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Hong Kong

Market Development Reports

Hong Kong Seafood Market Brief

1999

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Report Highlights:

Fish is an integral part of the Chinese diet and Hong Kong fish supply is dominated by approximately 80% imported products. The market for fresh fish fillets/meat is driven by the food service sector, with Japan dominating supply. The live fish market should experience long-term growth. Supply is primarily from Thailand and China. Demand for crustaceans such as shrimps, cray fish and lobster shows steady growth, with China being the top supplier. The U.S. currently has less than 3% of this market.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Hong Kong [HK1], HK

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SEAFOOD MARKET BRIEF INTRODUCTION

Methodology

The goal of this report is to provide a brief on the seafood market in Hong Kong as well as future developments.

Seafood is separated into multiple product categories. This report therefore separate the products into segments:

(1) Fish and fish products
(2) Other seafood products

Main Findings

The Hong Kong seafood market is massive with a value of US$1.7 billion in 1997. Fish represent 60% of the and other seafood 40% of the market.

Fish & Fish Products: Dominated by fish meat and live fish. Below are key categories and the respe sector shares in value.

The Hong Kong market is highly sophisticated and characterized by a diverse range of products. Fish is core to the Chinese diet and supply is dominated by imports (~80%). There has also been a trend of live fish displacing other forms as the affluent Hong Kong consumer prefer fresh products.

- Fish Fillets/Meat: (35%) Continued growth.
  Driven by the food service sector, demand has tripled since 1992, with Japan dominating supply Canada and New Zealand are second tier competitors. Demand is expected to remain flat in 1998 and 1999. Re-exports are insignificant.

- Live Fish (31%) Current rapid decline (economic downturn), but longer term growth
  With 12%-15% AAGR since 1992, it has displaced chilled/frozen whole fish. The supply is pri from Thailand and China. Garoupa is most popular. Demand is expected to decline in 1998 and due to the economic downturn adversely affecting food service trade need for over-priced live f Overall minor re-exports to China.

- Dried Seafood: (18%) Steady demand
  Supply is highly fragmented though China holds approximated 25% of the market. Dried seafood is a critical component of Chinese cooking, therefore demand is expected to remain flat but stable.

Note that the local fish farming industry is dying and with recent "Red Tides", the industry has been devastated

Hong Kong government is doing little to revive the local industry.

SEAFOOD MARKET BRIEF INTRODUCTION

Other Seafood Products:

A US$700 million market dominated by imports (95%). The key categories and respective shares in v are indicated.

C Crustaceans: (56%) Steady growth
Popular varieties are shrimp and prawn, crayfish and to a lessor extent lobsters. Demand has been relatively stable since 1992, but in 1998 demand is falling rapidly due to the economic crash. As with fish, live products experienced high growth over the past 5 years whereas frozen products are declining drastically. China is a leading supplier for both live and frozen products. Asian neighbours dominate frozen supply, but for fresh products Australia and Canada are strong competitors.

C Molluscs (Excluding oysters): (36%) Declining and fluctuating demand. Dominated by frozen s (5%) and fresh at 25%. Fresh imports are displacing frozen at a steady rate. China leads supply both fresh and frozen. The USA and Japan are competitors in frozen supply, whereas Canada has significant share in fresh supply.

C Cuttlefish, Octopus and Squid: (6%) Declining demand
A foreign driven market due to the challenges of chilled preservation. Demand has been steadily since 1992, and re-export demand is a major portion. Asian supply from China, South and South Asia dominates.

SEAFOOD MARKET BRIEF INTRODUCTION

Market Access Statement

LABELING REQUIREMENTS

The Food and Drugs (Composition and Labeling) Regulations require food manufacturers and packers to labe products in a prescribed, uniform and legible manner. The following information is required to be marked on of all prepackaged food except for 'exempted items' as provided in the Regulations. Prepackaged food means food packaged in such a way that the contents cannot be altered without opening or changing packaging and the ready for presentation to the ultimate consumer or a catering establishment as a single food item.

1 Name of the Food

a) Prepackaged food shall be legibly marked or labeled with its name or designation.
b) The food name should not be false, misleading or deceptive but should serve to make the nature and type of food known to the purchasers.

2 List of Ingredients

a) Preceded by an appropriate heading consisting of the words " ingredients", "composition "contents" or words of similar meaning, the ingredients should be listed in descending order of weight or volume determined when the food was packaged.
b) If an additive constitutes one of the ingredients of a food, it should be listed by its specific name or by the appropriate category (e.g. Preservative, artificial sweetener, etc.) Or by both name and category.

3) Indication of "best before" or "use by" date

Prepackaged food shall be legibly marked or labeled with the appropriate durability indication as follows:

a) a "best before" (in Chinese characters as well) date; and
b) in the case of a prepackaged food which, from the microbiological point of view, is highly perishable and is likely, after a short period, to constitute an immediate danger to human health, a " use by" (in Chinese characters as well) date.

