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Report Highlights:

In 2021, U.S. seafood exports to Hong Kong recovered 31 percent year-on-year to \$180 million, and taking over a significant share in niche market segments such as lobsters, eels, oysters, and other frozen mollusks products. Hong Kong has a vast seafood market with an import value of \$4 billion in 2021, recovering 20 percent despite the COVID-19 pandemic. Hong Kong's affluent consumers are willing to pay premium prices for premium seafood. As in other developed markets, sustainable seafood is gradually catching the attention of stakeholders and consumers at large. However, substantial impact has yet to be seen in the mainstream procurement or consumption choices. Lastly, a local company has expanded its offerings of protein substitutes to include seafood alternatives. While Hong Kong's food import demand lowered in the first half of 2022, improvement in the local pandemic situation and easing of government measures may reinvigorate the city's hospitality sector and ultimately seafood demand.

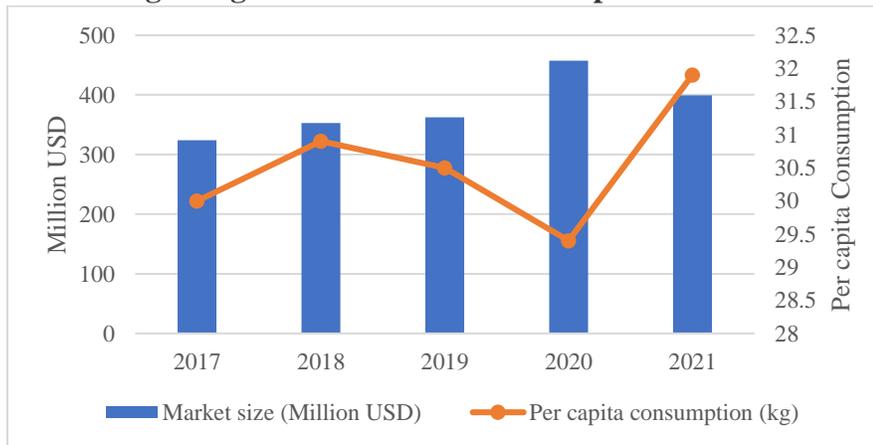
SECTION I. OVERVIEW

Hong Kong offers good potential for U.S. seafood exports. Over 99 percent of the population is Chinese, and traditional Chinese cuisine includes seafood. Many consumers are willing to pay a premium price for quality seafood, regardless of style of cuisine. In 2021, Hong Kong imported a total of \$4 billion worth of seafood products, of which \$3 billion were consumed in Hong Kong. Although the retained imports in 2021 could not surpass the peak of \$3.2 billion in 2018, it exceeded the 2020 level by 21 percent despite all the challenges induced by the COVID-19 pandemic.

According to Euromonitor’s research data derived from trade sources/statistics, as of 2021, Hong Kong has a seafood¹ market size of \$399 million or 240,300 tons, growing 23 percent in value and eight percent in volume since 2017. Per capita consumption grew from 30 Kg in 2017 to 32 Kg in 2021. The high per capita consumption data is in sharp contrast to the 9 Kg (19 pounds) per capita seafood consumption of the United States in 2020,² well illustrating the huge potential of Hong Kong’s seafood market. (Euromonitor’s 2020 Hong Kong per capita seafood consumption was 29 Kg.)

If based on Hong Kong trade statistics and seafood categorization of U.S. BICO data, Hong Kong’s 2021 seafood per capita consumption was as high as 42 kg. **Chart 1:**

