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Voluntary - Public

Date: 2/18/2014

GAIN Report Number: HK1407

Hong Kong

Post: Hong Kong

Hong Kong Wine Market 2014

Report Categories:

Market Development Reports

Approved By:

Erich Kuss

Prepared By:

Chris Li, Annie Lai

Report Highlights:

Hong Kong was the 5th largest market for U.S. wine exports, after Canada, U.K., Germany and Japan. In terms of Hong Kong wine imports, the U.S. remained the 4th largest wine exporter to Hong Kong behind France, the U.K. (mainly auction sales) and Australia. In addition to being a vibrant local market, Hong Kong also serves as a gateway to wine markets in the region because of its prime geographical location, superior logistical infrastructure and sound legal and financial system. Trade statistics indicated that Hong Kong traders re-exported 20% of wine imports from around the world and retained 80% for local consumption. Exporters of U.S. wine are encouraged to contact ATO Hong Kong or check the ATO Hong Kong website for information on upcoming trade shows and other promotion opportunities.

SECTION I. MARKET OVERVIEW

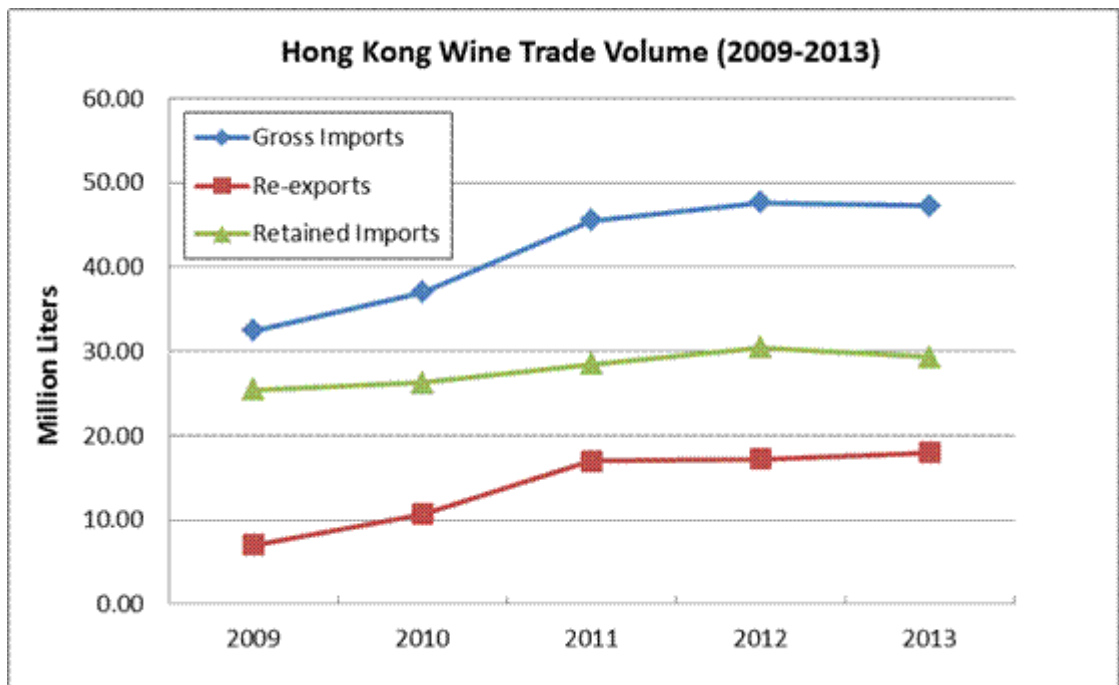
- Hong Kong wine imports have soared since the Hong Kong Government’s (HKG) elimination of its import duty on wine in February 2008, making Hong Kong one of the few tax free markets for wine in the world. Hong Kong wine imports volume grew from 32.4 million liters in 2009 to 47.3 million liters in 2013. On the other hand, Hong Kong wine imports value grew from \$491 million in 2009 to reach a record high at \$1.2 billion in 2011 and dropped to \$966 million in 2013.

