# Working Paper Series

This working paper forms part of the ACIAR Project AGB/2012/061 *Improving smallholder farmer incomes through strategic market development in mango supply chains in southern Vietnam*

**Activity:** **A1.7 Opportunities and challenges for mango imports in Hong Kong**

Task: Review of published studies

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# Summary

Mango exports are one of the key horticulture activities for Vietnam and Australia. Hong Kong is one of Australia's largest export markets, with an annual trade value of AUD13 billion. The recently endorsed free-trade agreement opens further trade opportunities between the countries. For both Australia and Vietnam, Hong Kong is regionally important for the import of fresh produce. Recent concerns over the city's unrest, and the additional impact as a result of travel restrictions from the COVID-19 pandemic present challenges for the trade of fresh produce. This review presents an overview of the Hong Kong fresh produce market to inform Vietnamese and Australian mango exporters.

This study reviewed reports from public and private sector sources. A wide range of credible and recent information was included, such as the Census and Statistics Department of Hong Kong; Hong Kong Bureau of Statistics; United States Department of Agriculture (USDA) GAINS reports; International Trade Center (ITC) Trade Map; Trade Statistics for International Business Development; General Office of Statistics of Vietnam; the Travel Industry Council of Hong Kong; Australian Bureau of Statistics (ABS); the Australian Mango Industry Association (AMIA); and research papers.

From this review, key implications related to Vietnamese and Australian mangoes export opportunities to Hong Kong market were highlighted.

- Vietnam has limited trading experience in the Hong Kong market.
- To facilitate Vietnamese mango imports to the Hong Kong market, it may be necessary to establish a direct partnership with the retailers and link with commercially experienced operators.
- A seasonal shortage of mangoes presents as the driving factor for reduced imports into Hong Kong.
- The relatively small percentage of export of Australian mangoes is primarily due to high domestic demand in Australia and lower geographical proximity.
- Australia has exported affordable mangoes to Hong Kong (USD2.52 per kg), compared to Taiwanese (USD3.27 per kg) and Thai (USD5.69 per kg) mangoes.
- The peak season for Australian mangoes is from November to January, which is the period when supplies from the Philippines and other Asian exporters are limited.
- Production seasons (coinciding with the festive period) and a shortage of supplies from Asian exporters have been identified as the major purchase driving demand for Australian mangoes in the Hong Kong market.

These insights were taken into consideration when designing semi-structured interview checklists to undertake qualitative study with key stakeholders in Hong Kong (from November 2020 to March 2021).

# Introduction

The objective of this study is to review published information relating to mango trade with Hong Kong to advance mango exports from Vietnam and Australia. The project also considers the role of market dynamics, including rapidly evolving consumer trends and trade flows between Hong Kong and China. Detailed attention has been given to recent global events (including the US-China trade issues, public demonstrations in Hong Kong, and the outbreak of COVID-19) to understand the market situation. The study encompasses an analysis of Hong Kong as an export market for Vietnamese and Australian mangoes, considering Hong Kong as a potential gateway to China (specifically Shanghai).

In addition to Australian and Vietnamese mangoes, this study also reviews key figures of imported mangoes from other regionally important countries – the Philippines, Taiwan and Thailand – their mango import trends, prices, share values and seasonality. Based on this information, implications and recommendations for mango export trade from Vietnam and from Australia to Hong Kong can be drawn.

# Method

The study reviewed published reports from public and private sector groups. To ensure that collected data was credible and recent, sources included: the Census and Statistics Department of Hong Kong; Hong Kong Bureau of Statistics; United States Department of Agriculture (USDA) GAINS reports; International Trade Center (ITC) Trade Map; Trade Statistics for International Business Development; General Office of Statistics of Vietnam; the Travel Industry Council of Hong Kong; Australian Bureau of Statistics (ABS); the Australian Mango Industry Association (AMIA); and research papers.

Information relating to several topic areas in this report is incomplete or unavailable, including national production and planted area by mango variety, market price, and volumes traded over time and accuracy of export statistics. The following assumptions and delimitations shape the design of this study:

- Published information available from government portals, may not incorporate data related to transhipping into and out of Hong Kong.
- Public and private sector data portals were used to access trade information and it is assumed that this data is accurate and reliable.
- The information sources, in some cases, comprise composite data from multiple products rather than one specific product.