Hong Kong Market Size and Per Capita Seafood Consumption



Source: Based on Euromonitor Data

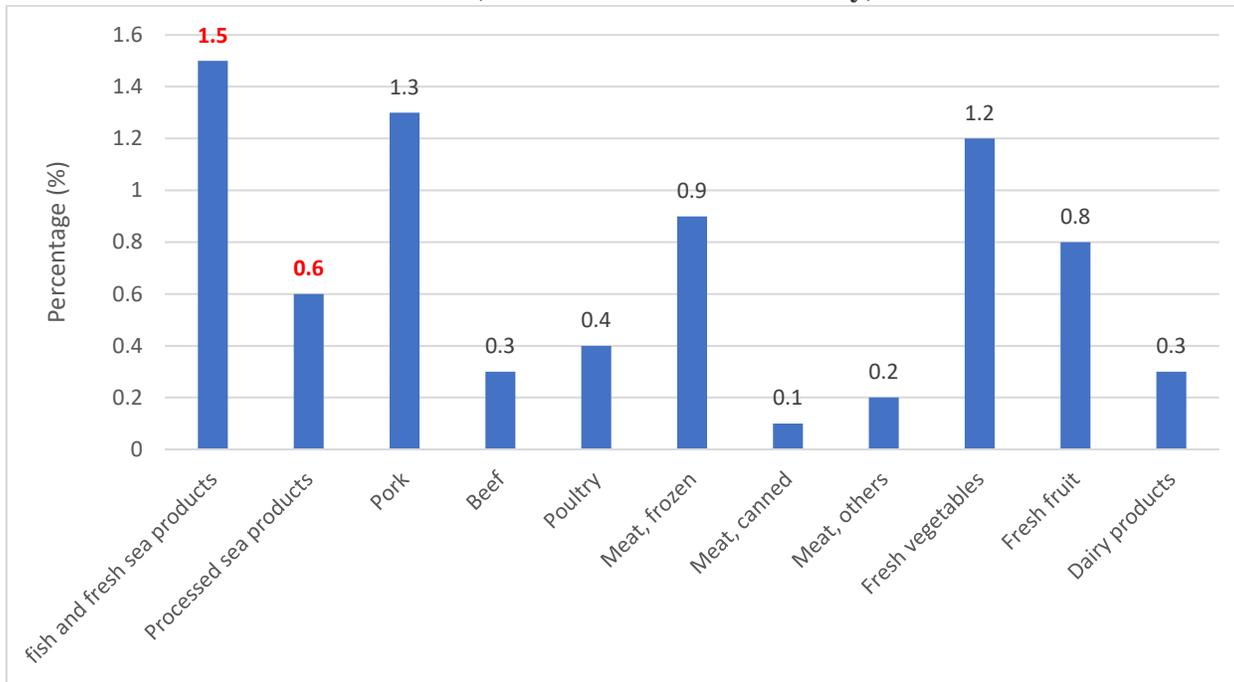
Hong Kong consumers’ preference over seafood is also reflected in the average monthly household expenditure. According to Hong Kong government’s 2019/2020 survey, Hong Kong people spent most on housing (39.3 percent) and food (26.8 percent). Of the 26.8 percent expenditure on food,

¹ This is the aggregation of fish, crustaceans, molluscs and cephalopods. Includes: fresh raw (chilled and frozen) packaged and unpackaged unprocessed fish and seafood. Chilled and frozen fish and seafood can be cleaned, gutted, peeled/trimmed/filleted/cut to a different extent, but not cooked and no sauces, herbs or condiments can be added. Excludes: All packaged/processed fish and seafood products typically sold via the self-service counters in retail outlets.

² “Fisheries of the United States” report by National Oceanic and Atmospheric Administration (NOSS)

16.7 percent was spent on dining out. For the remaining food items, seafood was the most popular item: Hong Kongers spent 1.5 percent of their expenditures on fish and fresh sea products and another 0.6 percent on processed seafood products. By comparison, pork, a popular meat in Chinese cuisine, accounted for 1.3 percent of expenditures.

**Chart 2: Hong Kong Average Monthly Household Expenditures
(Based on 2019/2020 Survey)**



Source: 2019/2020 Household Expenditure Survey and the Rebasing of the Consumer Price Indices

The potential of Hong Kong seafood market is not limited to its domestic market. Hong Kong also serves as a re-export hub for seafood exports. In 2021, \$435 million or 12 percent of Hong Kong’s seafood imports were re-exported, growing 16 percent year-on-year in 2021.

SECTION II. SEAFOOD TRADE

(A) Where Hong Kong Stands as a Market for U.S. Seafood Exports

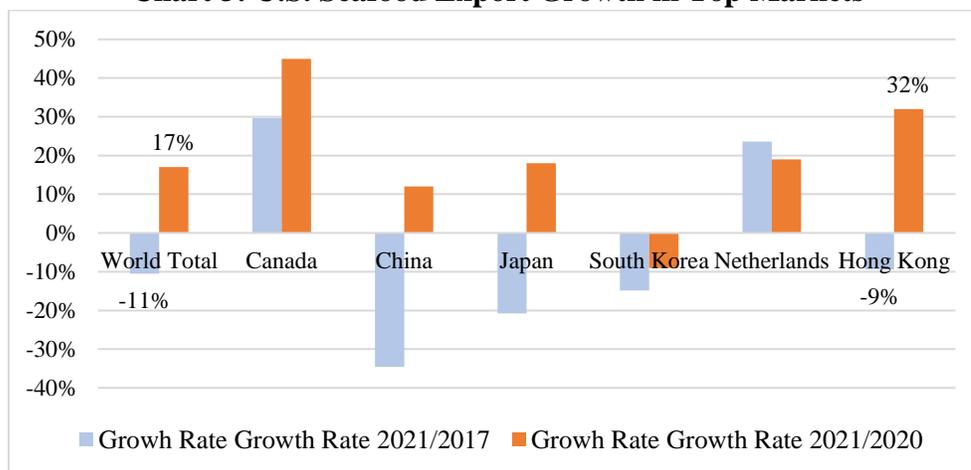
In 2021, Hong Kong was the sixth largest market for U.S. seafood exports, amounting to \$181 million despite having a far lesser population compared to other top markets. U.S. excelled at its export performance to Hong Kong compared to other top Asian markets, as demonstrated by growth rate figures (Chart 3). Between 2020 and 2021, with the challenges posed by the pandemic and disruptions to shipping logistics, U.S. seafood exports to Hong Kong still recorded the second largest growth rate (32 percent) among the top six U.S. export markets only after its export growth to Canada. Looking at a

