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Date: 4/20/2018

GAIN Report Number: HK1811

Hong Kong

Post: Hong Kong

Hong Kong Wine Market Report

Report Categories:

Product Brief

Wine

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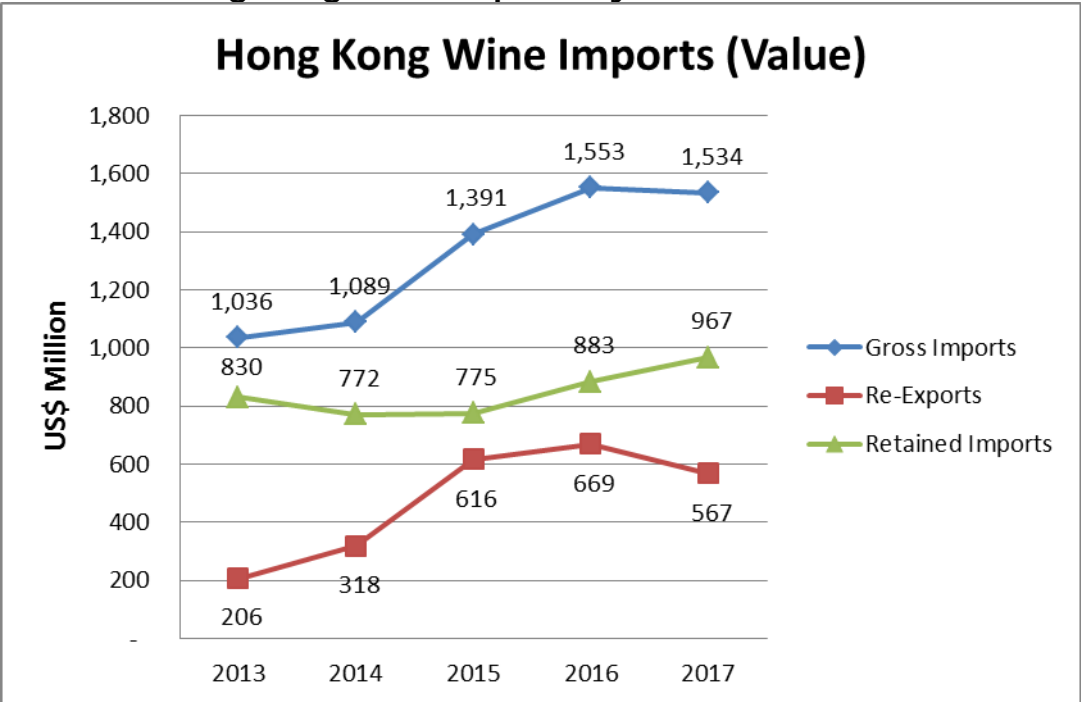
Report Highlights:

Hong Kong has developed into a dynamic market for wine, both as an export destination and as a re-export hub. As consumers are becoming increasingly sophisticated in their appreciation of wine, competition has intensified at retail and food service levels. Hong Kong's wine imports in 2018 have started off strong and are expected to remain robust, but operational challenges and price competition will continue to drive buyers to refine product offerings to retain and gain market shares.

SECTION I. MARKET OVERVIEW

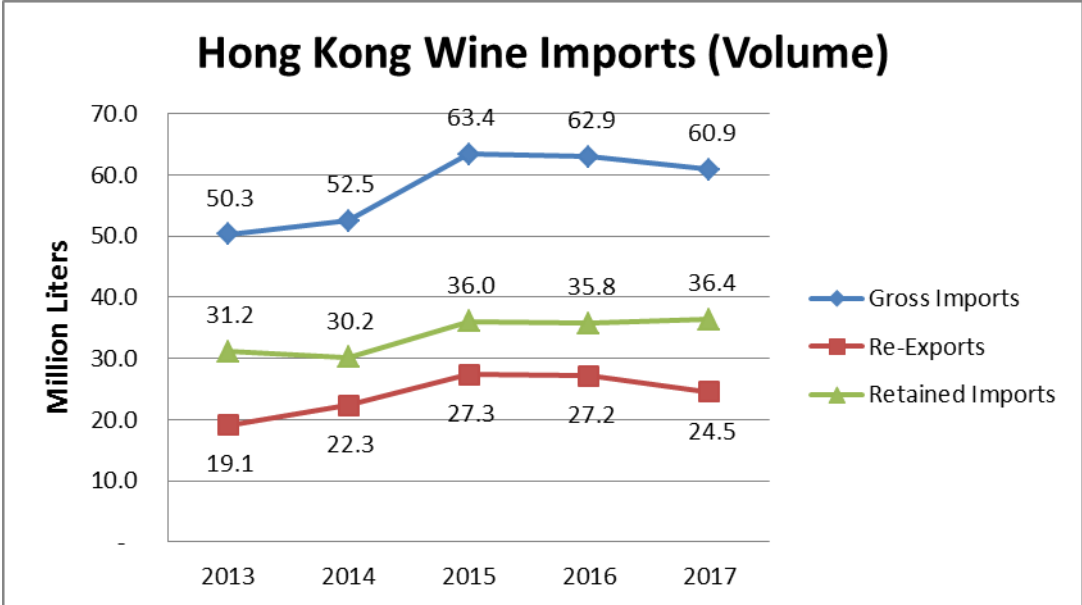
In 2017, Hong Kong was the third-largest export market for U.S. wine by value, following Canada and the United Kingdom. Overall, the city of Hong Kong imported \$1.53 billion of wine from around the world in 2017. Hong Kong wine imports have seen tremendous growth in the last 10 years since totaling \$367.5 million in 2008. During the more recent years of 2013-2017, the compound annual growth rate of gross wine imports reached 10.3 percent by value and 4.9 percent by volume. The combination of factors facilitating the growth of wine sales in Hong Kong includes the removal of Hong Kong’s wine duty in 2008, an enhanced wine appreciation culture supported by the government and private sector, and efficiency in importing and exporting as a market and re-export hub.