# Results & discussion

## Hong Kong market overview

Literature reveals the several main aspects of the Hong Kong market:

- Hong Kong is reliant on imports of fresh fruit and vegetables (limited opportunities to produce locally). Fresh fruit was imported to Hong Kong accounting for USD3.16 billion with an average annual growth rate of 10% between 2014 and 2018 (GAIN, 2020).
- The United States is the main imported food products supplier in Hong Kong; however, the performance of the United States in the fresh fruit sector has been declining since 2014.
- One of the many trade driving forces is the 'purchasing power of the consumer'*;* however, from 2019, demand is expected to slow in certain premium food areas (including meats, seafood, and organic foods); reliance on cheaper food options (like roadside food outlets) will increase.
- Hong Kong serves as a re-export platform. An average of 61% of Hong Kong's fruit imports is re-exported to China and neighbouring regions (97% of re-exports to China).

***Socio-cultural environment***

- The US-China trade that issues started in July 2018 led to reduced demand for imported Chinese products and reduced re-exports of goods from Hong Kong to China (Wu and Zhou 2018).
- In 2019, Hong Kong was affected by significant social unrest and suffered a huge loss in consumer demand: a decline in retail sales by 23.4% in November 2019 and the decline in luxury goods sales by 43.5% (CSD, 2019; Forbes, 2020).
- The tourism industry also experienced a significant loss: the decline in arrivals by nearly half in 2019 and a further decline, as a result of the pandemic, reported in April 2020.

***Market segments***

There are three market segments relevant to the supply of mango:

- retail outlets (e.g. supermarkets, convenience stores).
- food services (e.g. restaurants, bars and food outlets).
- food manufacturing and catering (e.g. bakeries and other confectionary outlets).

***Consumer landscape***

- Hong Kong consumers have become increasingly focused on convenient, healthy, fresh food options, and pay greater attention to food ingredients (nutritional value), the traceability of food products and food safety.
- There has been an increase in awareness of sustainability relating to food.
- Hong Kong consumers are increasingly interested in value-added fruits and vegetables, (pre-packaged salad mix, frozen sliced vegetables, and cooked and vacuum-packed vegetables); Premium fruit products (e.g. tropical fruits – dragon fruit, mango, durian) are often presented as gifts during festival celebrations (such as Lunar New Year and Mid-Autumn festivals).

***Market access and biosecurity***

- Hong Kong does not have any import restrictions on fresh fruits. However, food intended for sale must be fit for human consumption.
- Hong Kong's Centre for Food Safety (CFS) is responsible for implementing territory-wide food safety policies and enforcing food-related legislation.
- Hong Kong does not have specific regulations for labelling organic products.

## Overall information of mangoes imported to Hong Kong

The import percentage of fresh fruits and vegetables in Hong Kong had declined by 5.6% in February 2020 compared to the previous year. Total imports have declined in Hong Kong over the five years from 2015 to 2019 (see Figure 1).

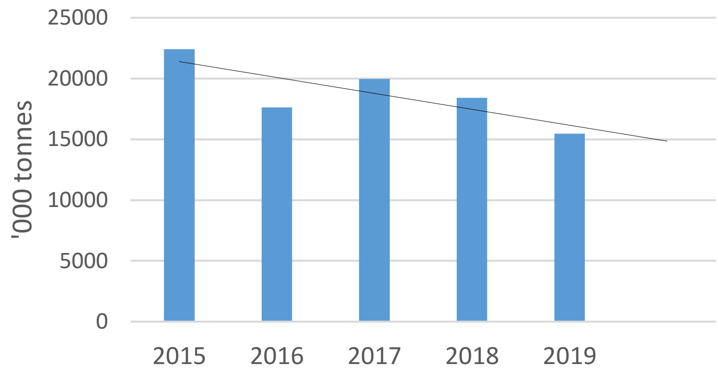


**Figure 1: Mango imports, Hong Kong (volume), 2015-2019**

*Source: Tradedata, 2020*

Possible reasons for this decline include political instability, the COVID-19 outbreak in 2019 and tightened controls around the re-export trade to mainland China (as an effect of trade war). The decrease in imports can be further linked to the decreasing demand in the market due to a decline in gross GDP, resulting in a decline in consumers' purchasing power.