longer timeframe between 2017 and 2021, U.S. exports to Hong Kong contracted 9 percent in contrast to the double digits drop in other top Asian markets, including China (-35%), Japan (-21%) and south Korea (-15 %). These figures demonstrated that Hong Kong has a vibrant economy with a resilient consumer market.

Million USD	2017	2018	2019	2020	2021	Market share
World Total	5,897	5,777	5,410	4,493	5,276	100%
Canada	1,023	1,050	1,085	917	1,327	25%
China	1,324	1,141	883	774	867	16%
Japan	862	860	690	578	683	13%
Korea, South	492	534	548	459	419	8%
Netherlands	280	292	341	291	346	7%
Hong Kong	199	228	176	137	181	3%

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

Chart 3: U.S. Seafood Export Growth in Top Markets



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

(B) Hong Kong Seafood Imports

Hong Kong is a net food importer. Hong Kong global seafood imports peaked in 2018 at \$3.9 billion driven both by domestic consumption and re-exports. At the time, Hong Kong’s economy was healthy predating the onset of social unrest in 2019 and the start of the pandemic in 2020. In addition, the impact of the U.S.-China trade tensions had not yet fully manifested as many international sales orders were placed well in advance.

In 2021, Hong Kong’s seafood imports in 2021 recovered \$3.6 billion, rising 20 percent compared to 2020. This recovery was triggered by increased demand in both the domestic and re-export market (See

Re-export Trade in Section C). At one point in 2021, Hong Kong was able to maintain zero COVID cases for several months allowing the hotel, restaurant and institutions (HRI) business to revive. The value of total restaurant receipts increased 16.8 percent in 2021 compared to 2020. In addition, pandemic-related restrictions on travel, led Hong Kong consumers to stay in the city and boost domestic consumption. These were favorable factors driving increased demand in the domestic market.

In 2021, major suppliers were China (36%), Japan (14%), Australia (5%) and Norway (4%). Given its geographical proximity, China remains Hong Kong’s leading supplier of seafood imports, including shrimps and prawns, carp, and fresh/chilled fish. Japan secured the second position, unbeaten in frozen sea cucumbers and frozen/dried scallops. In contrast, Australia inadvertently jumped to the third place in 2021 with an influx of Australian lobsters as these faced sudden challenges accessing the Chinese market. Australian exports to Hong Kong are expected to return to previous levels once market access to mainland China normalizes. Meanwhile, Hong Kong’s imports of U.S. seafood products grew 11 percent in 2021, market share of U.S. products remained at 3 percent as in 2020.

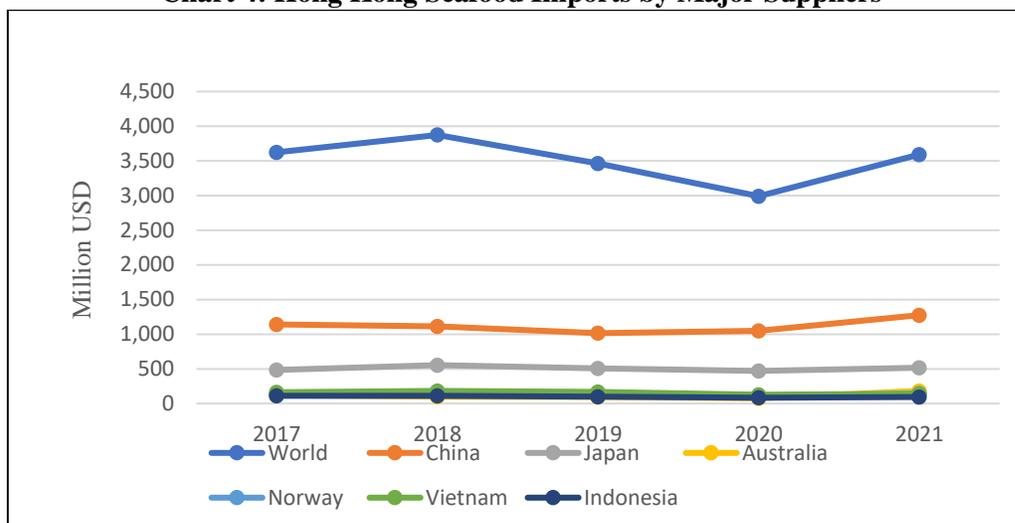
In early 2022, Hong Kong faced its fifth and deadliest wave of the pandemic. As a result, enhanced pandemic measures in response to the fifth wave led to a three-month pause in business activities, including restaurants and bars. This had a significant impact in domestic demand for seafood, dampening Hong Kong’s global imports of seafood by 4 percent to \$2,486 million during the first nine months of 2022. During this period, imports of U.S. seafood slowed 14 percent to \$51 million. However, as the pandemic conditions have improved, and the food service sector activity slowly returns to 2020 levels, seafood demand is expected to recover. It is important to note that during the first part of 2022, as consumers had no choice but to dine at home, this spurred interest for frozen seafood items. Nonetheless, increased at home consumption of frozen seafood did not offset the loss in high-end seafood demand from a dormant hospitality sector.