The words "use by" and "best before" in English lettering and Chinese characters followed by the date which specific properties of the food can be retained, to indicate the shelf life of the food. The "use b "best before" date should be shown either in Arabic numerals in the order of day, month and year (or month and year in certain circumstances) or in both the English and Chinese languages.

For specific details refer to the Regulation. Website:http://www.info.gov.hk/justice

4) Statement of Special Conditions for Storage or Instruction for Use

If special conditions are required for storage to retain the quality, or special instructions are nee prepackaged food use, a statement should be legibly marked on the label.

5) Name and Address of Manufacturer or Packer

Prepackaged food shall be legibly marked or labeled with the full name and address of the manu or packer, except under the following situations:

a) The package is marked with an indication of the country of origin, and the name and addr the distributor or brand owner in Hong Kong, and the address of the manufacturer or pacl the food in its country of origin has been submitted in writing to the Director of Health.

b) The package is marked or labeled with an indication of its country of origin and with a co identifying the manufacturer or packer in that country, and particulars of the code and of the manufacturer have been submitted in writing to the Director of Health.

6) Count, Weight or Volume

The food label should include the numerical count or net weight or net volume of the food.

7) Appropriate Language

The marking or labeling of prepackaged food can be in either the English or the Chinese language or in both languages. If both the English and Chinese languages are used in the labeling or marking of prepackaged food, the name of the food and the list of ingredients shall appear in both languages.

Exempt from labeling regulations: Individually wrapped confectionery products and preserved fruits intenc as a single item; Prepackaged foods for sale to catering establishment for immediate consumption and those c more than 1.2 percent alcohol by volume.

Under the amended Food and Drugs (Composition and Labeling) Regulations, it is illegal to sell any food afte by" date. Furthermore, any person who, other than the food manufacturer or packer or without their written authorization, removes or obliterates any information on the label required under these regulatio commits an illegal act.

SEAFOOD MARKET BRIEF INTRODUCTION

IMPORT DUTIES

Hong Kong is a free port which does not impose any import tariffs on products with the exception of four duti products: liquor, tobacco products, hydrocarbon oils and methyl alcohol. Local importers have to apply for a licence from the Hong Kong Customs and Excise Department for the importation of dutiable com In addition, a licenced importer has to apply for a permit for each and every consignment. The current duties a follows:

Cigarettes per 1000 sticks	US$98.45
Cigars per kg	US$126.74

Beer & liquor with less than 30% alcohol : 30%
Liquor with more than 30% alcohol : 100%
All wines: 60%

SEAFOOD MARKET BRIEF LIVE FISH IMPORTS

Live fish imports into Hong Kong grew significantly and consistently from 1992 to 1997, with an annual average growth rate of 12 to 15%.

C Hong Kong’s food service sector sustained significant growth from 1992 to 1997, which is the major driving force for the growth of live fish imports (note that most fish dishes served in restaurants are live before cooking).

C Also through restaurant promotions, consumers have grown to prefer the taste of live seafood over those which are frozen.

Be cautioned that not all live fish imports are for consumption as food. Some live fishes are meant to be for pets.

C It is estimated that 2-3% of total live fish imports are meant for pet sales.

C Therefore over 97% of imports are for consumption.

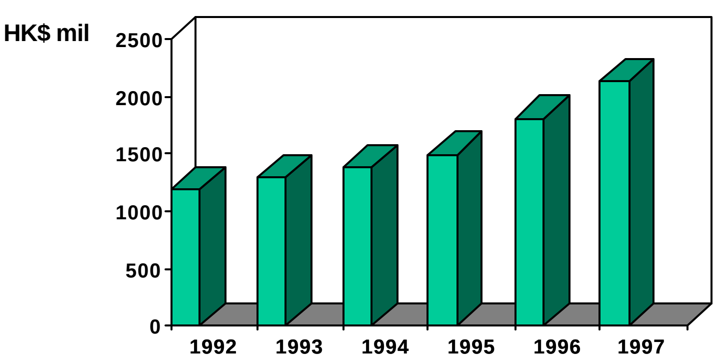
China and Thailand are the two largest exporters of live fish to Hong Kong. Together they accounted nearly half of total imports.

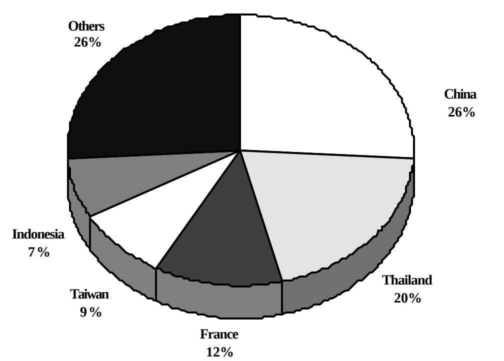
C Other major suppliers include France, Taiwan and Indonesia.