***Import origins***

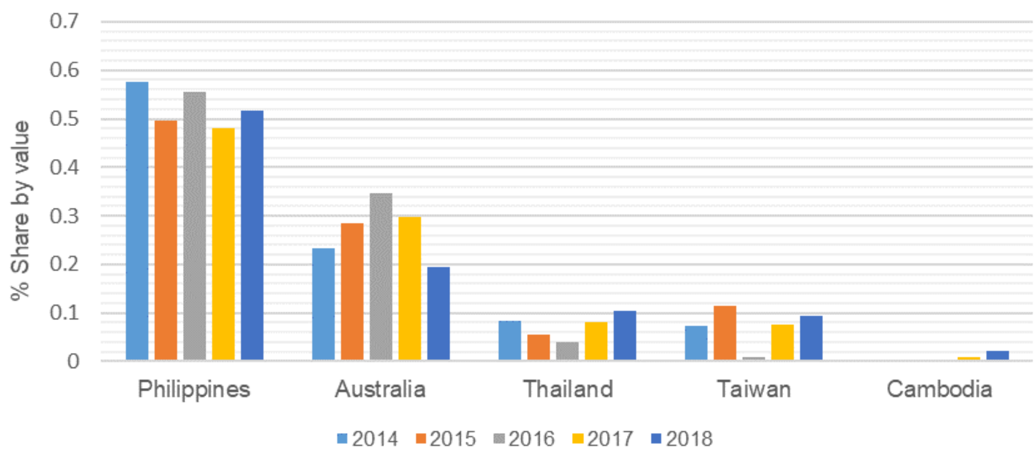


**Figure 2: Mango imports, Hong Kong, (value), 2014-2018**

*Source: ITC, 2018*

Figure 2 shows a significant decline in import value of mangoes from the Philippines and Australia—by 12.64% and 19.02% respectively—between 2014 and 2018; import figures have risen by 22.04% from Thailand, 23.7% from Taiwan in the same period, and exponentially, by 152.4%, from Cambodia between 2016 and 2018.

In 2019, the dominating players in Hong Kong's mango import market account for more than 90% of total imports. In terms of share by value (fresh and dried), the Philippines, Australia, Thailand, and Taiwan accounted for 54.27%, 14.6%, 10.81% and 10.48% respectively (see Figure 3).

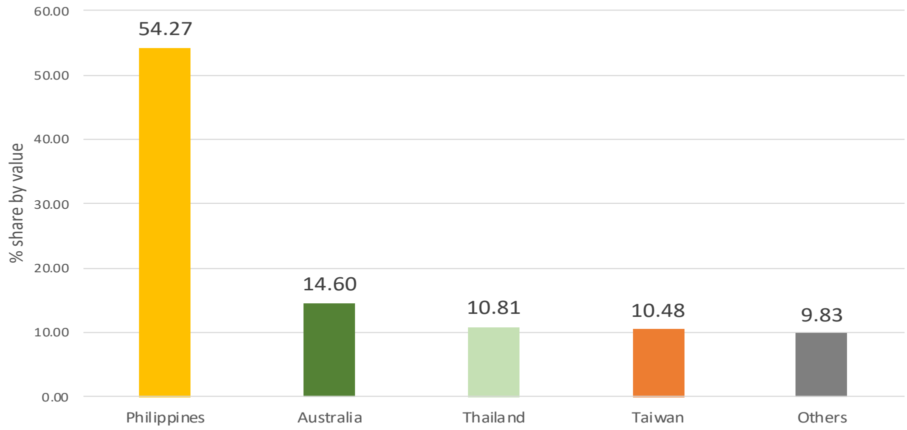


**Figure 3: Mango imports, Hong Kong (value), 2019**

*Source: Tradedata, 2020*
*Note: HS Code 08045020, fresh and dried*

In terms of import prices, the average annual import price increased by 42.79%, reaching up to USD3.37 per kg in 2019 from USD2.36 per kg in 2015 (see Figure 4). The rise in average import price indicates the increase in price in countries supplying mango produce.

The price rise could be due to a decrease in supplies from other regions. For instance, the average price for Australian mangoes has increased significantly, by 35% since 2015 (this increase occurred alongside a 13.8% decline in market share during the same period). Similarly, Philippine mango prices increased by 23% since 2015, followed by a steep rise for Taiwanese mangoes from USD2.43 per kilogram to USD 5.69 per kilogram in 2019.Thai mango prices have declined since 2015, with a downfall of 18% (see Figure 4).