Table 2: Hong Kong Seafood Imports

Supplying Countries	Total Imports (Million USD)					Growth 2017 v 2021	Growth 2020 v 2021
	2017	2018	2019	2020	2021		
World	3,622	3,874	3,464	2,991	3,592	-1%	20%
China	1,142	1,111	1,015	1,047	1,275	12%	22%
Japan	483	554	506	470	515	7%	10%
Australia	123	97	93	76	182	48%	141%
Norway	134	137	130	112	143	7%	27%
Vietnam	163	182	166	127	141	-14%	11%
Indonesia	111	111	98	83	96	4%	17%
U.S.	153	176	126	83	91	-40%	11%

Source: Trade Data Monitor – Hong Kong Census and Statistics Department

Chart 4: Hong Kong Seafood Imports by Major Suppliers



Source: Trade Data Monitor – Hong Kong Census and Statistics Department

(C) Hong Kong Seafood Re-exports

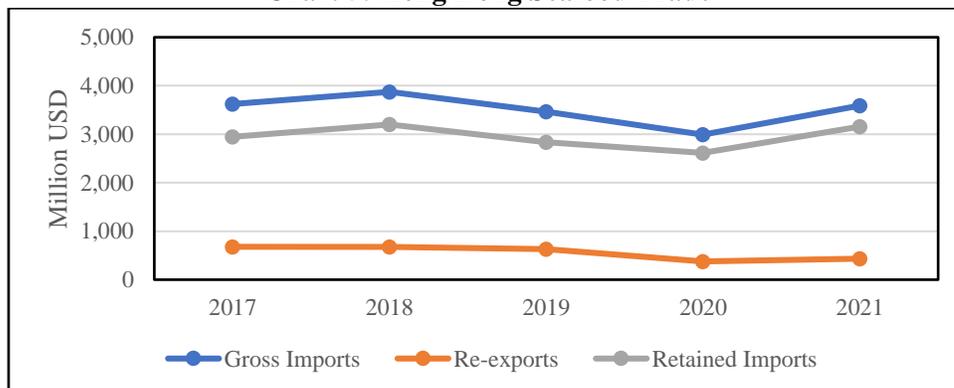
Hong Kong is a net seafood importer and a trade hub for markets in the region. In 2021, Hong Kong re-exported \$435 million (or 12 percent of gross imports) to other markets and retained \$3,157 million (or 88 percent of gross imports) for domestic consumption.

Table 3: Hong Kong Seafood Trade

	Million USD					Growth 2020/2021
	2017	2018	2019	2020	2021	
Gross Imports	3,622	3,874	3,464	2,991	3,592	20%
Re-exports	678	673	627	376	435	16%
Retained Imports	2,944	3,201	2,837	2,615	3,157	21%
Percentage Retained	81%	83%	82%	87%	88%	1%

Source: Trade Data Monitor – Hong Kong Census and Statistics Department

Chart 5: Hong Kong Seafood Trade



Source: Trade Data Monitor – Hong Kong Census and Statistics Department

Table 4: Hong Kong Seafood Re-exports by Major Markets, USD million							
	2017	2018	2019	2020	2021	2021 %	Growth 2020/2021 %
World	678	673	627	376	435	100	16
Macao	122	137	134	78	96	22	23
China	50	81	82	60	83	19	39
S. Korea	55	82	97	85	79	18	-6
U.S.	30	42	31	22	32	7	43
Vietnam	309	231	141	25	31	7	25

Source: Trade Data Monitor – Hong Kong Census and Statistics Department

In 2021, Hong Kong’s total re-exports grew 16 percent, driven mainly by 23 percent growth to Macau, 39 percent to China and 43 percent to the United States. While there was significant growth in Hong Kong’s re-exports to Macau in 2021 totaling \$96 million, the record high was in 2018 at \$137 million. At that time, Macau’s economy was buoyant with vibrant inbound tourism and gambling industries before the emergence of the pandemic. It is worth noting that re-exports to Vietnam and South Korea have fluctuated over the years, this is primarily because many of these products were ultimately re-exported to China and these re-export activities were often unpredictable.