C South East Asian imports are expected to increase in 1998 and 1999 due to lower pricing resulting from the regional financial crisis.

Re-exports of live fish have averaged about 10% of import levels. Therefore 90% of total imports ar for local consumption.

Hong Kong Live Fish Imports 1992-1997





Hong Kong Live Fish Imports by Country 1997

Source: Hong Kong Census and Statistics Department (HKCSD)

SEAFOOD MARKET BRIEF WHOLE FISH IMPORTS

Fresh or chilled fish imports remained relatively stable from 1992 to 1997 compared to frozen fish imports, which declined over 70% in volume in the same period.

- The decline is because most Hong Kong consumers have switched from consuming frozen seafood to fresh or live products.

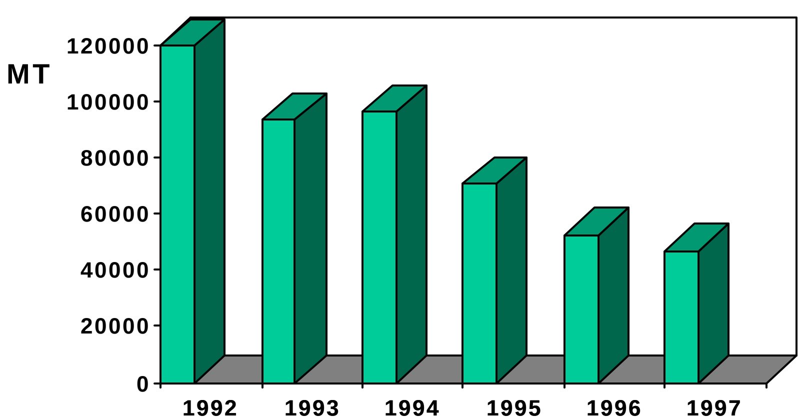
- Frozen fish imports in 1998 are expected to increase for two reasons. First, a weak Hong Kong economy in 1998 will result in consumers switching from live fish to less expensive frozen fish. Second, local production of frozen fish will seriously decline in 1998 due to the red tide affecting Hong Kong's fish farms.

Despite the weak economy in 1998, chilled fish imports are expected to remain stable from 1997 as overall wet market and supermarket sales are expected to stay firm.

Re-exports of fresh whole fish are insignificant, but there have been considerable amounts of frozen whole fish being re-exported from Hong Kong, which serves as the transhipment point for European and South East Asian exports.

- China is the major destination, for re-exports followed by Japan.

Hong Kong Whole Fish Imports 1992-1997



Source: HKCSD

Of all whole fish imports, mackerel, salmon and cod are the most popular.

C They constitute about 25% of total whole fish imports, both fresh and frozen.

C Other fish of significant quantity is garoupa, which is in great demand in Cantonese cooking.

China is the largest exporter of fresh fish to Hong Kong, whereas India is the largest for frozen fish.

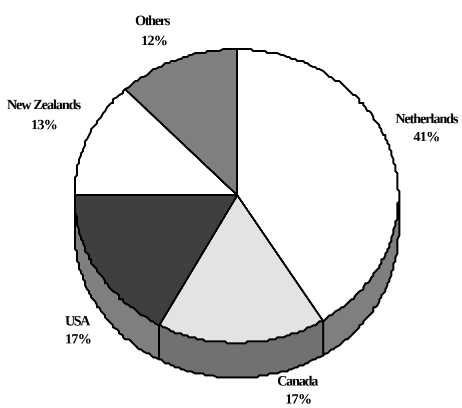
C Other significant sources are Taiwan (for fresh fish), and South Africa and New Zealand (for frozen fish).

Norway has been the key exporter of both salmon and mackerel (75% and 40% shares respectively).

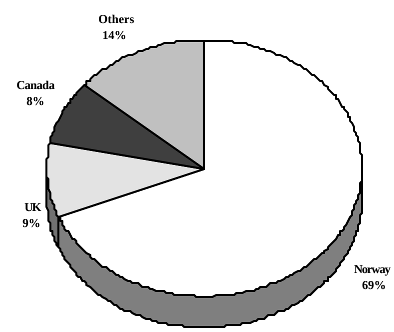
C Norway is therefore a significant overall exporter of whole fish to Hong Kong.

The USA is the major supplier of herring and sardines to Hong Kong. However the overall quantity is small.

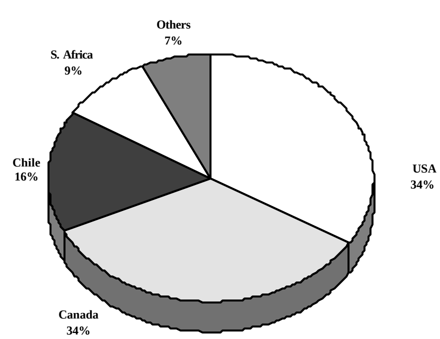
C Overall The USA has less than 3% import share in the whole fish segment.