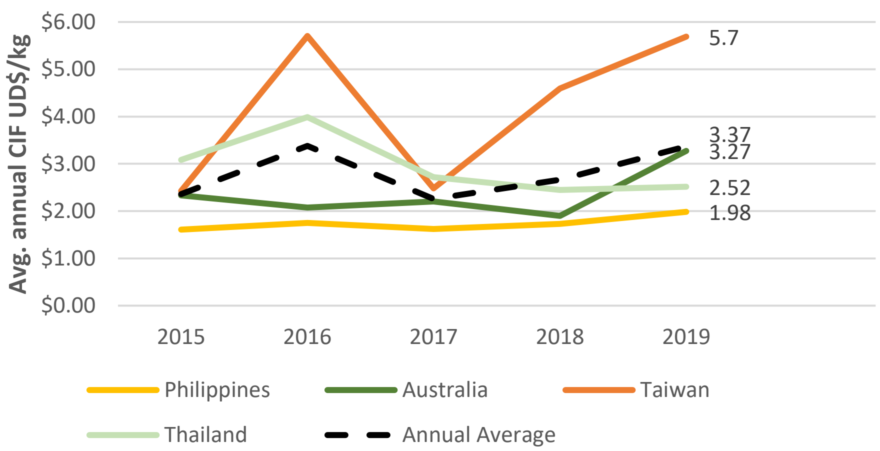


**Figure 4: Mango imports, average annual (price/kg), Hong Kong, 2015-2019**

*Source: Tradedata, 2020*
*Note: HS Code 08045020, fresh and dried*

## ***Import seasonality***

Hong Kong mango imports peak from April to June, which mimics the harvesting season in the Philippines. This indicates a high dependency on Philippine mangoes. Another shorter peak occurs between November and January (see Figure 5). Taiwan and Thailand supply mangoes during the non-harvesting period of the Philippines.

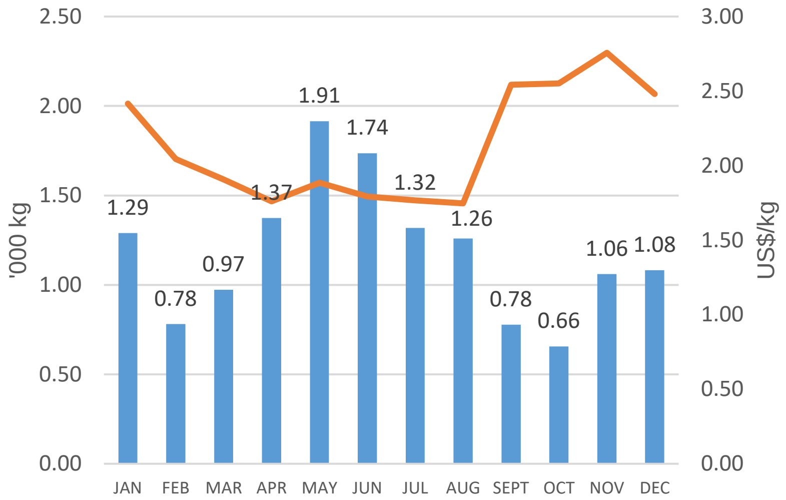


**Figure 5: Mango imports, Hong Kong (average monthly price/kg), 2019**

*Source: Tradedata, 2020*
*Note HS Code 08045020, fresh and dried*

Despite the period attracting the highest prices, demand rises in November and December during the Christmas period and in January during the Chinese New Year period. The rise in demand, coinciding with lower supply from the Philippines, means that Hong Kong must import more expensive Australian supplies to satisfy market demand.

The mango CIF price trend in 2019 shows a fluctuation from previous trends, with higher prices in September, October and February (see Figure 5). Recent trends have shown an increase in average CIF prices of both Taiwanese and Thai mangoes, which could be the reason for unusual higher prices during this time of the year.A usual stable price trend was observed between March and August, which marks a significant period for Philippine supplies.

