



## Fur Industry in Hong Kong

### Overview

- The mainland and Hong Kong agreed in October 2005 to further liberalise the mainland market for Hong Kong companies under the third phase of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA III). Under CEPA III, the mainland agreed to give all products of Hong Kong origin, including fur items, tariff-free treatment starting from 1 January 2006.
- Hong Kong, claiming the world’s largest fur exporter and fur trading centre, is the world’s major source of quality fur garments and accessories. The majority of Hong Kong’s furriers have set up production facilities on the Chinese mainland amid higher production costs in Hong Kong. Still, many major sub-sectors of the fur industry, particularly sales and distribution, remain in Hong Kong.
- Hong Kong’s fur clothing exports rose by 2% in the first five months of 2015, after a 4% slide in 2014. Re-exports, accounting for more than 99% of all fur clothing exports from Hong Kong, increased at a slightly slower pace than total exports during January-May 2015, whereas domestic exports grew by 41%.
- The Chinese mainland, for its part, is the largest market for Hong Kong's exports of furskins, accounting for 80% of the total exports in the first five months of 2015. A large proportion of Hong Kong's furskin exports are re-exports from overseas countries to the Chinese mainland for the purpose of production of fur clothing there.

### Industry Features

Number of establishments	n.a (manufacturing) – Dec 2014
Employment	130 (manufacturing) – Dec 2014

n.a. refers to not available

On the back of higher production costs and stringent environmental regulations in Hong Kong, most of Hong Kong's furriers have set up offshore production facilities on the Chinese mainland, leading to a decline in the number of manufacturing establishments in Hong Kong. While there is insignificant presence of manufacturing establishments, fur traders remain very active in Hong Kong, specialising in trade-related services such as



sales and marketing, quality control, logistic arrangements and fur designs.

### Performance of Hong Kong's Fur Exports [1]

After decreasing by 4% in 2014, Hong Kong's fur clothing exports rose by 2% in the first five months of 2015. Re-exports, accounting for almost all fur clothing exports from Hong Kong, increased by 1%, while domestic exports saw a 41% surge.

Taking up more than 54% of Hong Kong's fur clothing exports in the first five months of 2015, the EU, the US and Canada were the three leading export markets of Hong Kong's fur clothing. In terms of performance, Hong Kong's exports of fur clothing to the EU plunged by 25%, where sales to Greece, Italy, Germany and France fell by 6-61%. During January-May 2015, exports to US and Canada markets rose 40% and 44%, respectively.

A large proportion of fur produced by Hong Kong furriers in their factories on the Chinese mainland is not shipped out from Hong Kong. Some of them are shipped via the ports on the Chinese mainland. For instance, certain Hong Kong furriers deliver products from their factories on the Chinese mainland to Russia – a prime market for fur – by land transport. Transactions under such mode of transport are not fully recorded by the trade statistics.

On the other hand, Hong Kong's exports of furskins amounted to HK\$4.6 billion during January-May 2015, up 25% from last year. The Chinese mainland, for its part, is the dominant market for Hong Kong's exports of furskins, accounting for 80% in the first five months of 2015. Indeed, most of Hong Kong's furskin exports are re-exports from overseas countries to the Chinese mainland – the world's biggest fur trade, production and processing base – for the purpose of the production of fur clothing there.

### Performance of Hong Kong's Exports of Fur Clothing and Furskins [1]

Fur clothing (HK\$ billion)	2013		2014		Jan-May 2015	
	Value	Growth %	Value	Growth %	Value	Growth %
Domestic exports	0.018	-34	0.015	-16	0.002	+41
Re-exports	1.913	-19	1.845	-4	0.385	+1
Of Chinese mainland origin	1.685	-23	1.608	-5	0.271	-1
Total exports	1.930	-19	1.860	-4	0.387	+2



by markets	2013		2014		Jan-May 2015	
	Share %	Growth %	Share %	Growth %	Share %	Growth %
EU (28)	28.2	-12	24.3	-17	30.3	-25
<i>Greece</i>	2.7	+36	3.2	+15	9.5	-17
<i>Italy</i>	8.7	-8	8.5	-6	9.4	-6
<i>Germany</i>	8.5	-14	6.0	-32	5.7	-47
<i>France</i>	2.6	-10	2.1	-22	1.4	-61
US	11.0	-19	14.7	+29	14.1	+40
Canada	3.2	+14	5.9	+78	10.2	+44
Japan	10.8	-20	9.3	-18	9.5	-28
Russia	17.0	-41	20.3	+15	8.1	+242
South Korea	9.1	-25	8.8	-7	6.9	+54
Chinese mainland	5.6	+2	3.2	-44	5.2	+18

by categories	2013		2014		Jan-May 2015	
	Share %	Growth %	Share %	Growth %	Share %	Growth %
Coats and jackets	87.0	-21	82.5	-9	77.0	-1
of mink skins	64.9	-26	63.7	-5	52.9	+2
of other furskins	22.1	-1	18.8	-18	24.3	-7
Stoles and shawls	3.9	-33	4.9	+23	3.6	-22
of mink skins	1.1	-51	1.5	+30	0.8	-60
of other furskins	2.8	-22	3.5	+21	2.8	+6
Parts	2.1	-45	4.2	+91	7.7	+18
Others	7.0	+69	8.3	+14	11.4	+25