While the United States ranked as the seventh largest supplier for Hong Kong’s seafood imports, it ranked as the fourth largest market for Hong Kong’s re-exports majoring in dried/salted seafood products, such as scallops, oysters, maws, fish head and tails, abalones, etc.

In the first nine months of 2022, Hong Kong’s re-exports to the world dropped 8 percent driven by the decline in re-exports to major markets: South Korea 23 percent, China 56 percent and the United States 17 percent. Overall, Hong Kong’s domestic and re-export trade to the world of general merchandise including both food and non-food products has contracted in 2022. As explained by a Hong Kong government economist, Hong Kong’s trade contraction has been ascribed to the slackened global demand resulting from a worsened economy in many of Hong Kong’s major market. The deteriorating external environment will continue to pose pressure on Hong Kong’s seafood re-export performance for the remainder of 2022. However, Hong Kong’s seafood re-exports to Macau increased tremendously by 69 percent during the first nine months of 2022. Over eight percent of the growth was triggered by a single category: dried fish maws, which are considered by local consumers as a health food traditionally purchased by affluent consumers who are less price sensitives during economic downturns.

(D) Where U.S. Stands in Hong Kong’s Seafood Trade

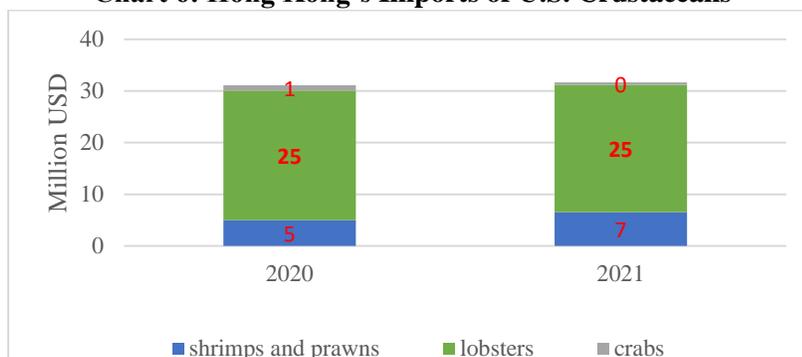
U.S. products occupy a significant share in Hong Kong’s seafood niche market sector, despite of a nominal three percent share in Hong Kong’s global imports. In general, U.S. products are not in direct

competition with key suppliers such as China and Japan because of different target markets. In 2021, Hong Kong’s imports of U.S. seafood surged 11 percent or 32 percent based on U.S. data.

Table 5: Hong Kong’s Imports of U.S. Seafood by Types				
Million USD	2021 From the World	2021 From the U.S.	Market Share U.S. products	% change 2020-2021 U.S. products
All seafood	3,592	91	3	11
Crustaceans	732	32	4	2
Mollusks	574	26	4	41
Live fish	434	17	4	58
Seafood, prepared or preserved	406	1	0	-61
Fish, dried, salted or in brine; smoked fish	387	1	0	156
Fish, fresh or chilled	378	0	0	-67
Fish, frozen	219	8	4	-11
Fish fillets and other fish meat	178	0	0	-30
Others	284	6	2	-37