Chart 1 – Hong Kong Wine Imports by Value in US\$ Million



Source of data: Global Trade Atlas based on Hong Kong Census and Statistics Department (Wine: HS codes 220421, 220429, and 220410)

Chart 2 – Hong Kong Wine Imports by Volume in Million Liters



Source of data: Global Trade Atlas based on Hong Kong Census and Statistics Department (Wine: HS codes 220421, 220429, and 220410)

In 2017, Hong Kong imported \$1.53 billion (-1.2 percent) and 60.9 million liters (-3.3 percent) of wine from all origins, a slight decline from 2016. In January and February of 2018, imports picked up compared to the same period in 2017. Though re-exports also declined in 2017, some traders believe the role of Hong Kong as a re-export hub has not diminished in its importance. They continue to use Hong Kong as a purchasing and distribution center to the region, mainly to Mainland China, to minimize risk and enjoy the flexibility of consolidating shipments.

Hong Kong has a trivial amount of local wine production, so it imports essentially all wine consumed. The largest supplier, France, which accounts for around 60 percent of Hong Kong wine import values, is expected to further consolidate its leading position given its heavy long-term investment in promotions. In 2017, second and third suppliers by value were Australia and the United Kingdom, respectively. While Australian wine penetrates into many market segments, wine from the United Kingdom is mainly for high-value auction sales. The United States was the fourth largest supplier by value.

Table 1 – Hong Kong Wine Import Values by Country

		2013	2014	2015	2016	2017	Gross Imports Share in 2017
		US\$ Million					
World Total	Gross Imports	1,036	1,089	1,391	1,553	1,534	100%
	Re-Exports	20%	29%	44%	43%	37%	
1. France	Gross Imports	611	565	840	975	913	60%
	Re-Exports	20%	31%	47%	39%	38%	
2. Australia	Gross Imports	90	104	178	274	283	18%
	Re-Exports	34%	85%	97%	87%	61%	
3. United Kingdom	Gross Imports	111	118	117	116	112	7%
	Re-Exports	6%	5%	3%	2%	3%	
4. United States	Gross Imports	69	58	65	60	78	5%
	Re-Exports	10%	14%	13%	11%	11%	
5. Italy	Gross Imports	32	35	32	35	44	3%
	Re-Exports	16%	20%	30%	60%	40%	
6. Chile	Gross Imports	18	24	25	23	23	1%
	Re-Exports	30%	32%	34%	37%	37%	
7. Spain	Gross Imports	16	14	17	15	17	1%
	Re-Exports	26%	40%	44%	39%	25%	
8. Germany	Gross Imports	17	17	15	7	14	1%
	Re-Exports	11%	13%	11%	14%	4%	
9. New Zealand	Gross Imports	13	12	11	10	11	1%
	Re-Exports	3%	5%	7%	8%	9%	
10. Switzerland	Gross Imports	18	11	10	7	11	1%
	Re-Exports	4%	0%	1%	0%	0%	
Rest of World	Gross Imports	41	131	81	30	27	2%
	Re-Exports	50%	13%	10%	13%	14%	

Source of data: Global Trade Atlas based on Hong Kong Census and Statistics Department (Wine: HS codes 220421, 220429, and 220410)

Table 2 – Hong Kong Wine Import Volumes by Country

		2013	2014	2015	2016	2017	Gross Imports Share in 2017
		Million Liters					
World Total	Gross Imports	50.3	52.5	63.4	62.9	60.9	100%
	Re-Exports	38%	43%	43%	43%	40%	
1. France	Gross Imports	18.5	17.3	21.8	22.0	20.4	33%
	Re-Exports	48%	58%	58%	59%	59%	
2. Australia	Gross Imports	8.7	8.7	12.2	13.5	14.3	24%
	Re-Exports	30%	43%	43%	46%	35%	
3. United States	Gross Imports	6.4	6.9	8.5	9.3	8.2	14%
	Re-Exports	19%	16%	12%	13%	14%	