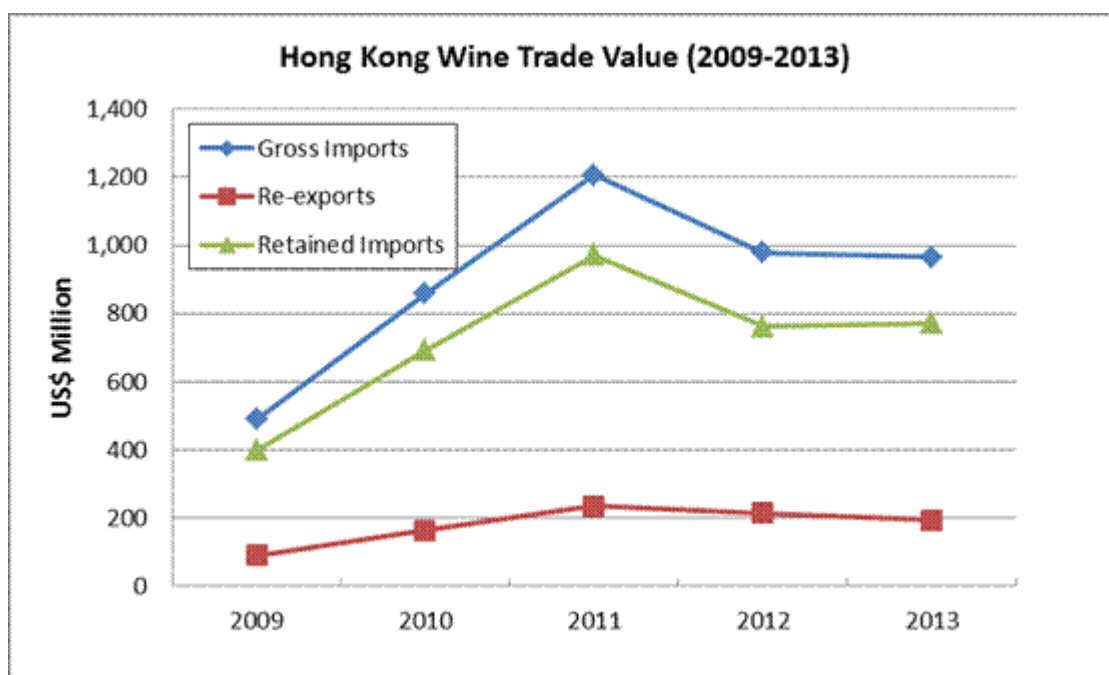
Table 1: Hong Kong Wine Imports (HS Code: 220421)

	2009	2010	2011	2012	2013
Volume (Million Liters)	32.4	37.0	45.5	47.6	47.3
Value (US\$ Million)	491	858	1,206	978	966

(Source: Global Trade Atlas)

- Comparing the figures at record year 2011 and 2013, world wine imports volume into Hong Kong still grew from 45.5 million liters to 47.3 million liters. However, wine imports value dropped from US\$1.2 billion US\$966 million over the same period, a drop of nearly 20%. According to local wine importers and distributors, the drop was partly due to keen competition which encouraged local wine buyers to source and sell wine at lower price range. In addition, as markets in the region such as China began to import more wine directly, Hong Kong’s role as a wine trading hub diminished.
- The following graphs show Hong Kong wine trade during 2009-2013





- The following table shows Hong Kong wine imports from major supplying countries:
[Note: For consistency in comparing U.S. figures with those of other wine exporting countries, official Hong Kong trade statistics are cited in this report.]

Table 2: Hong Kong Wine Imports (Volume) (HS Code: 220421)
 (Source: Calculations based on Global Trade Atlas data)

Country	(Million Liters)	2009	2010	2011	2012	2013	Growth		Share		Re-exports v Gross Imports	
							13 vs 09	13 vs 12	2009	2013	2009	2013
World	Gross Imports	32.43	36.98	45.51	47.64	47.28	46%	-1%	100%	100%		
	Re-exports	7.02	10.69	17.00	17.21	17.98	156%	4%	100%	100%	22%	38%
	Retained Imports	25.42	26.29	28.51	30.43	29.31	15%	-4%	100%	100%		
France	Gross Imports	10.50	13.86	18.85	18.35	17.08	63%	-7%	32%	36%		
	Re-exports	3.48	6.24	8.96	8.47	8.70	150%	3%	50%	48%	33%	51%
	Retained Imports	7.02	7.63	9.89	9.88	8.39	19%	-15%	28%	29%		
Australia	Gross Imports	7.23	6.61	6.94	7.79	8.52	18%	9%	22%	18%		
	Re-exports	1.09	1.53	2.07	2.28	2.62	140%	15%	16%	15%	15%	31%
	Retained Imports	6.14	5.07	4.88	5.50	5.90	-4%	7%	24%	20%		
United States	Gross Imports	4.10	3.60	4.63	4.50	5.65	38%	25%	13%	12%		
	Re-exports	0.52	0.44	0.65	0.45	0.54	4%	21%	7%	3%	13%	10%
	Retained Imports	3.58	3.17	3.98	4.05	5.10	43%	26%	14%	17%		
Chile	Gross Imports	3.35	3.78	3.56	4.33	3.90	17%	-10%	10%	8%		
	Re-exports	0.52	0.52	0.93	0.87	1.11	116%	28%	7%	6%	15%	29%
	Retained Imports	2.83	3.27	2.64	3.46	2.79	-2%	-19%	11%	10%		
Spain	Gross Imports	1.57	1.90	2.81	2.85	3.46	121%	22%	5%	7%		
	Re-exports	0.16	0.33	0.99	0.83	1.17	638%	41%	2%	7%	10%	34%
	Retained Imports	1.41	1.56	1.83	2.02	2.29	63%	14%	6%	8%		
Italy	Gross Imports	1.61	2.08	2.32	2.72	2.72	69%	0%	5%	6%		