Mackerel Imports 1997
4,738 MT



Salmon Imports 1997
5,778 MT



Cod Imports 1997
1,084 MT

Source: HKCSD

Fish fillets and meat (fresh and frozen) imports have more than tripled from 1992 to 1997. Growth has been consistent.

- C Fish fillets and meat are sold mostly through supermarkets, and served primarily in restaurants, diners, and fast food outlets.

- C The food service sector demand has grown significantly over the past 5 years, driving local demand for fish fillets and meat.

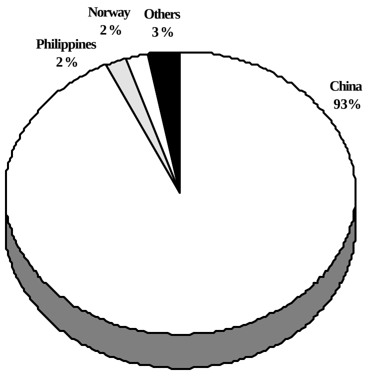
Fish fillets and meat imports are expected to grow further in 1998, and thereafter are expected to stabilize in 1999 and 2000.

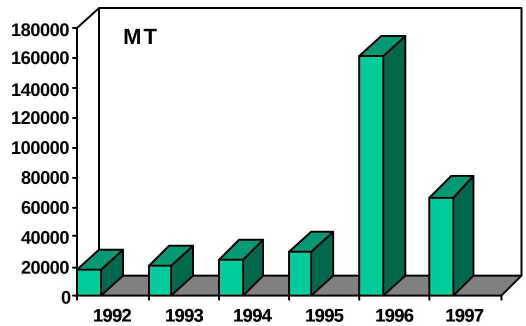
- C In 1998, local production of fillets and meat will be seriously affected by the red-tide. Therefore, increased imports are expected to satisfy local demand.

- C The weak economy in 1998 has not yet had a serious effect on the fish meat market segment. On the contrary, it is expected to improve the demand for fish fillets and meat through increased sales in supermarkets and fast food restaurants/diners.

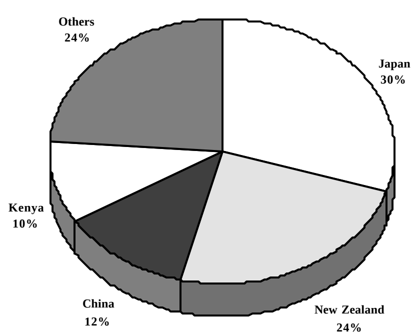
Japan is the largest exporter of frozen fish fillets and especially fish meat into Hong Kong, while China supplies most of the fresh fillets and meat.

Re-exports of fish fillets and meat is about 3% of total imports. Therefore 97% of imports are local consumed.

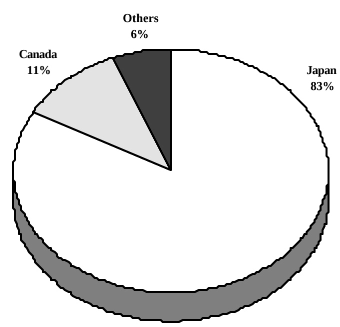




Fresh Fillet and Meat Imports 1997
3,603 MT



Fish Fillet Imports 1997
17,521 MT



Frozen Fish Meat Imports 1997
45,594 MT

Source: HKCSD

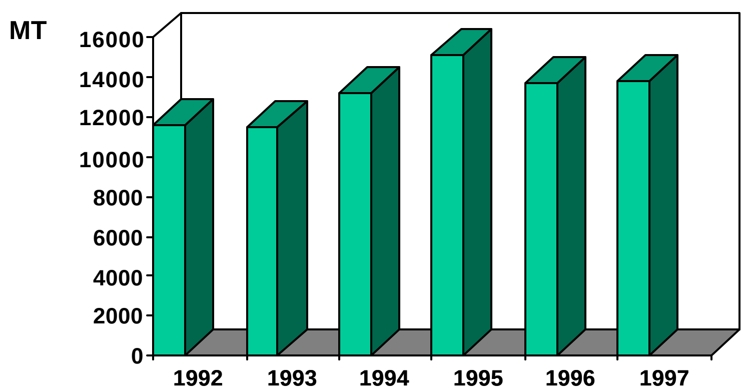
Dried fish, as defined in the trade statistics, should actually be classified as "dried seafood", as the Hong Kong statistics regard all other dried seafood as dried fish.
C Other dried seafood include dried shrimp, scallops, abalone, clam, sea cucumber, shell fish, shark's fin, etc.

Hong Kong imports a large amount of dried seafood from 90 different locations over the world.
C Import volumes maintained at between 13,000 MT and 15,000 MT over the past 4 years, which is high on a per capita basis.