Furskins (HK\$ billion)	2013		2014		Jan-May 2015	
	Value	Growth %	Value	Growth %	Value	Growth %
Domestic exports	0.263	+63	0.337	+28	0.043	-38
Re-exports	13.812	+35	9.833	-29	4.507	+26
of Chinese mainland origin	1.616	+27	1.811	+12	0.494	-2
Total exports	14.075	+35	10.170	-28	4.550	+25

## Sales Channels

An overwhelming majority of fur clothing produced in Hong Kong and/or their plants on the Chinese mainland is catering to the demand in overseas markets. Most Hong Kong furriers are OEM manufacturers, which produce high-quality apparel for renowned brand names. However, a growing number of furriers have developed their own designs and



brand names, such as Rosette Pellicce, Compela, Isubille and Messina. Today, Hong Kong furriers are offering a myriad of fur designs which are modish and wearable, and thus in recent years, the industry has made fast inroads into such emerging markets as South Korea, the Chinese mainland and Central and Eastern Europe. For example, Asia Fur Company Ltd. has developed its own brands, Altioli and Giuliana Amioli, which target the international markets, including the US, Europe, Russia, Japan and South Korea, while Ace Fur Manufacturing Limited has been exporting its fur products to over 30 countries under its brand "Symétrie".

Traditionally, North America, Western Europe, the Nordic countries and Russia are the major markets for fur garments. In recent years, thanks to the growing incomes of consumers in Asia, sales of furs have fast expanded to other markets like the Chinese mainland and South Korea. According to the International Fur Trade Federation (IFTF), the Chinese mainland is currently the world's largest fur importer, while the largest exporter is Europe. Meanwhile, there has also been a steady growth in demand in developing markets such as Ukraine, Turkey and Kazakhstan.

Trade fairs and exhibitions remain common places for buyers and suppliers of clothing to congregate, with Copenhagen, Beijing, Hong Kong, Istanbul, Kastoria (Greece), Madrid, Milan, Montreal and Moscow being the major destinations for furriers or fashion boutiques to stay tuned to fur fashions and dyeing techniques. As for Hong Kong, the Hong Kong International Fur & Fashion Fair (HKIFFF), organised by the Hong Kong Fur Federation, is the largest and most prestigious trade event in Asia, attracting about 280 exhibitors from 14 countries in 2015. Overall, the HKIFFF received a total of US\$160 million in orders, a 7% increase from 2014. Russia, accounting for nearly 50% of the total, was the biggest buyer in 2015, followed by the Chinese mainland, the US, South Korea and Japan.

### Industry Trends

According to a recent report commissioned by the International Fur Federation (IFF), global fur retail sales are estimated at US\$36 billion, thanks largely to the increasing demand in South America and Asian markets, including the Chinese mainland, Japan and South Korea. Meanwhile, challenges such as the recent economic slowdown in China and fluctuating prices of fur at auction remain headaches to fur farmers and traders.

Reflecting a general preference among designers such as Marc Jacobs, Mulberry and Gucci in the luxury goods sector, fur continues to be a major design story in fashion shows all over the world. The Asian markets, particularly in Hong Kong and South Korea, are showing gains, while the turnover in traditional markets increased amid falling auction prices of furskins. Besides, the positive results of recent trade shows, such as International Fur & Leather Exhibition (MIFUR) in Milan and HKIFFF in Hong Kong, have engendered expectations of increasing orders in coming years.

Farmed furs are the mainstay of the fur trade, accounting for some 85% of the industry turnover according to IFTF. The most common farmed fur-bearing animals are minks and foxes. Most fur farming takes place in Denmark, followed by China, Netherlands, the Baltic States and the US.. The majority of raw skins produced by fur farmers and trappers are sold through modern international auction houses, often located close to producing areas. The world's largest fur auction houses are in Copenhagen, Helsinki, St. Petersburg, Seattle and Toronto.



Fur can be worked in a range of different ways to make it lighter, suiting the demand for modern fashion and lifestyles. Some of the techniques used by furriers and manufacturers to lighten the garment are shearing, plucking, knitting, leathering and weaving. The most important centres for fur manufacturing include Canada, the Chinese mainland, Greece, Hong Kong and Russia, followed by France, Germany, Italy, Korea, Japan, Spain, Turkey, Ukraine and the US.