	Re-exports	0.32	0.33	0.39	0.75	0.60	89%	-21%	4%	3%	20%	22%
	Retained Imports	1.29	1.75	1.93	1.96	2.13	65%	8%	5%	7%		
New Zealand	Gross Imports	0.65	0.92	1.05	1.33	1.24	91%	-7%	2%	3%		
	Re-exports	0.04	0.05	0.07	0.08	0.05	31%	-37%	1%	0%	6%	4%
	Retained Imports	0.61	0.87	0.98	1.25	1.19	94%	-5%	2%	4%		
Germany	Gross Imports	0.42	0.57	1.06	1.07	1.16	178%	8%	1%	2%		
	Re-exports	0.13	0.25	0.58	0.38	0.35	171%	-8%	2%	2%	31%	30%
	Retained Imports	0.29	0.33	0.48	0.69	0.81	181%	16%	1%	3%		
United Kingdom	Gross Imports	0.66	0.76	0.69	0.69	0.70	6%	1%	2%	1%		
	Re-exports	0.03	0.03	0.02	0.01	0.05	35%	263%	0%	0%	5%	7%
	Retained Imports	0.62	0.73	0.68	0.68	0.65	5%	-4%	2%	2%		
South Africa	Gross Imports	0.57	0.59	0.73	1.00	0.69	22%	-31%	2%	1%		
	Re-exports	0.07	0.08	0.14	0.16	0.19	170%	16%	1%	1%	12%	27%
	Retained Imports	0.50	0.51	0.59	0.84	0.51	1%	-40%	2%	2%		
Total From Top 10 Suppliers	Gross Imports	30.65	34.68	42.64	44.63	45.13	47%	1%	95%	95%		
	Re-exports	6.36	9.80	14.77	14.29	15.37	142%	8%	91%	86%	21%	34%
	Retained Imports	24.30	24.88	27.87	30.34	29.76	22%	-2%	96%	102%		
Total From Rest of World	Gross Imports	1.78	2.30	2.87	3.01	2.15	21%	-28%	5%	5%		
	Re-exports	0.66	0.89	2.23	2.92	2.60	295%	-11%	9%	14%	37%	121%
	Retained Imports	1.12	1.41	0.64	0.08	-0.45	-140%	-628%	4%	-2%		

Table 3: Hong Kong Wine Imports (Value) (HS Code: 220421)
(Source: Calculations based on Global Trade Atlas data)

Country	(US\$ Million)	2009	2010	2011	2012	2013	Growth		Share		Re-exports v Gross Imports	
							13 vs 09	13 vs 12	2009	2013	2009	2013
World	Gross Imports	491	858	1,206	978	966	97%	-1%	100%	100%		
	Re-exports	91	165	235	215	195	114%	-10%	100%	100%	19%	20%
	Retained Imports	399	693	971	763	771	93%	1%	100%	100%		
France	Gross Imports	270	495	748	551	551	104%	0%	55%	57%		
	Re-exports	68	119	178	145	115	68%	-21%	75%	59%	25%	21%
	Retained Imports	202	376	570	405	436	116%	8%	50%	57%		
United Kingdom	Gross Imports	71	123	161	119	110	55%	-8%	14%	11%		
	Re-exports	2	3	2	2	7	340%	330%	2%	4%	2%	6%
	Retained Imports	69	121	158	118	103	49%	-12%	17%	13%		
Australia	Gross Imports	42	53	70	72	89	111%	25%	9%	9%		
	Re-exports	8	11	19	19	30	260%	56%	9%	15%	20%	34%
	Retained Imports	34	43	52	52	59	74%	13%	8%	8%		
United States	Gross Imports	40	46	70	63	65	64%	3%	8%	7%		
	Re-exports	2	3	4	4	6	206%	54%	2%	3%	5%	9%
	Retained Imports	38	43	66	60	60	57%	0%	10%	8%		
Italy	Gross Imports	13	19	27	31	29	124%	-5%	3%	3%		
	Re-exports	2	2	2	6	5	175%	-16%	2%	2%	13%	16%
	Retained Imports	11	17	24	25	25	116%	-3%	3%	3%		