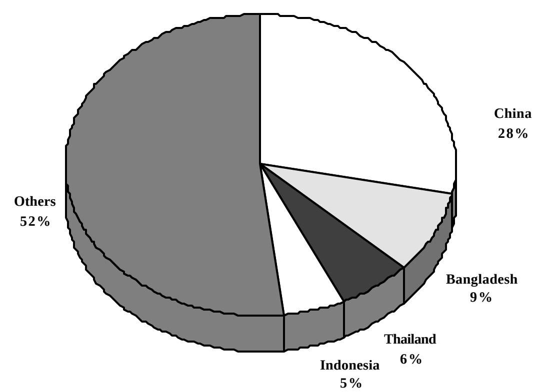
The largest dried seafood exporter to Hong Kong is China (28% of total imports).
C Others of significant volume include Bangladesh, Thailand and Indonesia.

About half of total dried seafood imports are re-exported, mostly to China.

Dried seafood is popular as an additive in Chinese cooking. The near term expectation is that import volumes will remain consistent.



Dried Fish Imports 1992-1997



Hong Kong Dried Fish Imports by Country 1997

Source: HKCSD

Hong Kong is a major importer of salted fish.

C Salted fish is commonly used in Chinese cooking, and remains a popular additive.

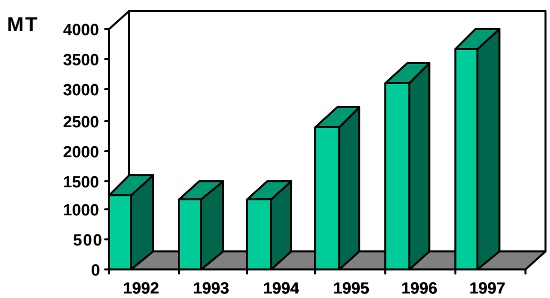
Import volumes quadrupled from 1993 to 1997 because of large increases in re-exports of raw and processed salted fish to China.

C Over 80% of salted fish imports are re-exported, mostly to China.

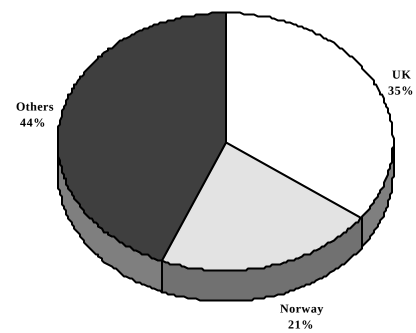
C Local demand has also increased as the Chinese population in Hong Kong has continued to increase over the past 4 years.

Smoked fish is not imported in large quantities into Hong Kong.

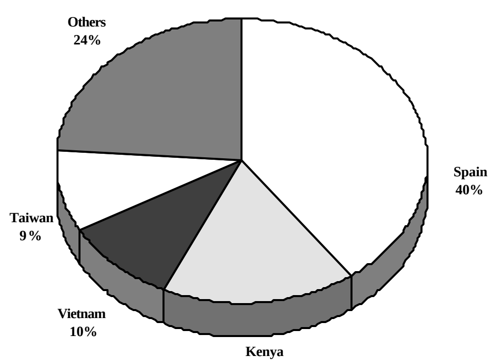
C The majority of smoked fish is salmon. UK, Norway and Denmark are major suppliers.