As for the ethical row over the fur trade, the fur industry has long been criticised by many environmental groups, such as People for the Ethical Treatment of Animals (PETA), Fur-Bearer Defenders and Respect for Animals. Nowadays, quite a few designers prefer to use fake fur (also referred as faux fur) to highlight their green endeavours. While more and more fashion labels, like Abercrombie & Fitch, Paul Frank and Levi's, have adopted fur-free policies, scientific research into the welfare of farmed fur-bearing animals has been ongoing, particularly in the Netherlands, Russia and the Nordic countries. An example of the fur trade's commitment to responsible practices is the Agreement on International Humane Trapping Standards (AIHTS).

### **CEPA Provisions**

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Detailed information, including the origin rules for fur clothing and fur skins, is available from the following hyperlink:

[http://www.tid.gov.hk/english/cepa/tradegoods/files/mainland\\_2015.pdf](http://www.tid.gov.hk/english/cepa/tradegoods/files/mainland_2015.pdf).

### **General Trade Measures Affecting Exports of Fur Clothing**

Fur farming is strictly regulated in many countries. In the EU, Council Directive 98/58 sets down rules covering the welfare of all farmed animals, including fur farmed animals, while Regulation (EC) No. 1099/2009 deals with the slaughter and killing of farmed animals including fur animals. In the US and Canada, fur farming operators have to follow strict Codes of Practice and conform to the state/provincial or national regulations in respect of animal welfare.

To ensure that consumers can be fully informed of which type of fur they are buying at the point of purchase, IFTF European member associations has introduced a fur-labelling scheme (BFTA Fur Labelling Scheme). Under the scheme, a separate label is prominently secured to the manufacturer or retailer's label, and will identify clearly the species of fur in English/local language with its scientific Latin name.

Starting from 8 May 2012, the regulation on textile labelling, which aims to ensure that consumers can distinguish between real and fake fur and leather products, has become effective in the EU. The regulation requires the presence of non-textile parts of animal origin in textile and clothing products to be indicated by using the phrase "contains non-textile parts of animal origin" on the label or mark of products containing such parts.

In US, The Truth in Fur Labelling Act of 2010 was signed into law on 18 December 2010, amending the US Fur Products Labelling Act (FPLA) to require labelling of all fur



garments, regardless of value.

Moreover, furriers are obliged to observe international restrictions on the preservation of endangered species. The Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)) restricts or prohibits the trade of certain species as listed in the Appendices, including but not confined to those threatened with extinction.

### Product Trends

Along with the slow economic recovery, simple and elegant designs are gaining popularity. For instance, 'Black and White' looks with simple cutting were frequently demonstrated in the Paris Fashion Week 2015. Designers also focus more on the details of their designs or collections, rather than making use of large pieces of furs to attract the eyeballs of customers. Vintage designs such as retro-inspired silhouettes are also prevalent this year.

Taking into account the impact of the gradually rising temperature brought by global warming, short fur coats with subtle trimming have become a leading trend. For example, fur boleros, furry vests and short/three quarter/long sleeve cropped jacket are the chic styles prevailing in the market. They are now widely sold at retailers such as Forever 21 and fashion websites such as Polyvore. In relation to this, the business of fur restyling and alteration has also seen decent growth in recent years, especially over the course of the recent economic slow growth when consumers tightened their budget, preferring alteration to new purchase.

The popularity of fur accessories increases in line with the availability of new techniques in fur manufacturing. For instance, new techniques allow designers to customise furs into different shapes such as diamond, window and octopus. Nowadays, fur has the lightness and versatility that make it even more attractive to consumers. The softness and durability of fur are improved by new and advanced processing and dyeing techniques, making fur another flexible garment fabric. Therefore, fur can be cut into silhouettes and dyed in fashionable colours for designers and manufacturers to work on.

Also noteworthy is the ever-growing consumer consciousness of environmental conservation and animals' welfare and rights. An increasing number of people want to make sure their purchase comes from a source where ethical standards are in place. Catering to this trend, the fur trade is phasing in a voluntary labelling programme, the Origin Assured Label or OA™, which informs customers the origins of the products and local regulations or standards governing fur production.

Given the further enhancement of the regulations on environmental conservation and animal protection, fur which is biodegradable and less pollutive in the production process is increasingly considered a sustainable material. In the meantime, recycling fur has started to grab the attention of producers and consumers. HARRICANA PAR MARIOUCHE, a Canadian fur brand, for instance, has been saving more than 800,000 animals over the past 15 years by recycling old furs.



[1] Since offshore trade has not been captured by ordinary trade figures, these numbers do not necessarily reflect the export business managed by Hong Kong companies.

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