**Table 1: Seasonal mango imports, 2020**

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Philippines** | | | | P | P | P | | | | | | |
| **Australia** | P | | | | | | | | | | P | P |
| **Thailand** | | | | P | P | | | | | | | |
| **Taiwan** | | | | | P | P | P | | | | | |
| **Vietnam** | | | PS | PS | PN | PN | PN | PN | PN | | | |

*Source: Tradedata, 2020*
*Notes: (a) Peak season supply = P; shaded areas indicate mango import periods. (b) N = north region of Vietnam and S = south region of Vietnam.*

As shown in the seasonality table (see Table 1):

- Australia is an especially important supplier as it helps to stabilise mango demand in off-season periods (November to January) when Asian suppliers can only offer small quantities.
- The Vietnam peak harvest period coincides with competitor peak periods.

## Mango import trends of dominating players

### ***Philippines***

The Philippines is the largest supplier of mangoes to Hong Kong and, despite a recent downtrend, accounts for more than two-thirds of mangoes imported to Hong Kong throughout the year (see Figure 6). The main supply is sourced from Luzon region and this offers a peak harvest season from April to June. However, the Mindanao region of the southern island exports a considerable quantity of mangoes from July to March to satisfy high market demand for the popular Philippine Carabao variety. Higher demand conditions from the retail grocery and the bakery segments in the Hong Kong market, along with a lower price, support the dominant demand for Philippine mangoes.

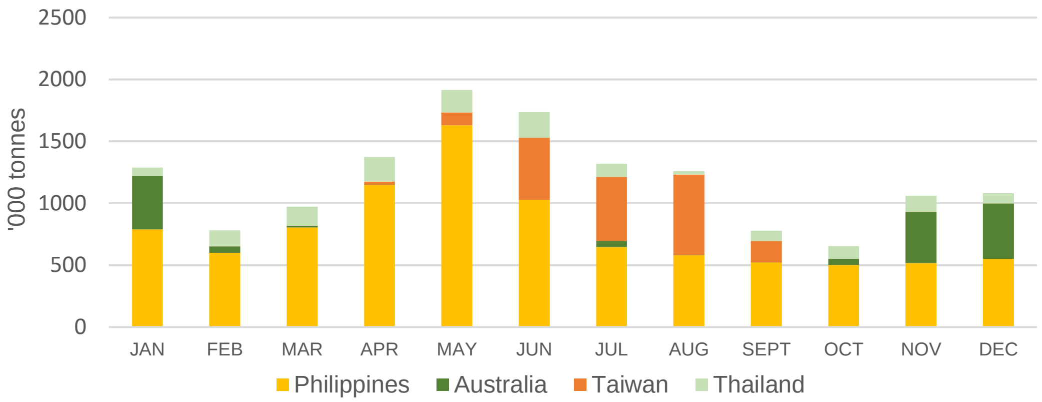


**Figure 6: Top four total mango imports, Hong Kong, (volume), 2019**

*Source: Tradedata, 2020*
*Note: HS Code 08045020, fresh and dried*

### ***Taiwan***

Mango imports from Taiwan represent the second-largest by volume, accounting for over 9% of total imports to Hong Kong. Taiwan offers an affordable variety of mangoes from June to September and gains a significant degree of market access due to a seasonal advantage. This is due to a change in seasonal supply windows, as mangoes from the Philippines and Thailand have mostly been harvested by July. Similarly, the Australian export season starts from early November, providing the opportunity for Taiwanese mango importsuntil this time. Taiwanese mangoes exported to Hong Kong have limited competition from July to September.

### ***Thailand***

Thailand is now established as the third-largest exporter of mangoes to Hong Kong, accounting for 12.8% of the market share. The country supplies the second most affordable mangoes (by value) in the market, after the Philippines, with an average price of USD2.52 per kg. Despite having a peak harvest season in April and May, Thailand exports small quantities to Hong Kong for the entire year. Thailand has a diverse portfolio of export destinations and therefore has less dependency on the Hong Kong market. However, with a competitive price, geographical proximity and quality fruit, Thailand holds a leading position in mango exports to Hong Kong.

### ***Australia***

Australia has been experiencing a decline in the Hong Kong market share since 2015 and is now positioned as the fourth-largest supplier of mangoes to Hong Kong.

The price of Australian mangoes has also declined between 2015 to 2019, falling to USD2.52 per kg from USD3.08 per kg (see Figure 7). Australian mangoes are expensive due to high domestic demand and the distance from Hong Kong.

