly regarded in food safety and food quality.	Local production is insignificant.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>Poultry</b></p> <p>Imports \$652 million 851,912 MT</p> <p>Retained Imports 227,836 MT</p>	<ol style="list-style-type: none"> <li>1. U.S. - 51%</li> <li>2. Brazil - 18%</li> <li>3. China – 12 %</li> </ol>	<p>U.S. products dominate the market because of abundant supplies and a wide variety of grades.</p> <p>Brazilian products though are popular but are relatively less in supplies.</p>	<p>Local production is on freshly slaughtered meats.</p>
<p><b>Dairy Products</b></p> <p>Imports \$302 million 169,355 MT</p> <p>Retained Imports 144,769 MT</p>	<ol style="list-style-type: none"> <li>1. Netherlands – 16%</li> <li>2. New Zealand – 14%</li> <li>3. Singapore –13%</li> <li>U.S. – 7%</li> </ol>	<p>Netherlands and New Zealand are strong in dairy product supplies and their position has been well-established in Hong Kong.</p>	<p>Local companies supply fresh milk drinks, which are processed in Hong Kong with milk originated from farm lands in the southern part of China.</p> <p>Local companies can easily fulfill local milk registration requirements.</p>
<p><b>Eggs</b></p> <p>Imports \$58 million 1,475 million eggs</p> <p>Retained Imports 1,474 million eggs</p>	<ol style="list-style-type: none"> <li>1. China – 56%</li> <li>2. U.S. - 24%</li> <li>3. Germany – 14%</li> </ol>	<p>Eggs from China are of good quality and price competitive.</p> <p>U.S. dominates the white egg markets.</p> <p>German eggs are considered of very high quality but relatively expensive.</p>	<p>Local production is insignificant.</p>
<p><b>Fresh Fruit</b></p> <p>Imports \$802 million 1,036 MT</p> <p>Retained Imports 653 MT</p>	<ol style="list-style-type: none"> <li>1. U.S. – 29%</li> <li>2. Thailand – 18%</li> <li>3. Australia – 11%</li> </ol>	<p>U.S. fresh fruits are highly regarded as having good quality.</p> <p>Thai and Australian Trade commissions in Hong Kong aggressively sponsor trade promotion activities.</p>	<p>No local production.</p>

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>Fresh Vegetables</b></p> <p>Imports \$161 million 571,590 MT</p> <p>Retained Imports 554,925 MT</p>	<p>1. China – 67%</p> <p>2. U.S. – 10%</p> <p>3. Australia – 9%</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>Australian products are advantaged over American products because of shorter freight time and lower transportation cost.</p>	<p>Local production is about 5 percent of total demand. Production costs, both in terms of land and labor, in Hong Kong are high.</p>
<p><b>Processed Fruit &amp; Vegetables</b></p> <p>Imports \$264 million 226,231 MT</p> <p>Retained Imports 167,316 MT</p>	<p>1. China - 35%</p> <p>2. U.S. – 30%</p> <p>3. Thailand – 6%</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.</p>	<p>Local production is insignificant.</p>
<p><b>Tree Nuts</b></p> <p>Imports \$193 million 94,703 MT</p> <p>Retained Imports 64,497 MT</p>	<p>1. Iran – 41%</p> <p>2. U.S. – 34%</p> <p>3. Vietnam – 5%</p>	<p>Iran is very strong in supplying pistachios, occupying about 89 percent of total import supplies in Hong Kong.</p> <p>The U.S. is very strong in supplying almonds and hazelnuts.</p>	<p>No local production</p>
<p><b>Wine &amp; Beer</b></p> <p>Imports \$142 million 135,181,106 liter</p> <p>Retained Imports 126,976,951 liter</p>	<p>1. France – 22%</p> <p>2. Netherlands – 14%</p> <p>3. Korea – 12%</p> <p>U.S. – 11%</p>	<p>Netherlands and Korea are major suppliers for beer while France is the major supplier for wine. French wine is highly regarded in Hong Kong though expensive.</p> <p>Hong Kong people are not very familiar with California wine.</p> <p>Beer &amp; liquor with less than 30% alcohol is subject to 40% tax and wine 80%.</p>	<p>Hong Kong does not have any wine production.</p> <p>San Miguel is a popular local brand for beer. Locally produced beer is subject to the same tax rate as imports.</p>