Switzerland	Gross Imports	8	28	25	15	18	137%	22%	2%	2%		
	Re-exports	0	0	0	1	1	3478%	9%	0%	0%	0%	4%
	Retained Imports	8	28	25	14	17	127%	23%	2%	2%		
Chile	Gross Imports	13	17	18	22	18	41%	-19%	3%	2%		
	Re-exports	3	4	5	5	5	79%	11%	3%	3%	24%	30%
	Retained Imports	10	13	13	17	13	29%	-28%	2%	2%		
Germany	Gross Imports	4	9	15	16	17	382%	9%	1%	2%		
	Re-exports	1	2	3	3	2	13%	-34%	2%	1%	42%	10%
	Retained Imports	2	8	12	13	15	643%	18%	1%	2%		
Spain	Gross Imports	5	7	16	13	15	214%	23%	1%	2%		
	Re-exports	1	1	5	3	4	518%	48%	1%	2%	14%	27%
	Retained Imports	4	6	11	10	11	165%	15%	1%	1%		
New Zealand	Gross Imports	6	8	11	13	13	131%	-2%	1%	1%		
	Re-exports	0	1	1	1	0	33%	-42%	0%	0%	6%	3%
	Retained Imports	5	8	10	12	12	137%	0%	1%	2%		
Total From Top 10 Suppliers	Gross Imports	470	807	1,160	914	926	97%	1%	96%	96%		
	Re-exports	87	144	219	187	175	100%	-7%	96%	90%	19%	19%
	Retained Imports	383	663	940	727	751	96%	3%	96%	97%		
Total From Rest of World	Gross Imports	20	51	46	64	40	98%	-37%	4%	4%		
	Re-exports	4	21	16	28	20	445%	-29%	4%	10%	18%	50%
	Retained Imports	16	30	30	36	20	22%	-44%	4%	3%		

- French wine imports volume went from 18.85 million liters in 2011 to 17.08 million liters in 2013, a drop of 9.4% whereas import value went down more significantly from US\$748 million to US\$551 million over the same period, a drop of 26%.
- U.S. wine imports were less affected. The U.S. maintained its position as the 4th largest wine supplying country to Hong Kong after France, the UK (mainly auction sales) and Australia. U.S. gross wine imports into Hong Kong were 5.65 million liters and US\$65 million in 2013, an increase of 22% and a drop of 7% respectively compared with 2011.
- **Outlook for 2014:** Hong Kong is the world's largest wine auction center. Its vibrant local market and prime geographic location serve as a platform for growing wine trade in other Asian markets. Hong Kong re-exported 20% by value of its wine imports and retained 80% for local consumption (please refer to Table 3). To help the industry better grasp the business opportunities in the Mainland, the Hong Kong Government (HKG) has signed an agreement with the General Administration of Customs to facilitate exports of wines from Hong Kong to Mainland China. For more details on these measures, please refer to the following website: http://www.tid.gov.hk/english/import_export/nontextiles/wine/
- Growth of U.S. wine imports was 15% in 2010, increased to 52% in 2011, dropped 9% in 2012 and stayed at the same level in 2013. The variation was due to the economic fluctuation and also keen competition among wine exporting countries. In particular, French and Australian interests maintained heavy promotions of their wines throughout the year. Although the market shows sign of consolidation, an equilibrium has not been reached. Wine buyers and consumers are not adhered to old world wines or wines from a particular country. Conducting more promotions to increase consumers' knowledge and interest on U.S. wines will help gain more market shares in Hong Kong.
- U.S. wine is well known in Hong Kong for being a quality product, but at an affordable price. This is partly attributed to the depreciation of the U.S. dollar in the past few years and aggressive promotional efforts by the U.S. Agricultural Trade Office, the U.S. Wine Institute and

U.S. wine distributors in the market. Opportunities to increase awareness and sales of U.S. wines are bountiful at the retail and food service level. Wine promotions at leading retail outlets, wine seminars, tastings, food pairings and trade shows are effective means to promote U.S. wines (please also refer to Section VI of this report).

