



Food and beverage to Hong Kong.

Trends and opportunities

The market

The image of Australia's 'clean and green' production environment and high food safety standards helps the promotion of Australian food exports to Hong Kong. The absence of foot and mouth, and mad-cow diseases in Australia have helped to support this image.

Non-genetically modified products and organic production help to sustain and develop the market share for Australian food products in a market like Hong Kong.

While there is increasing demand for various kinds of convenient food items, **consumers are becoming more health conscious about what they eat** (eg. healthy diet, concerns over GMO, interest in organic food).

The food retailing and catering market has been changing in recent years as a result of the changing lifestyle of the local population. **Supermarkets, fast food stores and theme restaurants continue to grow** and have become an integral part of shopping and dining out habits.

Major supermarket chains are being transformed into one-stop-shop 'superstore' outlets enabling business growth through new set-ups of wet market corners, in-store bakery, take-away food services, specialty selections and linked shopping facilities such as personal care stores, wine cellars, banking facilities, books and photo processing.

There has been a trend of retail expansion in the upper-end sector. Great Food Hall and Citysuper are the two key players in the market who effectively cater the needs of the upper-end market segments in Hong Kong.

The market in Hong Kong can be characterised by:

- ✍ Limited domestic agricultural production and a relatively small food processing industry.
- ✍ Supplies of most food items and beverages have to be imported.
- ✍ Large importation of high-value and value-added agricultural products.
- ✍ Transit port for re-exports into mainland China, Macao and other neighbouring markets in Asia.

Australia has an increasing share of the overall market, and it holds a prominent share of the market for:

- ✍ Fresh fruit and vegetables
- ✍ Seafood products (mostly abalone, scallops and live lobsters)
- ✍ Rice
- ✍ Beef and lamb
- ✍ Milk, butter and cheese
- ✍ Wine
- ✍ A range of packaged food products

Fruit and vegetables

The openness of the Hong Kong economy contributes to the extremely competitive nature of the fresh produce trade. Per capita consumption of fresh fruit and vegetables in Hong Kong is thought to be among the highest in the world.

Fruit demand is for oranges, apples and grapes. Pears, mandarins, bananas, mangoes, papaya, melons and plums are other major imported lines.

Vegetables imported into Hong Kong include: potatoes, onions, lettuce, celery, broccoli, carrots, chinese cabbage, cucumbers, leafy and root vegetables.

Based on current market developments, consolidated Australian fruit and vegetable export efforts will lead to greater competitiveness for Australian exporters in the international market places in terms of bargaining power, pricing, quantity

and quality consistency, credit management, marketing funding and brand building.

Seafood

Australia is a major source of supply for most gourmet shellfish sold in Hong Kong. The main items imported from Australia include:

- ≠ Live, frozen, and canned abalone
- ≠ Frozen scallops
- ≠ Live lobsters
- ≠ Frozen prawns
- ≠ Coral trout
- ≠ Oysters
- ≠ King crab
- ≠ Selected fin fish for Western catering (eg. red snapper and John Dory)

With a population of over 6.8 million and a significant tourism industry, Hong Kong is a substantial market for all kinds of seafood. **Hong Kong has a very high per capita consumption of seafood.** Substantial demand exists for all kinds of seafood, ranging from the low price fin fish (eg. croaker and carp) to the most expensive gourmet delicacies (eg. abalone, lobster and shark fins).

The Hong Kong Chinese population has a strong preference for fresh seafood, resulting in an unusually high demand for live and chilled products. It is estimated that 45 per cent of local requirements for fish and fish products are purchased in live or chilled form. However, as the cost of live seafood increases, industry sources believe consumers will purchase increasing amount of frozen seafood.

Although there has been a recovery in the demand for higher priced seafood items following the downturn experienced over recent years, **restaurateurs continue to actively look for lower price substitutes for promotion purposes.** The following are currently welcomed by the market:

- ≠ Smaller size premium products
- ≠ Farmed species with price advantages
- ≠ Possible substitutes
- ≠ New species at competitive prices

Wine

All wine is imported, as there is no local production of wines in Hong Kong. The expatriate population, which makes up approximately two per cent of Hong Kong's population of 6.8 million, has traditionally been the main consumer segment for wines apart from the consumption by the many visitors to Hong Kong each year.

Australia has been the second largest supplier (in terms of volume) of table wines to Hong Kong over the past eight years. Most of the local import agents are carrying a wide range of wines from different countries.

Australian wines have been making inroads into this industry with wine quality gaining increasing recognition amongst the trade and consumers. **The quality and reputation of Australian wines are now well established in Hong Kong.** They are perceived as steady quality wines but still 'value for money' in the middle to upper product ranges.

The growth of market share for Australian wines has been very much at the expense of French wines in recent years.

Brand is becoming increasingly important in the Hong Kong wine industry, which is undergoing a self-restructuring process. Rather than engaging numerous wine suppliers, major importers are now focusing on fewer performing brands, and are working harder on brand recognition. The wine industry is becoming increasingly consolidated. Non-performing brands are being deleted from importers' product lists, and many importers are generally hesitant to draw too many additional new-to-market products at this stage.

Opportunities

Generally speaking, the best opportunities for Australian suppliers include fruit and vegetables, seafood, wine, dairy products, meat (eg. poultry, beef, lamb, offal, game, etc) and health/functional foods.

Australian suppliers of innovative food products may find Hong Kong to be an ideal testing market in Asia.

Fruit and vegetables:

- ≠ stone fruits
- ≠ table grapes
- ≠ mangoes, citrus, melons and pears
- ≠ onions, carrots, tomatoes, potatoes
- ≠ chinese cabbage
- ≠ asparagus
- ≠ cauliflowers
- ≠ celery

Seafood:

Australia is well placed to capture a larger share of the lucrative seafood market in Hong Kong providing prices are competitive, quality is good and delivery is timely. The image of **Australia's 'clean and green' environment and high food safety standards** helps the promotion of Australian produce exports to Asia. The best opportunities for Australian suppliers in Hong Kong's seafood industry are:

- ≠ lobsters
- ≠ abalone
- ≠ scallops
- ≠ prawns
- ≠ oysters
- ≠ dried seafood items
- ≠ live reef fish
- ≠ crabs

While Australia has an increasing share of the overall market, it holds a prominent share of the market for upper-end fishery products – mostly abalone, scallops and live lobsters. There is also market potential for Australia's under-utilised fish species. However, this may require considerable marketing efforts and financial support for initial introduction of the products.

Wine:

- ≠ Red and white wines with unique features, or being reputable brands in the supplying country
- ≠ Sparkling red and white wines

Competitive environment

Australia is the fourth largest food supplying company to Hong Kong after China, USA and Thailand.

Fruit and vegetables

Australia is competing with South Africa, Chile and Argentina in the fruit and vegetables sector.

In the vegetable market, China alone accounted for some 72 per cent of the overall imports into the territory. China is also the dominant source of leafy and root vegetables for Hong Kong, followed by the USA and Australia. Australian suppliers can be more competitive during China's low or off seasons, or in sophisticated niche sectors of the industry.

Seafood

Australia's main competitors are Japan, China, Indonesia, Thailand, Canada, USA, Spain, and Vietnam. The current market share for Australia is 11.8 per cent.

Wine

The market is dominated by wine from France (52.9 per cent), Australia (16.5 per cent), USA (6.5 per cent) and Chile (5.9 per cent).

More information

For further information please contact Austrade on 13 28 78 or email info@austrade.gov.au

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