4. Chile	Gross Imports	3.9	5.5	6.3	5.8	5.4	9%
	Re-Exports	29%	39%	37%	41%	44%	
5. Spain	Gross Imports	3.6	3.4	4.8	3.9	3.6	6%
	Re-Exports	33%	52%	58%	57%	52%	
6. Italy	Gross Imports	3.1	2.9	3.4	3.1	3.4	6%
	Re-Exports	22%	29%	33%	37%	28%	
7. New Zealand	Gross Imports	1.2	1.1	1.2	1.1	1.2	2%
	Re-Exports	4%	5%	6%	7%	12%	
8. United Kingdom	Gross Imports	0.7	0.9	0.8	0.8	1.1	2%
	Re-Exports	6%	6%	3%	5%	3%	
9. Germany	Gross Imports	1.2	1.0	0.9	0.6	0.9	1%
	Re-Exports	33%	34%	32%	16%	22%	
10. South Africa	Gross Imports	0.7	0.7	0.9	0.9	0.8	1%
	Re-Exports	28%	18%	17%	20%	15%	
Rest of World	Gross Imports	2.2	4.0	2.7	1.8	1.7	3%
	Re-Exports	122%	49%	57%	34%	37%	

Source of data: Global Trade Atlas based on Hong Kong Census and Statistics Department (Wine: HS codes 220421, 220429, and 220410)

While the market traditionally accepts French wine as the leading supplier, imports of U.S. wine to Hong Kong have increased proportionally as the Hong Kong wine market soared in the last decade. Certain consumer behaviors and changes in the market translate into opportunities for U.S. wine, while perceptions and global competition may hinder the growth potential of U.S. exporters.

Table 3 – Advantages and Challenges of U.S. Wine in Hong Kong

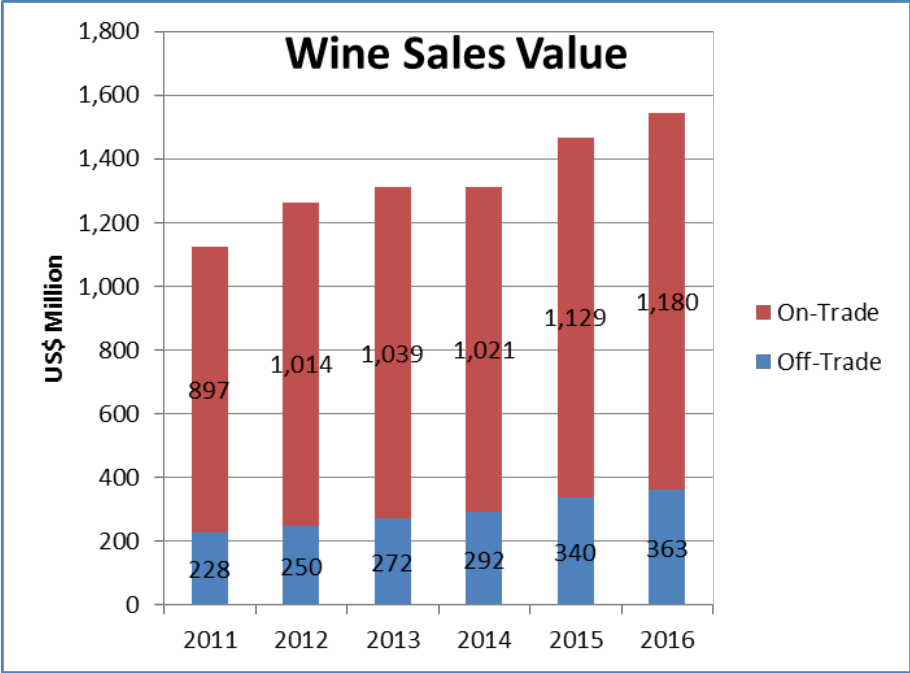
Advantages	Challenges
Hong Kong removed wine duty in 2008, and the government and private sector support the wine business through trade shows and consumer events.	The strong presence and unified national brandings of countries such as France, Australia, and Chile at trade and consumers events overshadow other participants including the United States.
Millennials look for new and trendy ideas and tend to endeavor less traditional options. Their preferences pose opportunities for new alcoholic beverage items.	The lack of in-depth knowledge and awareness of U.S. wine makes it difficult for U.S. wine to be distinguished among newer options in the market.

<p>American culture is popular in Hong Kong and U.S. products enjoy a good reputation of reliability and quality.</p>	<p>Wine is a stable product so consumers take reliability and quality for granted, with minimal concern for counterfeit labels. Most traders carry genuine products in Hong Kong. More efforts are needed to influence the positive U.S. brand image to the wine category.</p>
<p>As consumers are more educated with wine appreciation knowledge, they are receptive to new world wine knowing that there is a wide selection of taste profiles and range of prices.</p>	<p>Australian wine is very prominently displayed at retail outlets especially those reaching the mass audience. Convenience stores are often dominated by the presence of Australian wine. Some consumers and even buyers perceive U.S. wine as being expensive among other choices of similar quality.</p>
<p>Labels of U.S. wines are explicitly showing varietals and are easier for drinkers to understand.</p>	<p>Many consumers have long perceived that French labels and wine regions carry a prestigious image, and are confident to present as a gift or as complement for social gathering.</p>