SECTION II. COMPETITION

- French wine still dominates the market, accounting for 29% of total retained wine imports volume and 57% of import value in 2013 (please refer to Table 2 and 3). However, New World wines, including those from the U.S. continue to gain popularity and growth in the market.
- The growth of New World wines is attributed to the boom of the wine appreciation culture and consumers beginning to realize that they can buy high quality New World wine at competitive prices.
- It should be noted that wine represents a much larger portion of France's overall food and beverage exports (~70%) to Hong Kong when compared to the U.S. (slightly over 1%). Thus French wines may continue to enjoy substantial marketing resources to maintain and grow market share given the relative importance of the wine industry to its overall food and beverage trade.

SECTION III. MARKET SECTOR OPPORTUNITIES AND THREATS

Consumption Patterns Driving the Market

- Trade statistics revealed that Hong Kong consumers prefer red wine to white wine. In 2013, gross imports of red wine were US\$920 million, accounted for 95% of total wine imports into Hong Kong. In contrast, gross imports of white wine were only US\$43 million (5% of total wine imports). Wine traders and retailers pointed out that it is because they like the flavor of the wine, the color of the wine and more perceived health benefits associated with drinking red wine.
- Cabernet Sauvignon, Merlot and Shiraz are the three most popular grape varieties for red wine in Hong Kong. Together they account for around 80% of total volume sales. Of these, Cabernet Sauvignon is the most popular, accounting for around 50% of total red wine sales.
- For white wine, Chardonnay remains the most popular grape type, accounting for over 60% of total white wine sales.

Sales Channels

- Hong Kong's retail markets, such as supermarkets, specialty stores and convenience stores, account for approximately 60% of the wine sales in terms of volume, and 40% in value terms. The remainder is sold through the restaurants and bars. Generally, wine mark-ups are high in the food service market, resulting in prices being three to four times higher than in the retail market.

Retail Market

- Supermarkets account for the greatest share of wine volume sales among retailers, accounting for 50% of all retail sales. The two largest supermarket chains – Wellcome Supermarkets and ParknShop (each has over 250 outlets), because of their large turnovers, usually import wine directly from overseas suppliers to reduce middlemen's mark-ups. Therefore they can price

their wines more competitively to their customers, who are generally more price-conscious and rank wine quality, country-of-origin and age as secondary for importance in selection.

- Wine specialty stores account for 35% of wine retail sales. Watson’s Wine Cellar is largest wine specialist in Hong Kong with 22 outlets. Specialty stores serve a consumer group who pay more attention to wine quality, country of origin, and age, rather than just price. Wine specialty stores offer greater opportunities for moderate and high price point U.S. wine. Other high-end retailers such as Oliver’s, Three-Sixty, Taste, Market Place by Jasons...etc that also carry higher priced wines, but at a much smaller scale due to their fewer number of outlets.

Restaurant and Bar

- Price points of wine sold in restaurants and bars vary according to the overall price point of the outlet. A glass of low-end wine normally costs below US\$10, whereas a medium-end one costs US\$10-20 and a high-end one costs above US\$20. As is the case almost anywhere, the higher-end the restaurant, the more premium the wine it will serve and vice versa.
- Restaurants in Hong Kong normally charge a high mark-up on wine consumption. Restaurants that allow customers to bring their own wine charge high corkage fees around US\$25-40 per bottle.
- Since the abolishment of the wine tax in February 2008, many restaurants and hotels have launched more wine-tasting classes and special promotions. These activities have supplemented sales promotions at the retail market in an effort to spread the wine appreciation culture and increase the demand for more fine wines. U.S. suppliers of high price point wines should expect more opportunities and target this market segment.