Australia supplies premium quality fruit during the Christmas and Chinese New Year periods – two points of relatively high demand in Hong Kong when there is limited supply across Asia. Australia has been facing a downtrend, mostly due to political uncertainties in Hong Kong and the outbreak of the COVID-19 pandemic, which has restricted international trade.

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Australian mango exports to Hong Kong ('000 kg) | 3.41 | 3.54 | 3.59 | 2.56 | 1.45 |
| Share of official Australian mango exports (%) | 0.50 | 0.54 | 0.45 | 0.45 | 0.43 |
| Share of Hong Kong mango imports (%) | 15.22 | 20.09 | 17.99 | 13.90 | 9.39 |
| Average CIF price, Hong Kong | 2.36 | 3.38 | 2.26 | 2.67 | 3.37 |
| Australia (US$/kg) | 3.08 | 3.99 | 2.72 | 2.45 | 2.52 |
| Philippines (US$/kg) | 1.61 | 1.75 | 1.62 | 1.73 | 1.98 |
| Taiwan (US$/kg) | 2.33 | 2.08 | 2.21 | 1.90 | 3.27 |
| Thailand (US$/kg) | 2.43 | 5.70 | 2.48 | 4.59 | 5.69 |

**Figure 7: Australian mango exports to Hong Kong (volume, price/kg), 2015-2019**

*Source: Tradedata, 2020*

### ***Vietnam***

Total imports of Vietnamese mangoes into Hong Kong accounted for 0.25% by volume and 66.98 tonnes in 2019 (a decline by 80% since 2015); Vietnamese mangoes were more expensive than mangoes from the Philippines in 2015, which might be due to their good quality and high domestic demand; Vietnamese mangoes have been experiencing a downtrend in price since 2016, falling to USD1.56 per kg (see Figure 8).

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Vietnam mango exports to Hong Kong ('000 kg) | 0.29 | 0.11 | 0.09 | 0.04 | 0.04 |
| Share of official Vietnam mango exports (%) | 0.05 | 0.07 | 0.16 | 0.14 | |
| Share of Hong Kong mango imports (%) | 1.28 | 0.62 | 0.47 | 0.19 | 0.25 |
| Average CIF price, Hong Kong | 2.36 | 3.38 | 2.26 | 2.67 | 3.37 |
| Vietnam (US$/kg) | 1.73 | 1.62 | 1.48 | 2.47 | 1.56 |
| Philippines (US$/kg) | 1.61 | 1.75 | 1.62 | 1.73 | 1.98 |
| Taiwan (US$/kg) | 2.33 | 2.08 | 2.21 | 1.90 | 3.27 |
| Thailand (US$/kg) | 2.43 | 5.70 | 2.48 | 4.59 | 5.69 |
| Australia (US$/kg) | 3.08 | 3.99 | 2.72 | 2.45 | 2.52 |

**Figure 8: Vietnam mango exports to Hong Kong (volume and CIF price/kg), 2015-2019**

*Source: Tradedata, 2020*

# Insights & next steps

***Insights***

The key insights from this desktop study were:

- During 2018-19, the trade war between the US and China, social and political instability in Hong Kong, and the COVID-19 outbreak led to a decrease in consumer purchasing power.
- Vietnam has limited trading experience in the Hong Kong market. Barriers to Vietnam's mangoes entry into the Hong Kong market include: established linkage with importers, the strong competition from the Philippines and Thailand.
- To enable the viability of Vietnamese mango imports in the Hong Kong market, it is necessary to: establish a direct partnership with the retailers, enter via importers, and links with commercially experienced operators.
- The relatively small percentage of export of Australian mangoes is primarily due to high domestic demand in Australia and lower geographical proximity.
- Australian mangoes exported to Hong Kong fetch a lower price per kilogram (USD2.52), compared to Taiwanese (USD3.27) and Thai (USD5.69) mangoes.
- The peak season for Australian mangoes is from November to January, which is the period when supplies from the Philippines and other Asian exporters are minimal.
- Harvest season (coincides with the festive period) and a shortage of supplies from Asian exporters have been identified as the major purchase driving factors for Australian mangoes in the Hong Kong market.

***Next steps:***

A qualitative study will be conducted using an online approach (semi-structured interviews) with key stakeholders in Hong Kong (November 2020 to March 2021)

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