Salted and Smoked Fish Imports 1992-1997



Smoked Fish Imports 1997
256 MT

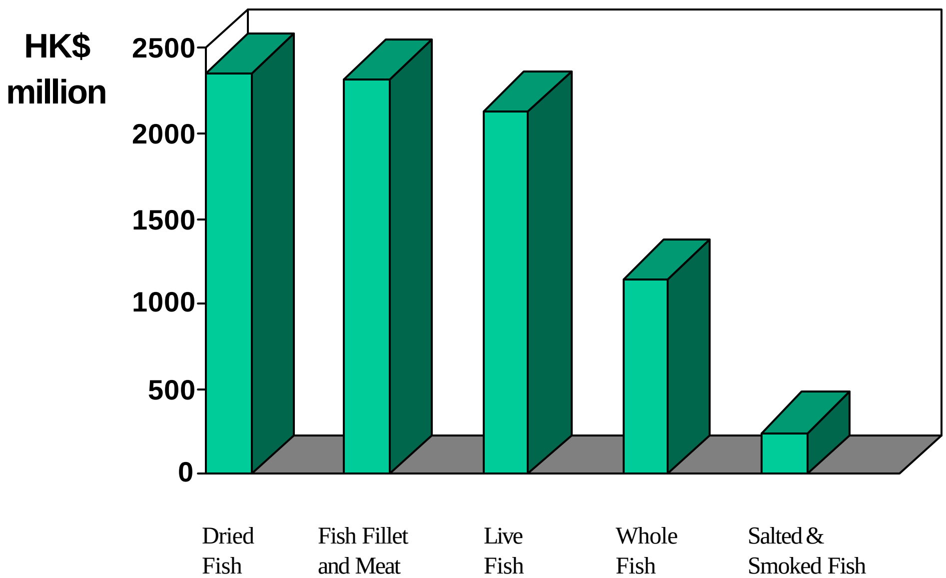


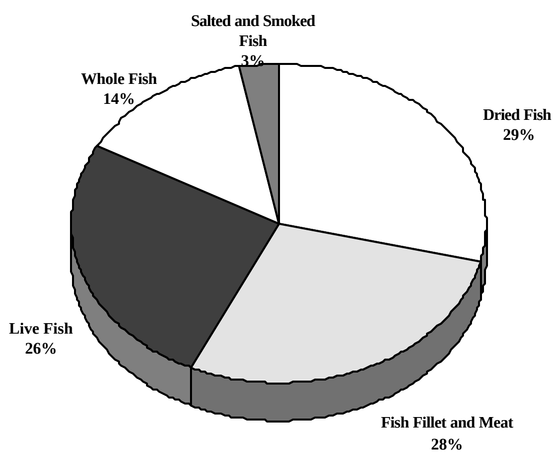
Salted Fish Imports 1997
3,440 MT

Source: HKCSD

In terms of import value, dried fish is the highest, followed by fish fillets and meat, live fish and whole fish.

C The value of salted and smoked fish imports are insignificant compared to the others.





Total Fish Imports 1997
HK$8.2 billion

Source: HKCSD

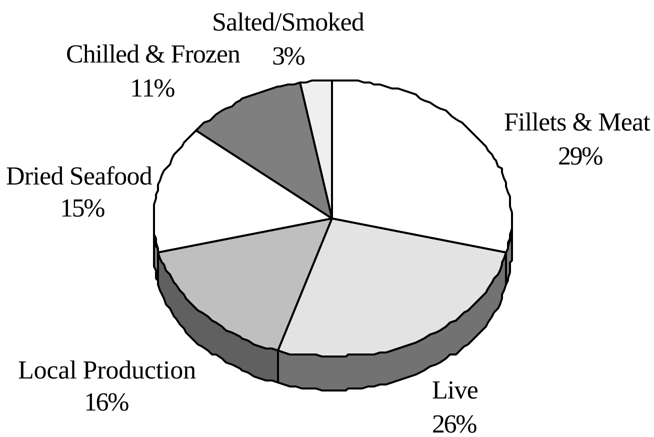
Overall fish consumption (including dried seafood) in Hong Kong is about HK$7.7 billion, or about US$1 billion.

Fish consumption is expected to marginally increase in 1998 and 1999, driven primarily by chilled and frozen whole fish.

C The poor economy in 1998 is expected to affect consumer behavior from consuming live fish to consuming chilled and frozen fish.

C Other fish product segments are expected to remain flat or decline.

Fish Segment		Value (1997) (HK$ million)	Market Share (%)
IMPORTS	Live	1945	26
	Fillets & Meat	2224	29
	Dried Seafood	1152	15
	Chilled & Frozen	880	11
	Salted/Smoked	251	3
Local Production		1245	16
Total		7697	100%



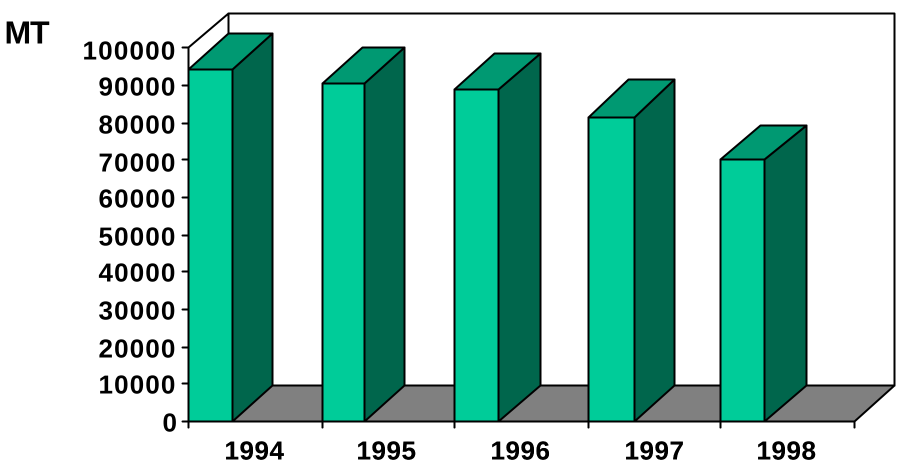
Source: *Eastern Strategic Consulting Ltd.*

Local fish production declined by 12% from 1994 to 1997.

- As Hong Kong became increasingly urbanized, and the coast increasingly polluted, fish farming become difficult in recent years.

Marine fish production declined at a more rapid rate.