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

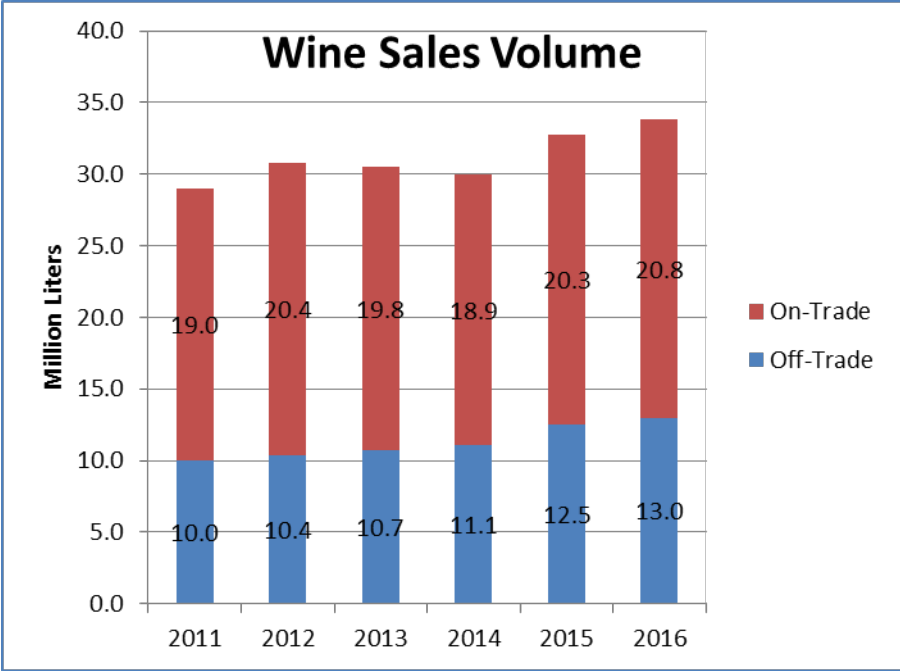
According to Euromonitor, on-trade sales have been outperforming off-trade sales (“On-trade” sales are wines poured on-site, namely sales of restaurants and bars, while “off-trade” refers to purchases at retail outlets). Although on-trade maintains its dominant position, off-trade sales actually have grown at a faster pace over the years. Wine retailers are developing more comprehensive ranges on their online stores. Some importers also find increased sales coming through digital platforms.

Chart 3 – Wine Sales Value On-Trade vs. Off-Trade



Source of data: Euromonitor International, currency conversion using y-o-y exchange rate

Chart 4 – Wine Sales Volume On-Trade vs. Off-Trade



Source of data: Euromonitor International

Restaurants and Bars

There are some 8,500 full-service restaurants and 800 bars in Hong Kong. Hong Kong’s restaurant receipts maintained their upward trend in 2017 reaching \$14.45 billion. The incremental growth, however, is not indicative of a threat-free operational environment. Restaurateurs continue to face challenges of high rents, increased labor costs, and market competition. Hong Kong is home to over 60 Michelin-starred restaurants and boasts a sophisticated culinary culture, so restaurateurs need to be innovative and to position themselves strategically to stay competitive in the market.

Expanding beverage offering with more choices on alcoholic drinks is a way to increase profits and upgrade a restaurant’s status. The increased attention to wine pairing with various Asian cuisines also helps new wines to find a place in the market.

Retailers

Wines at the retail level are found in all range of shops from high-end specialty stores, concept stores, to supermarkets, and convenience stores. Wine experts at specialty stores are valuable assets that attract wine drinkers who would like to seek one-on-one advice. Supermarkets, on the other hand, offer a good range of choices and attract those who are more price-sensitive. In recent years, retail stores have been enhancing their online sales offerings. From the perspective of a consumer, the selection at online stores is comprehensive and many of the sites provide search functions that are convenient for consumers to identify products within preferred criteria. Table 4 shows the number of wine items by country offered by online platforms of four retailers:

Table 4 – Wine Items at Online Platforms of Retailers

Retailer:	ParknShop	Wellcome Supermarkets	Market Place by Jasons	Watson’s Wine
	Major grocery retailer in Hong Kong with over 250 outlets	Major grocery retailer in Hong Kong with over 250 outlets	Owned by the Dairy Farm Co Ltd (same owner of Wellcome Supermarkets), an upscale supermarket chain with 44 stores	The largest specialist wine retailer with 29 retail outlets and online platforms offering a range of products and services
France	20	98	71	815
Australia	27	116	113	316
United States	16	22	37	122
Chile	14	41	30	57
Argentina	4	14	7	52
Germany	3	3	2	41
Italy	10	21	46	133
New Zealand	13	31	37	139
South Africa	5	8	9	32
Spain	6	20	17	91

