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Report Highlights:

Hong Kong's imports of U.S. agricultural and food products declined drastically, 33 percent, between January – October 2020 compared to the corresponding period in 2019. Hong Kong's imports from other major supplying countries did not decline by such a significant magnitude. Brazil, Chile, and Japan even experienced a slight increase of 0.64, 0.21, and 4.12 percent, respectively. Despite opposing trends of competitors, this report will clarify the myth of U.S. declining trade exports to Hong Kong. Hong Kong is an important market for the United States and has been serving as a critical entrepôt during the U.S.-China trade disruptions.

U.S. agricultural and food exports to Hong Kong amounted to USD \$1.84 billion in January – October 2020, contracting 33 percent compared to the same timeframe in 2019. This trade performance is analyzed against the backdrop of the economic downturn caused by COVID-19, the U.S.-China relationship, and competition among Hong Kong’s key food suppliers.

The Economy

COVID-19 no doubt has had a significant adverse impact on the economy. The Hong Kong government’s social distancing measures, including restrictions on business hours and the number of clients in restaurants, resulted in poor business. Comparing the first three quarters of 2020 with the same period in 2019, total restaurant receipts and retail sales decreased by 30.8 percent and 28.7 percent, respectively. Yet the retail sales of staple foods increased: fish, livestock, and poultry increased 14.7 percent and produce grew 14 percent during this turbulent time. Sales in supermarkets also rose 11 percent. Thus, reduced food consumption in hotels, restaurants, and institutions (HRI) in terms of volume were largely offset by increased consumption in retail, although the product mix is different and the overall consumption in value terms has dropped.

U.S. – China Relationship

Hong Kong’s imports of U.S. products have declined since 2018 as a consequence of the trade tension between the United States and China (2017: USD \$4.5 billion; 2018: USD \$4.4 billion; 2019: USD \$3.5 billion). Given that approximately 38 percent of Hong Kong’s agricultural and food imports are re-exported and the majority of re-exported products are meant for the China market, it was not surprising that U.S. exports to Hong Kong have declined ever since China imposed retaliatory tariffs on U.S. products.

As part of the Phase One trade agreement concluded in January 2020, China committed to buy USD \$200 billion more in U.S. goods and services over two years on top of its purchases in 2017. Nonetheless, U.S. exports to Hong Kong did not recover, but instead declined.

Competition

Table 1: Hong Kong’s Imports of Agricultural and Food Products, January – October, USD \$ Million

	2019	Market Share	2020	Market Share	%Δ 2020/19
_World	22,021	100%	19,995	100%	-9.2
China	4,437	20%	4,435	22%	-0.04
United States	2,750	12%	1,841	9%	-33.05
Brazil	1,713	8%	1,724	9%	0.64
Australia	1,466	7%	1,352	7%	-7.83

Chile	1,189	5%	1,191	6%	0.21
Japan	1,150	5%	1,197	6%	4.12
Thailand	1,131	5%	1,403	7%	24.13
France	988	4%	760	4%	-23.1
Netherlands	727	3%	541	3%	-25.68
New Zealand	619	3%	498	2%	-19.46

Source: TDM – Hong Kong Census & Statistics Department

Among all major suppliers to Hong Kong, products from the United States experienced the largest drop - 33 percent - between January – October 2020 and 2019, amounting to USD \$909 million drop in absolute value. During the same timeframe, Hong Kong’s decline in agricultural and food products imported from all suppliers aggregated a loss of USD \$2.02 billion, meaning that U.S. products accounted for 45 percent of Hong Kong’s total decline in imports. The larger decline of U.S. agricultural and food exports to Hong Kong compared to other major suppliers resulted in the diminishing share of U.S. agricultural and food products among Hong Kong’s total imports. The market share of U.S. products diminished from 12 percent in 2019 to 9 percent in 2020.

The market share of U.S. agricultural and food exports to Hong Kong in 2017 was as high as 16 percent but dropped to 13 percent in 2018, when trade tensions initiated the significant decline of U.S. exports to China via Hong Kong.

In contrast, the market share of products from China, Brazil, Chile, Japan, and Thailand increased in the first ten months of 2020 (table 1).