Source: Trade Data Monitor – Hong Kong Census and Statistics Department

Chart 6: Hong Kong’s Imports of U.S. Crustaceans

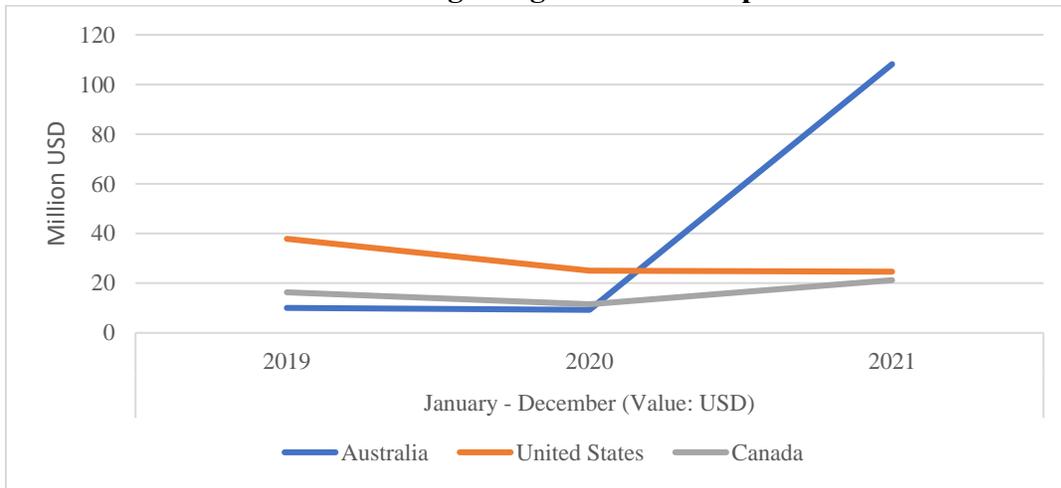


Source: Trade Date Monitor - Hong Kong Census & Statistics Department

Of the various U.S. seafood categories exported to Hong Kong, crustaceans were the seafood item that Hong Kong imported most from the United States (at \$32 million in 2021). Among Hong Kong’s imports of U.S. crustacean products, key imported items were lobsters (\$25 million) followed by shrimps and prawns (\$7 million). For years, the United States was the top lobster supplier followed by Canada and Australia. However, the U.S. leading position was overtaken by Australia with the market share drastically reduced from 39 percent in 2020 to 14 percent in 2021. This was because the Hong Kong market was flooded with Australian lobsters when China banned these products. Despite the huge drop in market share, Hong Kong’s imports of U.S. lobsters declined only slightly by 2 percent year-on-

year in 2021. In stark contrast, Hong Kong’s imports of Australian lobsters increased over 1,069 percent (\$108 million) and imports of Canadian lobsters 84 percent (\$21 million).

Chart 7: Hong Kong’s Lobsters Imports



Source: Trade Date Monitor – Hong Kong Census & Statistics Department

Fresh/chilled oysters are the most popular among all U.S. mollusks exports to Hong Kong. In 2021, Hong Kong imported \$4 million worth of U.S. live/chilled oysters, growing 13 percent year-on-year, despite falling short of the peak in 2018 (at \$5.3 million). Fresh/chilled oysters are widely used in hotels as a favorite dish for buffets. The affluent clientele is willing to pay premium prices for quality oysters. In 2021, Hong Kong’s largest suppliers of live/chilled oysters in terms of value were France (33 percent), Canada (16 percent), China (12 percent) and United States (11 percent). It is important to note that Hong Kong’s imports of live/chilled oysters from China and Japan have increased steadily over the years. Between January – May 2022, the unit average import cost of Japanese oysters was \$13,526 /tons, Chinese \$2,920 and U.S. \$9,915. The high difference in prices highlights the fact that these imports are competing in different market sectors.

Hong Kong’s imports of other U.S. frozen mollusks (HS030792) such as cuttle fish, squid, octopus, clams, snails, etc. totaled \$16 million in 2021, increasing 41 percent compared to 2020 and dropping 7 percent from the peak in 2019. The United States is always the largest supplier of this seafood category for the Hong Kong market. Hong Kong’s 41 percent increased imports of these products from the United States last year coincided with the decreased imports from the two other major suppliers, China (-28%) and Senegal (-67%). The growth of imports from the United States continued in the first three quarters of 2022 but at a slower pace of 9 percent.

Chart 8: Hong Kong's Imports of U.S. Mollusks

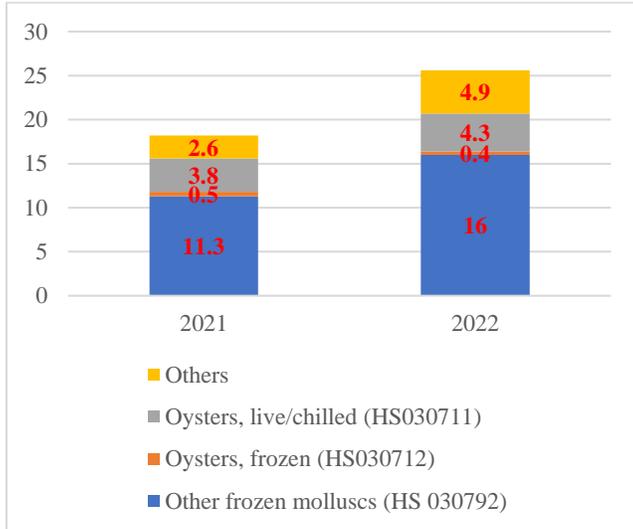
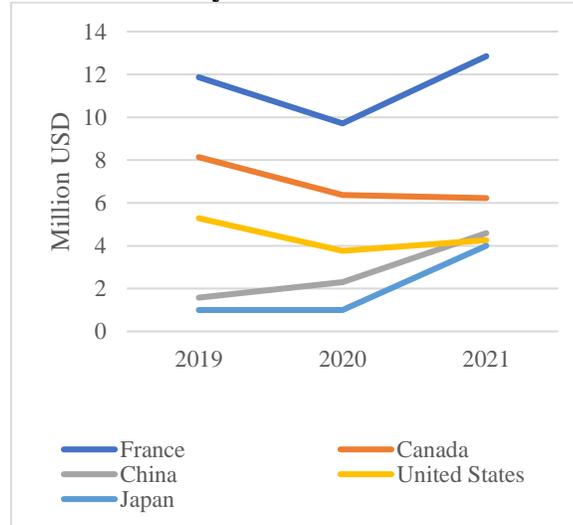