Source: World Trade Atlas



**SECTION IV. BEST PRODUCT PROSPECTS**

Note :

- 1 Hong Kong food supplies largely rely on imports. Domestic production is very minimal so the market size in the following table is equal to retained imports without taking into account local production.
- 2 Import tariff rate for all products in the table is zero

**Products Present in the Market Which Have Good Sales Potential**

<b>Product Category</b>	<b>2002 Total Imports</b>	<b>2002 Retained Imports</b>	<b>1998 – 2002 Average Annual Retained Import Growth</b>	<b>Key Constraints over Market Development</b>	<b>Market Attractiveness for USA</b>
<b>Poultry Meat</b>	851,912 MT	227,836 MT	-6%	Strong competition from Brazil	Demand for a wide variety of grades; trade prefer U.S. good packaging
<b>Oranges</b>	207,047 MT	150,790 MT	-6%	Strong competition from Brazil and other fruits	Consumers' recognition of U.S. origin and quality
<b>Red Meats, chilled</b>	533,106 MT	240,594 MT	-5%	Economy downturn, consumers cannot afford high prices	Demand for high quality meat; U.S. meats well received by trade and consumers
<b>Grapes</b>	110,737 MT	41,066 MT	-4%	Strong competition from Chile & Australia	U.S. being the largest supplier; competitors supplying in different seasons
<b>Red Meats, Prepared/Preserved</b>	88,360 MT	75,525 MT	-1%	Strong competition from Brazil	Increasing demand for processed/value added products

<b>Product Category</b>	<b>2002 Total Imports</b>	<b>2002 Retained Imports</b>	<b>1998 – 2002 Average Annual Retained Import Growth</b>	<b>Key Constraints over Market Development</b>	<b>Market Attractiveness for USA</b>
<b>Ginseng</b>	5,458 MT	1,792 MT	-12%	Strong competition from Canada	Chinese great demand for ginseng as natural health foods
<b>Apples</b>	94,964 MT	53,596 MT	-2%	Apples from China are very price competitive and their quality has improved	U.S. remaining as the largest supplier and apples being one of the most popular fruits in Hong Kong
<b>French Fries</b>	30,604 MT	21,465 MT	16%	HRI being hampered by economy downturn	U.S. accounting for 94 percent of the market share; products well-received by trade
<b>Cherries</b>	5,956 MT	5,155 MT	2%	Lack of product handling knowledge by trade and retailers, being relatively expensive to other fruits	Competitors supplying in different seasons
<b>Sauces</b>	80,296 MT	62,170 MT	11%	Lack of U.S. product awareness by trade and consumers	Consumers receptive to new flavoring; existence of HRI sector offering international cuisine

## Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	2002 Total Imports	2002 Retained Imports	1998 – 2002 Average Annual Retained Import Growth	Key Constraints over Market Development	Market Attractiveness for USA
<b>Plums</b>	29,146 MT	12,825 MT	-8%	Consumers becoming more price conscious; Relatively expensive to other fruit items	U.S. being the largest supplier and competitors supplying plums in other seasons
<b>Ice Cream</b>	8,151 MT	7,834 MT	14%	Expensive to launch marketing programs for new brands; high slotting fees in supermarkets	Great demand for ice cream products; consumers willing to pay for premium products
<b>Beer</b>	124,200,462 Liter	117,061,934 Liter	5%	Expensive to launch marketing programs for new brands; very competitive beer market	Great demand, abundant pub and bar restaurants
<b>Sweet Corn, Prepared/Preserved</b>	11,903 MT	11,265 MT	-5%	Competition coming from other vegetables choices	The U.S. being the single largest supplier with very little competition; U.S. accounting for about 90 percent and Thailand, being the second largest supplier, accounting for 9 percent only