The performance of U.S. exports to Hong Kong in 2020 has been much affected by these three factors: the economy, the U.S. – China relationship, and third-country competition, to varying degrees depending on product types. This report analyzes the performance of major U.S. exports to Hong Kong in the first ten months of 2020. It shows that the decline in U.S. exports to Hong Kong for a number of major food types such as beef, poultry, and pork can be ascribed to increased direct U.S. exports to China. U.S. meat products have enjoyed tariff exclusions prompting more direct exports to China. During U.S. – China trade tensions, Hong Kong has served effectively as an entrepot for U.S. trade to China.

The Performance of Top U.S. Exports to Hong Kong

Table 2: Hong Kong’s Imports of U.S. Consumer-Oriented Products, USD \$ Million

Consumer-Oriented Products	January-October		%Δ 2020/19
	2019	2020	
All	2,531	1,682	-33.54
Beef & Beef Products	653	557	-14.64

Tree Nuts	553	149	-73.05
Poultry Meat & Prods. (ex. eggs)	281	100	-64.3
Fresh Fruit	244	222	-9.14
Food Preps. & Misc. Bev	175	179	2.39
Pork & Pork Products	160	97	-39.54
Processed Vegetables	68	61	-10.09
Wine & Beer	58	41	-29.98
Dog & Cat Food	58	68	17.69
Dairy Products	51	31	-40.13
Eggs & Products	35	32	-7.92
Processed Fruit	32	18	-44.8
Meat Products NESOI	29	29	-0.84
Fruit & Vegetable Juices	28	9	-66.98
Chocolate & Cocoa Products	20	13	-33.74
Condiments & Sauces	22	20	-9.72
Non-Alcoholic Bev. (ex. juices, coffee, tea)	20	22	9.88
Snack Foods NESOI	13	8	-40.34
Fresh Vegetables	16	17	5.72
Tea	6	3	-56.32
Coffee, Roasted and Extracts	5	4	-23.48
Spices	3	3	-12.16
Nursery Products & Cut Flowers	0	0	-43.96

Source: TDM – Hong Kong Census & Statistics Department

Beef

The increased direct sales of U.S. beef to China resulted in reduced U.S. beef exports to Hong Kong. Referring to the table below, the United States increased its beef exports to China with an absolute value change of USD \$116 million, far exceeding its reduction to Hong Kong at an amount of USD \$57 million. Earlier this year, U.S. beef products to China started to enjoy tariff exclusions, which effectively lowered tariffs imposed by China on U.S. products and triggered more direct U.S. shipments to China.

Table 3: U.S. Beef Exports to Hong Kong and China, January – October, USD \$ Million

Product	U.S. Exports to Hong Kong				U.S. Exports to China			
	2019 Value	2020 Value	% Change	Absolute Change	2019 Value	2020 Value	% Change	Absolute Change
Beef & Beef Products	598	541	-10	-57	62	178	187	116

Source: GATS – U.S. Census Bureau Trade Data

Based on Hong Kong trade data, Hong Kong's imports of U.S. exports declined 15 percent in the first ten months of 2020 compared to the same period in 2019. No key competitor showed a corresponding increase in sales. Therefore, competition has not been the key reason for Hong Kong's buying less beef on such a large scale.

In a sluggish economy, Hong Kong increased its imports of commodity cuts. Brazil, the United States' key competition in commodity cuts, just slightly increased its exports by one percent with a difference of USD \$11 million. Brazil, therefore, has not taken much of the United States' market share.

The downturn of the economy prompted consumers to buy less beef, particularly primal cuts. Australia and Canada are the biggest competitors of U.S. primal cuts in Hong Kong's domestic market. Products from these supplying countries declined, suggesting that the HRI business has suffered since premium cuts are mostly used in foodservice. Likewise, the United States has reduced its sales of chilled meats to Hong Kong in the past ten months as well (bone-in chilled beef: -27 percent; boneless chilled beef: - 22 percent).

There are exceptions. The data in table 4 showed that Hong Kong people are increasingly interested in trying Wagyu beef from Japan. Hong Kong's imports of Japanese beef rose 25 percent in the past ten months. Premium Japanese beef thus has become an alternative for U.S. beef.