SECTION IV. PRICING

Retail Price Segments

- The abolition of its wine tax has created intense competition in the Hong Kong wine market, placing downward pressure on retail prices of wines. A study of the wines available at the two largest local supermarket chains revealed that majority of their wines were at the mid to low-price range (US\$10-20 and below US\$10):

Table 4: Retail Prices of A Bottle of Wine at Supermarkets
(Source: Websites of ParknShop and Wellcome)

Retail Price (US\$)	Below US\$10*	US\$10-20*	Above US\$20*
Red Wine (750 ml)	27%	55%	18%
White Wine (750 ml)	23%	69%	8%

(* Lowest single unit price, excluding bundle prices and other special offers)

- To see a list of popular wines available in the Hong Kong retail market and their retail prices, please visit the websites of the two leading supermarkets and the leading wine specialist:

ParknShop <http://www1.parknshop.com/WebShop/Home.do>
 Wellcome Supermarket <http://shop.wellcome.com.hk/>
 Watson’s Wine Cellar <http://www.watsonswine.com/>

(Note: Retail prices of wine you can find on their websites are based in Hong Kong dollars and US\$1 equals to approximately HK\$7.8.)

SECTION V. MARKET ACCESS

- There is no import duty on wine.
- Wines, fruit wines and other drinks with an alcoholic strength by volume of 10 percent or more are exempted from labeling regulations. For alcoholic drinks with an alcoholic strength by volume of more than 1.2 per cent but less than 10 per cent, the durability period will need to be labeled on the drinks. Apart from this, they will be exempted from all other labeling requirements.
- The HKG released a Code of Practice regarding the Labeling of Alcoholic Drinks. This labeling guideline is provided to the trade for them to follow on a voluntary basis. (Under the Dutiable Commodities Regulation, every container containing liquor for local consumption is required to be labeled with the alcoholic strength.) For details, please refer to GAIN Report #[HK5021](#). For detailed import regulation guidelines on wine, please refer to GAIN Report #[HK0033](#).
- Starting June 6, 2008, under the amended Dutiable Commodities Ordinance, Cap. 109, Hong Kong wine/liquor traders will no longer be required to apply for any licenses or permits for the import or export, manufacture storage or movement of wine and liquor with an alcoholic strength of less than 30 percent by volume. No valuation of the alcoholic beverages concerned for duty purpose will be required. However, the existing licensing/permit control on liquors with an alcoholic strength of more than 30 percent by volume measured at a temperature of 20 degree Celsius remains unchanged. To facilitate the customs clearance on wine and alcoholic beverages, traders are encouraged to provide clear description in the freight/shipping documents on the type of liquor and the alcoholic strength of the respective consignment. For more details, please refer to GAIN Report #[HK1344](#).

SECTION VI. ENTRY AND MARKETING STRATEGY

For new-to-market wineries that wish to enter the Hong Kong market, the following approaches are recommended:

- **One-on-one meetings with potential importers:** Most local importers are interested in meeting new-to-market exporters in a private environment. A list of local wine importers is available by contacting our Agricultural Trade Office in Hong Kong.
- **Exhibiting in a trade show:** There are trade shows in Hong Kong for U.S. wine exporters to showcase their high quality wine to buyers from Hong Kong, Macau, China and the region. For information on Hong Kong's major food and beverage trade shows in 2014, please refer to GAIN Report #[HK1350](#).
- **Participating in wine promotional activities:** The Agricultural Trade Office in Hong Kong organized, co-organized with other U.S. wine promotional associations or participated in promotional activities such as seminars, wine tastings, receptions, food pairings and trade shows to promote U.S. wines. You can contact our office to check out the dates of confirmed activities and see if you may be able to participate in those activities. Below please find some photos taken at these activities for your reference:



U.S. Wine Fair at Hong Kong Jockey Club



In-store Promotion



Hong Kong Wine & Dine Festival



Hong Kong Int'l Wine & Spirits Fair



Great American BBQ

SECTION VII. KEY CONTACTS AND FURTHER INFORMATION

- U.S. wine suppliers, traders, exporters...etc seeking marketing information pertaining to food and beverage import regulations, promotional opportunities, trade inquiries and marketing assistance are welcomed to contact ATO Hong Kong at:

U.S. Agricultural Trade Office Hong Kong

18 St. John's Building
33 Garden Road, Central
Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943

E-mail: ATOHongKong@usda.gov

Website: <http://www.usfoods-hongkong.net/>

- The Wine Institute of California also has a local representative in Hong Kong who assists its members in promoting U.S. wines in Hong Kong and Macau:

Wine Institute

Mr. Phillip C. Holloway
Ringe Marketing Service Limited
Room 401, Dannies House
20 Luard Road, Wanchai
Hong Kong
Tel: (852) 2366-3089
Fax: (852) 2722-6300
E-Mail: ringe@netvigator.com