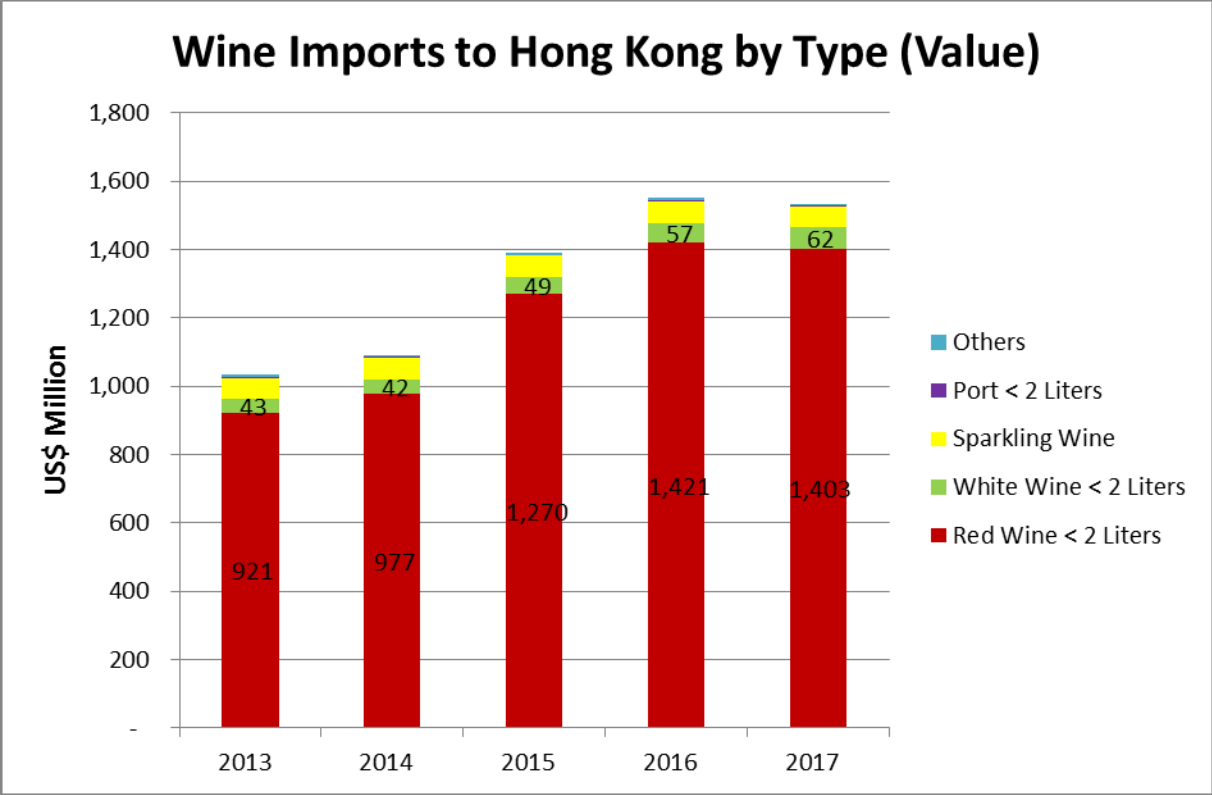
Source of data: Information taken in April 2018 from the websites of the respective stores; items are mostly still red and white wine.

Due to the wide use of smart phones and digital platforms, consumers have speedy access to information. While the flow of information has driven demand, it has also elevated competition as consumers may easily compare prices and evaluate various sources of supplies.