Table 4: Hong Kong's Major Suppliers of Beef Products, January – October, USD \$ Million

	2019		2020		%Δ 2020/19
_ World	2,337	100%	2,367	100%	1.31
Brazil	1,046	45%	1,057	45%	1.05
United States	653	28%	557	24%	-14.64
Australia	121	5%	116	5%	-4.53
Canada	97	4%	79	3%	-18.15
Argentina	86	4%	95	4%	10.39
United Kingdom	53	2%	44	2%	-16.46
Ireland	50	2%	34	1%	-32.2
Japan	34	1%	43	2%	25.2

Source: TDM – Hong Kong Census & Statistics Department

Tree Nuts

Table 5: U.S. Tree Nuts Exports to Hong Kong and China, January – October, USD \$ Million

	U.S. Exports to Hong Kong				U.S. Exports to China			
	2019 Value	2020 Value	% Change	Absolute Change	2019 Value	2020 Value	% Change	Absolute Change
Tree Nuts	558	173	-69	-384	401	361	-10	-40

Product	Value	Value	Change	Change	Value	Value	Change	Change
Poultry Meat & Prods. (ex. eggs)	302	97	-68	-204	8	599	7453	592

Source: GATS – U.S. Census Bureau Trade Data

In January – October 2020, U.S. exports of poultry products to Hong Kong decreased by USD\$204 million, which was fully offset by increased U.S. direct shipments to China as a result of China’s lifting restrictions on U.S. poultry meat imports (USD\$ 592 million). Starting in January 2015, China banned all U.S. poultry due to an avian influenza outbreak.

Table 8: Hong Kong Major Suppliers of Poultry Products, January – October, USD \$ Million

Partner	January-October		
	2019	2020	%Δ 2020/19
_World	1,198	973	-18.72
China	403	411	1.93
United States	281	100	-64.30
Brazil	263	213	-18.86
Thailand	55	66	19.38
Poland	35	24	-33.23
France	31	27	-11.28

Source: TDM – Hong Kong Census & Statistics Department

For the domestic market of Hong Kong, imports from all major suppliers declined except for those from China and Thailand. China’s poultry products to Hong Kong are primarily chilled whole chickens and prepared/preserved chickens. Their supplies to Hong Kong increased in January – October 2020. In the past two years, Hong Kong consumers have tended to buy more chicken at the expense of pork. Pork prices have more than doubled since China started to experience African Swine Fever outbreaks that reduced the supply of live pigs to Hong Kong. Thai products to Hong Kong are mostly consumed in Hong Kong, unlike U.S. and Brazilian products which are mostly for re-exports to China. Hong Kong has increased its imports of both chilled and frozen chicken cuts from Thailand in recent years. These products have established a foothold in Hong Kong’s supermarket chains and have demonstrated constant growth.

Fresh Fruits

Table 9: U.S. Fresh Fruits Exports to Hong Kong and China, January – October, USD \$ Million

	U.S. Exports to Hong Kong				U.S. Exports to China			
	2019	2020	%	Absolute	2019	2020	%	Absolute

Product	Value	Value	Change	Change	Value	Value	Change	Change
Fresh Fruit	169	158	-7	-11	111	101	-9	-10

Source: GATS – U.S. Census Bureau Trade Data

Hong Kong statistics did not show that the decrease in U.S. exports to Hong Kong were offset by U.S. direct exports to China.

Based on Hong Kong data (table 10), Hong Kong’s imports of U.S. fruits amounted to USD \$222 million, declining nine percent, while Hong Kong’s total imports from the world rose four percent in January – October 2020. This showed that the downturn of the economy has not affected the consumption of fruits or fruit trade (as part of the fruits could be re-exported). U.S. oranges grew by seven percent, given that the Sunkist brand is always sought after by Hong Kong consumers. The brand is irreplaceable in Hong Kong. Yet, the increase in oranges could not compensate for the decline in U.S. exports of cherries and apples to Hong Kong. U.S. cherries dropped USD \$21 million, or 45 percent, to a low of USD \$27 million, in stark contrast to the rise in Chilean cherries by six percent to a total of USD \$717 million. For apples, China surpassed New Zealand and the United States in the competition.

COVID-19 has affected international logistics in 2020. Perhaps, this could explain why Asian countries, such as Thailand, China, and Japan have increased exports to Hong Kong. Buyers may intend to source products from neighboring countries to minimize potential logistical challenges. In the past 10 months, Thailand has increased its fruit exports to Hong Kong by 40 percent, with market share rising from 17 percent in 2019 to 23 percent in 2020. Thailand has increased its supplies of durians, guavas, grapefruit, and mangosteens to Hong Kong. In recent years, mangosteens have been introduced to Hong Kong and they are highly sought after by consumers because they are thought to be healthy.