- Production in 1997 declined by over 9% from 1996 levels.
- In 1998 it is expected that a serious decline in production from the 1997 level will occur, mainly because of a red tide affecting most fish farmers in the second quarter of 1998.
- 1998 production is expected to decline by as much as 20%.

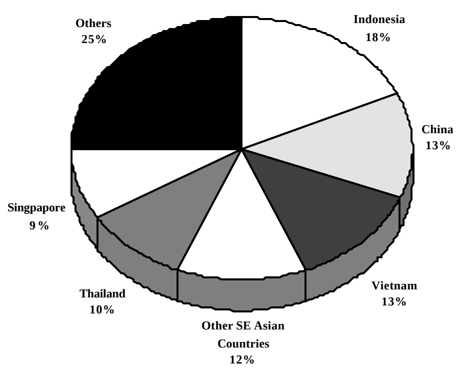


Local Fish Production 1994-1998

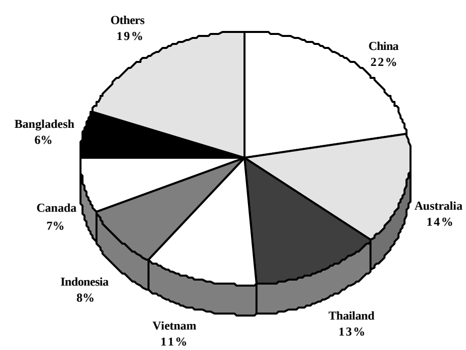
Source: AFD

Product Category	Historical Development (1992-1997)	Near Term Outlook (1998-2000)	Rationale
Live Fish	Consistently increased	Decrease	C Despite its popularity, live fish demand is expected to decline for the first time in five years as a poor economy seriously affects the food service sector. C Retail distribution is also affected as live fish is significantly more expensive than chilled or frozen fish.
Fresh & Chilled Fish	Slightly decreased	Increase	C In a poor economy chilled fish displaces live fish. C Supermarket sales increases will drive up demand for chilled fish.
Frozen Fish	Severely decreased	Significantly increase	C As in chilled fish, but to a greater effect.
Fish Fillets and Meat	Increased	Flat	C Fast Food and Western food demand expected to remain consistent. C Improve supermarket sales as a secondary driving force. C Demand has quadrupled in the past five years. The market segment is now mature and is expected to remain stagnant.
Salted Fish	Increased	Increase	C Increased home cooking will drive up demand. C Increasing Mainland Chinese immigrants are driving growth.
SmokedFish	Slightly decreased	Slightly decrease	C A decreasing trend is expected to continue as smoked fish (salmon) is regarded as a luxury item.
Dried Fish (Seafood)	Flat	Flat	C Essential or preferred in Chinese cooking.

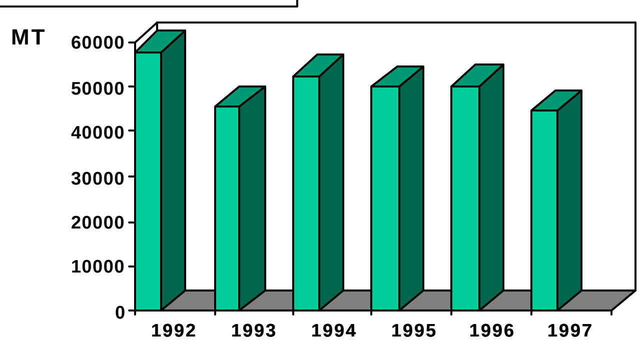
- Imports of crustaceans, comprising shrimp and prawns, crayfish, lobsters, etc, have remained consistent overall from 1994 to 1996. But a decline of over 10% occurred in 1997.
  - The decline was caused by a sharp drop in frozen crustacean imports of 22%.
- Imports of frozen products declined over 40% from 1992 to 1997, whereas fresh products experienced consistent growth of 7% average annual growth rate during the same period.
  - Hong Kong consumers have switched from consuming frozen products to fresh products over the past 5 years.
- China, Australia, and SE Asia are the primary sources of crustacean supply to Hong Kong.
  - The USA and Europe are relatively insignificant in terms of supply volumes.
- About 80% of total imports are consumed locally in Hong Kong.