Popularity of Products

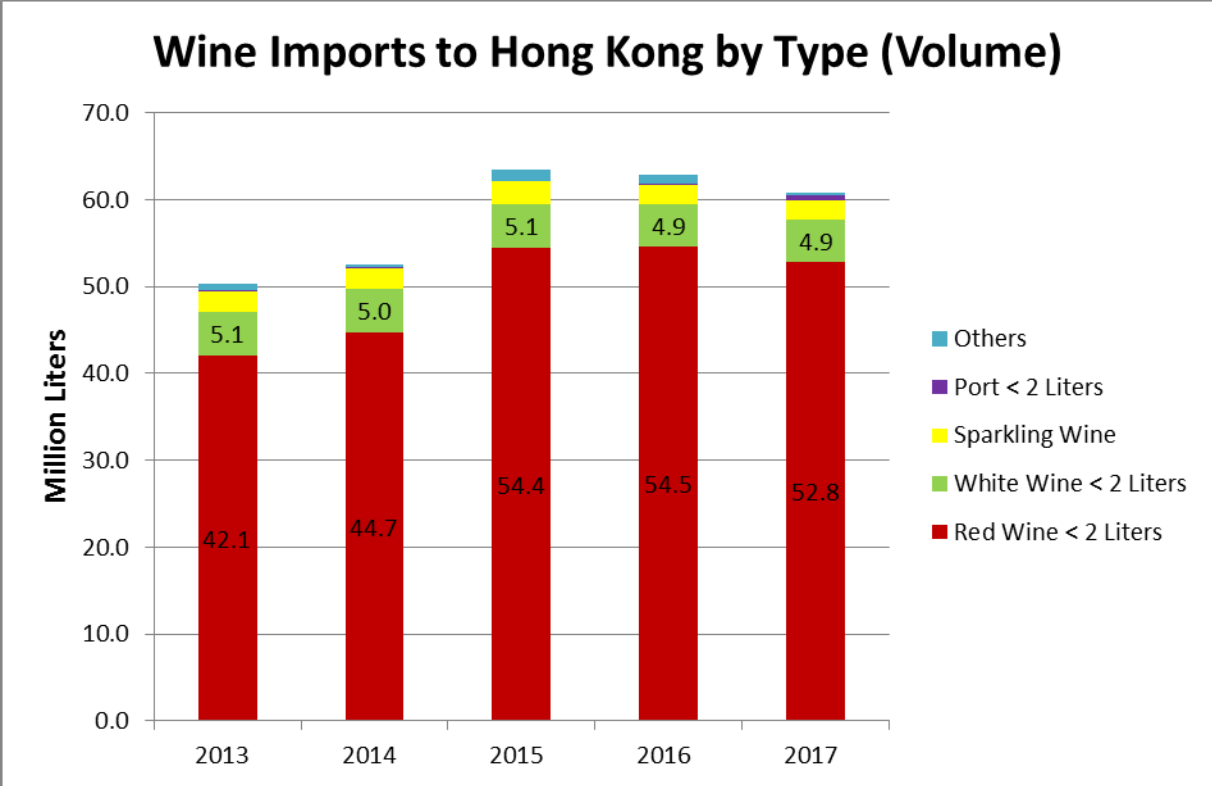
Import statistics show a strong preference for red wine over white. According to traders, Hong Kong consumers like the color, flavor, and perceived health benefits associated with red wine. In 2017, imports of red wine and white wine were \$1.40 billion and \$62 million, respectively.

Chart 5 – Wine Import Values to Hong Kong by Type



Source of data: Global Trade Atlas based on Hong Kong Census and Statistics Department (Wine: HS codes 220421, 220429, and 220410)

Chart 6 – Wine Import Volumes to Hong Kong by Type



Source of data: Global Trade Atlas based on Hong Kong Census and Statistics Department (Wine: HS code 220421, 220429, and 220410)

Cabernet Sauvignon, Merlot, and Shiraz are the three most popular grape varieties of red wine in Hong Kong. Chardonnay remains the most popular grape type of white wine. According to Euromonitor’s latest figures in 2016, Cabernet Sauvignon captured 55.0 percent of the sales volume of still red wine, while Merlot and Shiraz accounted for 18.8 and 12.1 percent, respectively. For the sales volume of still white wine, Chardonnay topped the category with a share of 59.0 percent. Sparkling wine, mostly champagne, is gaining in popularity as reflected in growing sales, especially among young adults.

Although some items share smaller portions of the market, traders have noticed growth potential and are pondering possibilities of expanding choices for consumers in the future:

- Organic wine: as the organic food and beverage sales in Hong Kong are growing, there are more inquiries in organic options for wine.
- Non-alcoholic wine: for people need to refrain from drinking e.g. health concerns, age under 18, needs to drive, etc., non-alcoholic wine seem an alternative for them to participate in the collegial drinking environment.
- Packaging options: screw caps are convenient for food service and less-than-750ml bottles feed the needs of small household gourmet dining.

Entry Strategy

Many restaurants, hotels, and retailers work closely with local wine importers to broaden the variety of products offered. New-to-market wine exporters that wish to enter the Hong Kong market can connect with importers and explore the market through the following ways:

- 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 for U.S. wineries and their representatives by contacting our Agricultural Trade Office in Hong Kong.
- Exhibiting in a trade show: Hong Kong trade shows help U.S. wine exporters showcase their high-quality wine to buyers from Hong Kong, Macau, China, and the region. For information, please refer to [GAIN Report # HK1755 Major Food and Beverage Trade Shows in Hong Kong 2018](#)
- Participating in promotional activities: The Agricultural Trade Office in Hong Kong and other U.S. wine promotional associations organize promotional activities such as seminars, wine tastings, receptions, food pairings, and consumer events to promote U.S. wines. Participation in some of these events requires collaboration with a local importer or representative.