Chart 9: Hong Kong's Imports of Live/Chilled Oysters



Source: Trade Date Monitor - Hong Kong Census & Statistics Department

In 2021, Hong Kong imported \$15 million worth of live eels from the United States, as the second largest supplier after Haiti (\$37 million), rising 68 percent and reaching a record high. However, the growth of Hong Kong's imports of U.S. eels was not sustainable. While Hong Kong's global imports grew 78 percent in the first nine months of 2022, imports of U.S. eels dropped 8 percent. Comparatively higher U.S. eel import prices and improvements in shipping logistics in other competing suppliers contributed to lower imports from the United States. As a result, Canada jumped to the top supplier position with 362 percent increase accounting for 61 percent of market share with the United States having a market share of 10 percent and ranking second.

The Impact of Rising Consumer Awareness of Seafood Sustainability Is Yet to be Seen

Hong Kong consumers are increasingly thinking about ecology and sustainability. There are advocates in Hong Kong urging the public to address seafood sustainability. For example, ChooseRightToday.org, a Hong Kong-focused website lists retailers according to the presence of certified sustainable seafood. Another organization, the [Hong Kong Sustainable Seafood Coalition](#) (HKSSC) has been established by a small number of industry members aiming to advance the sustainable seafood market in Hong Kong by committing to voluntary codes on responsible seafood sourcing. World Wildlife (WWF) Hong Kong has also been a keen advocate for seafood sustainability for years. They created a seafood [guide](#) covering 70 popular seafood species that can be found in retail outlets and restaurants. They divided them into three different categories based on sustainability, ranging from "first choice" to "Avoid." WWF urges the industry and consumers not to consume species classified as "Avoid." In this

guidebook, Alaska wild caught Chum Salmon and Red King Crab, U.S. farmed Pacific Cupped Oysters, etc. are classified as “First Choice.”

WWF is an active advocate for seafood sustainability. Apart from launching public education, it has been working with supermarkets to put in place a comprehensive sustainable seafood procurement policy because supermarkets account for 60 percent of food retails. (The rest is taken up by wet markets). The WWF listed a seafood sustainability scoreboard of the key supermarket groups on their [website](#). This public scoreboard program seemed to successfully drive esteemed retail outlets to source products with sustainable considerations. For example, a supermarket chain had replaced critically endangered European eel to non-threatened conger eel. Also, non-threatened shortfin eel is used instead of endangered eel at sushi counters. This public scoreboard program encouraged renounced supermarket chains to address sustainability and served as an education process for procurement personnel in the industry.

Recently, WWF launched a new Sustainable Seafood Business Membership Program, funded by the KPMG Foundation. The program aims to increase the accessibility of sustainable seafood by creating a portal which includes a real-time sustainable seafood e-directory, providing restaurants and retailers a quick and easy way to look for more sustainable choices. The sustainability of all products listed on the platform is assessed and verified by WWF-Hong Kong. Founding members of this program include hotel chains, restaurants and retailers.

With all these vigorous advocacy efforts led by various organizations, there is no doubt that in Hong Kong exists a slow movement promoting sustainable seafood consumption. Nonetheless, any significant impact on seafood sourcing or consumption is yet to be seen. Particularly, in these two years as the HRI business navigated the pandemic, business survival has become the priority and sourcing sustainable seafood at a higher cost has not been on the agenda of most stakeholders. A purchasing manager at a five-star hotel indicated that the hotel carries Marine Stewardship Council³ (MSC) products on the menu out of social responsibility or image but not in response to consumers’ demand. In his view, consumers do not yet have a strong desire for the sustainability nature of seafood when ordering from the menu. This comment is fair enough to reflect the current situation in Hong Kong, although a growing number of consumers have avoided shark’s fin at banquets out of sustainability concerns.

According to a survey by ChooseRightToday.org, about seven percent of Hong Kong retail and foodservice establishments were able to provide verifiably sustainable seafood, meaning that they serve seafood certified by the Best Aquaculture Practices, Aquaculture Stewardship Council, Marine Stewardship Council programs, or being a member of the Hong Kong Sustainable Seafood Coalition.