China’s apple exports to Hong Kong have performed exceptionally well in 2020, rising 26 percent between January – October 2020 compared to January – October 2019. China surpassed New Zealand to become the largest apple supplier for the Hong Kong market. In contrast, apple exports from New Zealand, the United States, and Chile declined 29, 29, and 55 percent, respectively.

Table 10: Hong Kong Major Suppliers of Fresh Fruits, January – October, USD \$ Million

Partner	January-October				%Δ 2020/19
	2019		2020		
_World	3,198	100%	3,330	100%	4.14
Chile	1,144	36%	1,164	35%	1.78
Thailand	539	17%	752	23%	39.71
Australia	259	8%	237	7%	-8.39
United States	244	8%	222	7%	-9.14
South Africa	189	6%	168	5%	-11.02

China	121	4%	146	4%	20.43
Peru	116	4%	115	3%	-0.76
Japan	81	3%	87	3%	7

Source: TDM – Hong Kong Census & Statistics Department

Pork

U.S. exports of pork to Hong Kong decreased 35 percent from January - October 2020 compared to the same period in 2019; fully offset by the strong increase of direct U.S. pork exports to China (124 percent). Of various pork items, U.S. offals to Hong Kong decreased the most by 57 percent. Offals being primarily for exports, their remarkable drop further confirmed that U.S. decreased pork exports to Hong Kong did not result from weak domestic demand, but rather primarily from weakened re-export needs.

Furthermore, trade data showed that U.S. pork has been doing well in the Hong Kong domestic market. Looking into different U.S. pork export categories to Hong Kong, chilled pork rose 351 percent. This resulted from the reduced supply of pork and live pigs from China. Hong Kong's imports of chilled pork from Thailand and Australia rose even higher by 1450 percent and 300 percent, respectively. Such huge increases reflected that Hong Kong consumers are looking for substitutes for fresh pork when prices are too high. Hong Kong consumers are gradually accepting chilled pork.

Table 11: U.S. Pork Exports to Hong Kong and China, January – October, USD \$ Million

	U.S. Exports to Hong Kong				U.S. Exports to China			
	2019	2020	%	Absolute	2019	2020	%	Absolute
Product	Value	Value	Change	Change	Value	Value	Change	Change
Pork & Pork Products	123	80	-35	-43	852	1,907	124	1,056

Source: GATS – U.S. Census Bureau Trade Data

Table 12: Hong Kong's Imports of U.S. Pork Products

USD \$ million	2019	2020	%Δ 2020/19
Total	143	79	-45.05
Swine offals	118	51	-56.9
Frozen pork	24	24	-1.99
Chilled pork	1	4	351.21

Source: TDM – Hong Kong Census & Statistics Department

Conclusion

Hong Kong is an important market for U.S. agricultural and food exports, ranking as the ninth -largest U.S. export market. Because of its key location and ties with China, Hong Kong serves as an entrepôt facilitating U.S. exports to China throughout the ups and downs of the U.S.-China trade relationship. Hong Kong is a free port, and with the free flow of goods and capital, U.S. products to China can be routed through Hong Kong efficiently. When direct trading with China is impracticable, U.S. exporters have an option to ship via Hong Kong traders and the port. This flexibility that Hong Kong offers in the context of U.S. – China trade is very valuable for U.S. agricultural and food exports. Thus, the significant decrease of U.S. exports to Hong Kong in the past 10 months is temporary, and should not have any negative implications in the long-term.

No doubt competition is tense in Hong Kong. While general consumers are looking for value-for-money goods, they are keen to try novice food items and are willing to pay a premium for quality products.

Hong Kong's economy had some improvement in the third quarter of 2020, rebounding 2.8 percent compared to the previous quarter, reversing the declines in the preceding five months. The year-on-year decline of GDP narrowed from nine percent in the second quarter to 3.5 percent in the third quarter. If with the availability of vaccines and the pandemic is under control in 2021, Hong Kong's economy will have the potential to rebound gradually and gather the momentum to drive up trade imports.

Attachments:

No Attachments.