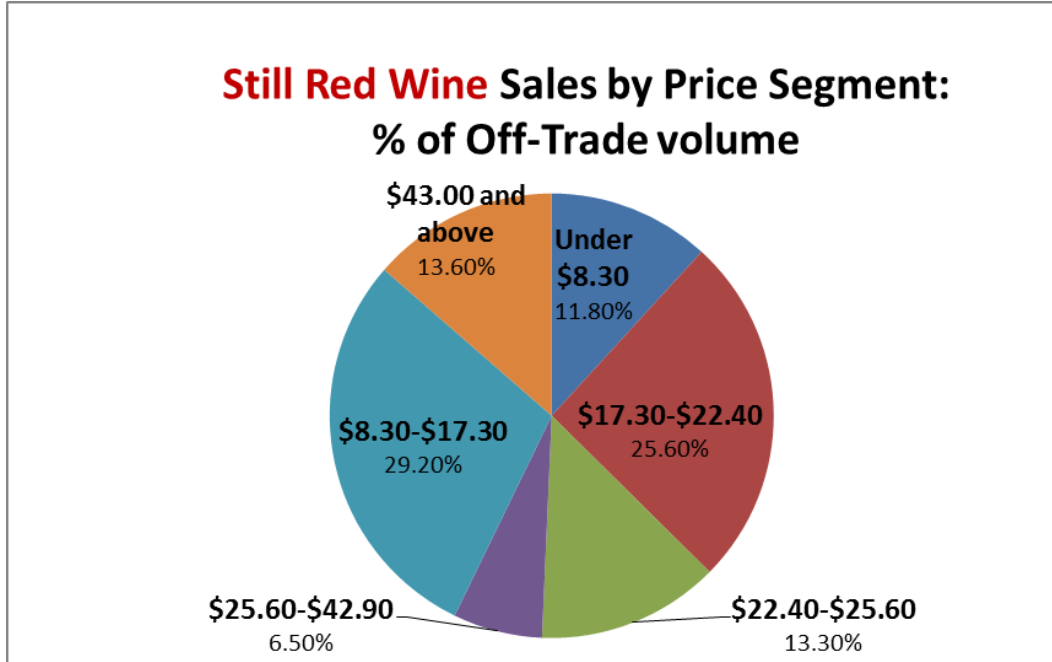
SECTION III. COSTS AND PRICES

The Hong Kong Government eliminated the wine tax in 2008. Beverages with less than 30 percent alcohol content, primarily wine and beer, are not subject to an excise duty.

Restaurants and bars in Hong Kong normally charge a high mark-up on wine. Price points of wine sold in restaurants and bars vary according to the overall price point of the outlet. In recent years, wine has been more widely consumed at casual dining restaurants such as chain pizzerias and restaurants offering 2-course dinner menus for under \$25. These restaurants usually charge \$5.70-\$10.50 for a glass of wine and \$31.80 to \$71.80 for 750ml bottles. Middle to high-end restaurants would commonly price a glass over \$10 and 750ml bottles over \$51.30 with options of \$400 and higher on their wine list for guests who look for distinguished experience. For high-end restaurants and hotels, prices vary substantially.

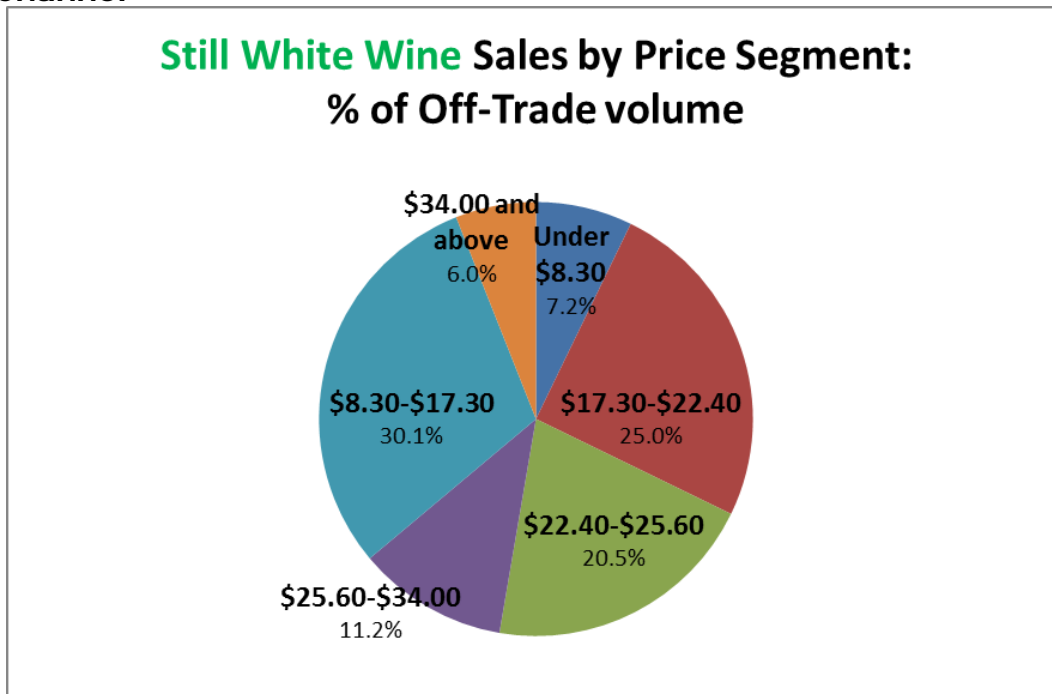
At retail outlets, retailers sometimes charge a slotting fee that could be as high as \$1,200 per product to be placed across a number of stores. Slotting fees in some occasions are not required or would vary in amounts. Experienced importers work with retailers for an optimal package for product placement and pricing. Charts 7 and 8 show the percentages of different price segments at off-trade channels in 2016. Both still red and still white wines are most commonly priced at the segment of \$8.30-\$17.30, following by the segment of \$17.30-\$22.40.