A favorable force driving seafood substantiality in Hong Kong is the public’s gradual growing awareness including consumers and stakeholders of the seafood industry. Moreover, more and more big

³ The blue MSC label is only applied to wild fish or seafood from fisheries that have been certified to the MSC Fisheries Standard, a set of requirements for sustainable fishing.

corporations become mindful of Environmental, Social and Governance (ESG) and earmark funding for these purposes. These corporations are not necessarily seafood-related but might also contribute to driving sustainability by funding promotional and educational projects. For example, the Hong Kong Sustainable Coalition was supported by ADM and WWF’s Sustainable Seafood Business Membership Program by KPMG. Therefore, there is reason to believe that Hong Kong has a growing demand for sustainable seafood in the long term.

In this regard, U.S. seafood exporters are uniquely positioned to differentiate their products in the Hong Kong market by telling their well-documented efforts incorporating sustainability practices. At the recent Restaurant & Bar Show, ATO Hong Kong made a big push on this topic, adding a Sustainability Booth sharing sustainability facts about U.S. agricultural production, including seafood. At the concurrent Natural and Organic Asia show, ATO presented on “American Food Products: A Tradition in Sustainability.” Judging by the attendance, the topic was well received and of interest to local buyers.

Seafood Substitutes

In recent years, plant-based meats have emerged in Hong Kong. Riding on the success of Ominpork – a plant-based pork, in 2021, this Hong Kong company expanded to plant-based seafood in 2021. It started to launch Classic Fillet and Omnituna that are well suited for Chinese and other Asian diets. These products have been developed with an objective of being suitable for regular household dishes in Hong Kong and even the wider Asia Pacific. To this end, the Classic Fillet product is unbattered and unbreaded while OmniTuna is a unique blend of non-GMO soy.



Hong Kong had a start-up called Avant Meats developing cultivated fish products. Sea cucumber and fish maw are their first products, which have not yet been commercialized. The company is establishing new R&D and pilot production facilities in Singapore. Lab-grown seafood will sooner or later enter Hong Kong, given Hong Kong’s reception to novice products and simple and transparent food import regulations. While Hong Kong consumers are hospitable to novice foods, it is unlikely that these new food substitutes will impose a significant threat to seafood consumption in Hong Kong in the foreseeable future.

No Barriers for U.S. Seafood Imports

Hong Kong’s food import regulations are transparent and do not impose any trade barriers to seafood. Presently, it is not mandatory for seafood products to be accompanied by a health certificate, but U.S. exporters to Hong Kong usually provide health certificates to facilitate customs clearance, particularly for seafood products for raw consumption. However, the certificates submitted do not have a standard attestation since the Hong Kong has not established official health certification requirements for U.S.

seafood products. Hong Kong accepts seafood certificates issued by individual states or the National Oceanic and Atmospheric Administration (NOAA).

When a consignment of seafood products arrives at entry points in Hong Kong, it may be subject to inspection or sampling. If the importer concerned is not able to present health certificates during inspection, the Center of Food Safety may take consignment samples for examination before release.

Hong Kong is closely monitoring food safety incidents around the world. When there are food incidents or/food recalls in supplying countries, the Hong Kong food safety authority usually will take precautionary measured reactions for public health reasons. For example, the Hong Kong government imposed a ban on U.S. shipments from an affected area following a U.S. closure and recall of oysters from the place because of bacterial concerns. However, the ban was restricted to the affected area only and was swiftly lifted after the U.S. authority submitted a report detailing causes and remedial actions when the incident was completed. Please see Gain report: [Hong Kong Lifts Ban on Oysters from Samish Bay in Washington State](#).

2022 and Prospects Beyond....

In the past two years, Hong Kong has been trying to adopt a zero-COVID policy in order to reopen cross border movement with mainland China. However, the onset of the fifth wave of pandemic in the early 2020 lessened the hopes of maintaining zero-Covid in the city. Meanwhile, the strict and prolonged anti-pandemic policies have gradually deteriorated Hong Kong's position as an international city while other countries have relaxed anti-pandemic measures. With the change of the new government in July 2022, the Hong Kong government reiterated its need to maintain Hong Kong as an international city. On July 7, the Hong Kong government abolished the flight suspension policy in place for the past two years that temporarily suspended particular flights if the flight carried a certain number of COVID-infected passengers. In addition, on September 26, the government lifted quarantine requirements on inbound travelers. The public and business community welcomed these decisions. Hong Kong's major airline, Cathay Pacific, responded that it will study how to increase both passenger and cargo flights to/from Hong Kong. With a more stable pandemic situation in the second half of 2022, there is optimism in the potential of Hong Kong's seafood markets because seafood always remains as a favorable food choice both at home and dining out.

Attachments:

No Attachments.