Product Category	2002 Total Imports	2002 Retained Imports	1998 – 2002 Average Annual Retained Import Growth	Key Constraints over Market Development	Market Attractiveness for USA
<b>Molluscs</b>	55,593 MT	40,902 MT	12%	Competition severe from Hong Kong's neighbouring countries; Molluscs including a variety of products such as scallop, oyster, abalone, etc. Japan being the largest supplier for dried scallop and Australia for abalone	Strong demand for seafood in Hong Kong; U.S. oysters highly regarded; however, the overall U.S. market share in molluscs market being small; room for market expansion present
<b>Organic Products</b>	Statistics products are not available			Only very few consumers willing or able to afford to pay for the premium for organic products; strong competition from products from Australia and Europe.	the organic market growing and consumers getting more health conscious

**SECTION V. POST CONTACT AND FURTHER INFORMATION**

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

Agricultural Trade Office  
of the American Consulate General - Hong Kong  
18 A, 33 Garden Road, Central, Hong Kong  
Tel: (852) 2841-2350  
Fax: (852) 2845-0943  
E-mail: ATOHongKong@fas.usda.gov  
Home Page: <http://www.USfoods-hongkong.net> OR <http://www.usconsulate.gov>

(Food safety control policy)  
Food & Environmental Hygiene Department  
Food and Public Health Branch  
43<sup>rd</sup> floor, Queensway Government Offices  
66 Queensway  
Hong Kong  
Tel: (852) 2867-5511  
Fax: (852) 2893-3547  
E-mail: enquiries@fehd.gov.hk  
Home Page: <http://www.fehd.gov.hk>

(Importation of plants & live animals)  
Agriculture, Fisheries and Conservation Department  
5<sup>th</sup> to 8<sup>th</sup> floors, Cheung Sha Wan Government Offices  
303 Cheung Sha Wan Road  
Kowloon  
Hong Kong  
Tel: (852) 2708-8885  
Fax: (852) 2311-3731  
E-Mail: mailbox@afcd.gov.hk  
Home Page: <http://www.info.gov.hk/afcd>

(Trade Statistics)  
Census and Statistics Department  
16<sup>th</sup> - 22<sup>nd</sup> and 25<sup>th</sup> floors, Wanchai Tower,  
12 Harbor Road, Wan Chai, Hong Kong  
Tel: (852) 2582-4807  
Fax: (852) 2802-4000  
E-mail: fax-stat@censtatd.gov.hk  
Home Page: <http://www.info.gov.hk/censtatd>

(Licence 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) 2542-3334  
E-mail: customsenquiry@customs.gov.hk  
Home Page: <http://www.info.gov.hk/customs>

(Hong Kong companies registration)  
Companies Registry  
12th-15th, 17<sup>th</sup> and 29<sup>th</sup> floors,  
Queensway Government Offices, 66 Queensway,  
Hong Kong  
Tel: (852) 2234-9933  
Fax: (852) 2869-6817  
E-mail: [crenq@cr.gov.hk](mailto:crenq@cr.gov.hk)  
Home Page: <http://www.info.gov.hk/cr>

(Trade Promotion and Hong Kong Information)  
Hong Kong Trade Development Council  
38<sup>th</sup> Floor, Office Tower, Convention Plaza, 1 Harbor Road, Wan Chai, Hong Kong  
Tel: (852) 2584-4188  
Fax: (852) 2824-0249  
E-mail: [hktdc@tdc.org.hk](mailto:hktdc@tdc.org.hk)  
Home Page: <http://www.tdctrade.com>

(Hong Kong Travel Information)  
Hong Kong Tourist Association  
9<sup>th</sup> - 11<sup>th</sup> floors, Citicorp Center, 18 Whitfield Road, North Point, Hong Kong  
Tel: (852) 2807-6543  
Fax: (852) 2806-0303  
E-mail: [info@hkta.org](mailto:info@hkta.org)  
Home Page: [www.hkta.org](http://www.hkta.org)