Chart 7 – 2016 Still Red Wine Sales Volume by Price Segment at Off-Trade Channel



Source of data: Euromonitor International

Chart 7 – 2016 Still White Wine Sales Volume by Price Segment at Off-Trade Channel



Source of data: Euromonitor International

SECTION IV. MARKET ACCESS

While wine in Hong Kong is not subject to a duty, Hong Kong also exempts beverages with more than a 10 percent alcohol content from labeling requirements, but requires that the alcohol content be stated on the product. For general guidelines on import regulations for alcoholic beverages, please refer to [GAIN Report HK1810 - Import Regulations on Alcoholic Drinks to Hong Kong and Macau](#).

To facilitate wine re-exports from Hong Kong to Mainland China, a "Cooperation Arrangement on Customs Facilitation Measures for Wine Entering the Mainland through Hong Kong" ("Customs Facilitation Arrangement") exists. This trade facilitation measure has been extended to all ports in all 42 Customs Districts in Mainland China. For details please refer to the abovementioned report and information provided by the Hong Kong Customs and Excise Department:
https://www.customs.gov.hk/en/trade_facilitation/wine/index.html

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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

U.S. Agricultural Trade Office, Hong Kong

18th Floor, St. John's Building

33 Garden Road, Central

Hong Kong

Tel: (852) 2841-2350

Fax: (852) 2845-0943

E-mail: ATOHongKong@usda.gov

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

The **Foreign Agricultural Service (FAS)** of the U.S. Department of Agriculture provides assistance and information to U.S. agricultural exporters. There are a number of reports available on the website on agricultural commodities and products prepared by FAS staff around the world

<https://www.fas.usda.gov>

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

The Wine Institute of California

Mr. Christopher Beros, Asia Director

Pineapple Room No. 11, Third Floor

TaiXing Road No89, JingAn District

Shanghai 200041

China

Tel: (86-21) 5237-9821
E-mail: china@discovercaliforniawines.com
Website: www.discovercaliforniawines.com

There are other state groups that have participated in recent wine events in Hong Kong:

New York Wine & Grape Foundation

800 South Main St., Ste. 200
Canandaigua, NY 14424, USA
Tel: (585) 394-3620
E-mail: info@newyorkwines.org
Website: www.newyorkwines.org

Washington State Wine

1201 Western Avenue, Suite 450,
Seattle, WA 98101-3402, USA
Tel: (206) 667-9463
E-mail: info@washingtonwine.org
Website: <https://www.washingtonwine.org/>

Oregon Wine Board

Willamette Wharf Building, 4640 SW Macadam Ave, Suite 240 Portland, OR 97239,
USA
Phone: (503) 228-8336
Fax: (503) 228-8337
E-mail: info@oregonwine.org
Website: <https://industry.oregonwine.org/>

Texas Department of Agriculture

Lindsay Baerwald
P.O. Box 12847
Austin, TX 78711, USA
Tel: (512) 463-7591 for Lindsay Baerwald
E-mail: Lindsay.Baerwald@TexasAgriculture.gov
Website: <http://www.gotexan.org>

California State Trade and Export Promotion & Center for International Trade Development

Jeffrey Williamson
152 E. 6th St., Corona, CA 95879, USA
Telephone: (951) 571-6458
E-mail: Jeff.Williamson@rccd.edu
Website: <https://citd.org/>

For information about export assistant programs offered by State Regional Trade Groups, please contact:

Western United States Agricultural Trade Association (WUSATA)

2500 Main Street, Suite 110, Vancouver, WA 98660-2697, USA

Telephone: (360) 693-3373

Fax: (360) 693-3464

E-mail: export@wusata.org

Website: www.wusata.org

Food Export Association of the Midwest USA

309 W. Washington St., Suite 600, Chicago, Illinois 60606, USA

Telephone: (312) 334-9200

Fax: (312) 334-9230

E-mail: info@foodexport.org

Website: www.foodexport.org

Food Export USA - Northeast Region of the United States

150 S. Independence Mall West, 1036 Public Ledger Building, Philadelphia, PA 19106, USA

Telephone: (215) 829-9111

Fax: (215) 829-9777

E-mail: info@foodexportusa.org

Website: www.foodexportusa.org

Southern United States Agricultural Trade Association (SUSTA)

2 Canal Street Suite 2515, New Orleans, LA 70130, USA

Telephone: (504) 568-5986

Fax: (504) 568-6010

E-mail: susta@susta.org

Website: www.susta.org

Source of information in this report:

- *Global Trade Atlas based on Hong Kong Census and Statistics Department*
- *Global Trade Atlas based on U.S. Census Bureau, U.S. Department of Commerce*
- *Hong Kong Trade Development Council Research on Wine Industry in Hong Kong (September 2017)*
- *Euromonitor International*
- *Research by ATO Hong Kong through market visits and meetings with traders*