Frozen Crustaceans Imports 1997
24,121 MT



Fresh Crustaceans Imports 1997
20,646 MT



Crustaceans Imports 1992-1997

Source: HKCSD

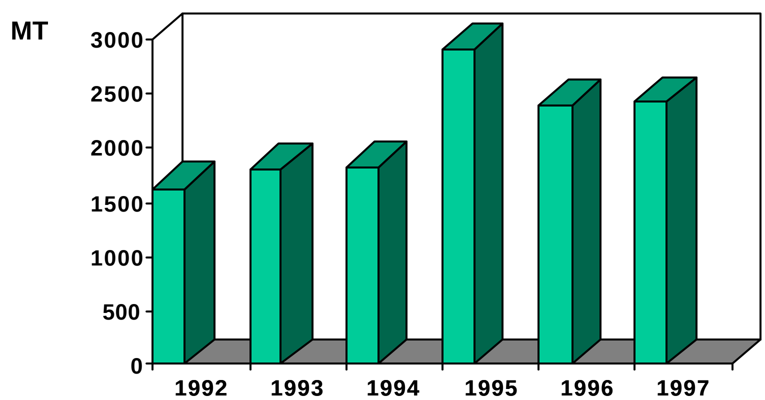
Oyster imports increased significantly from 1992 to 1997. However, there has not been a specific trend as statistics show a "zig-zag" pattern in terms of total historical imports.

- C The inconsistency is the result of variations on re-export activity over the past five years. As oysters are re-exported to a large variety of destinations including Japan and the USA besides China, overall re-export activities tend to fluctuate.

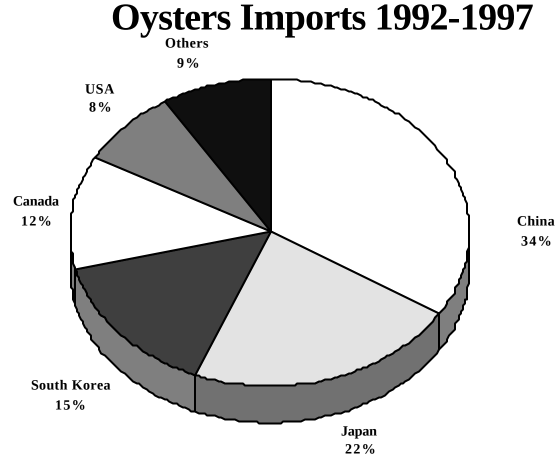
- C Oyster supplies are seasonal in many countries which has also caused overall trade to fluctuate

The five major oyster exporters to Hong Kong are China, Japan, South Korea, Canada, and the USA.

Over 90% of total imports are for local consumption.



Oysters Imports 1992-1997



Oyster Imports 1997
2,426 MT

Source: HKCSD

SEAFOOD MARKET BRIEF
CUTTLEFISH, OCTOPUS, AND SQUID IMPORTS

Nearly all the cuttlefish, octopus, and squid imports are frozen products (over 99%).

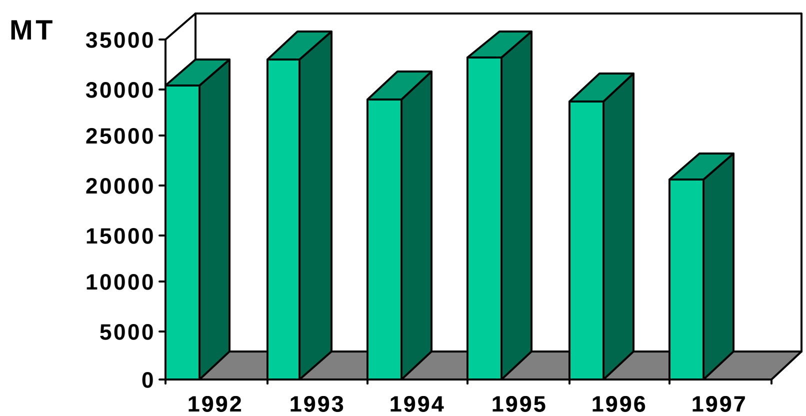
C As fresh products are difficult to preserve, frozen products are preferred.

China, India, Australia, and South East Asian countries are the primary sources of supply (over 90% of total imports.)

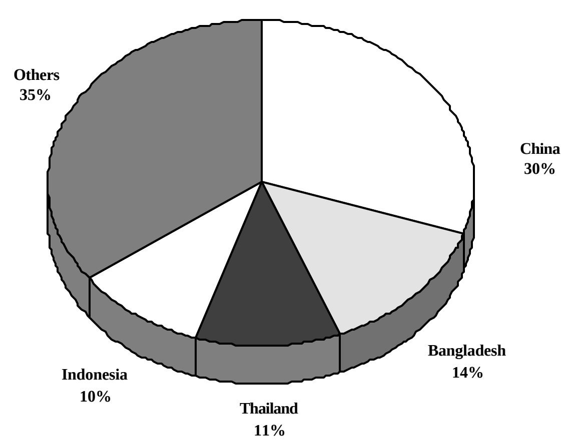
C The USA had a supply share of 4% in 1997.

Re-exports have been significant, at about 40% of import levels.

C Therefore 60% of imports are for domestic consumption.



Cuttlefish, Octopus, and Squid Imports 1992-1997



<u>Imports of Frozen Cuttlefish, Octopus and Squid</u>
20,340 MT

Source: HKCSD

Imports of molluscs, or shellfish (excluding oysters), are mostly frozen.

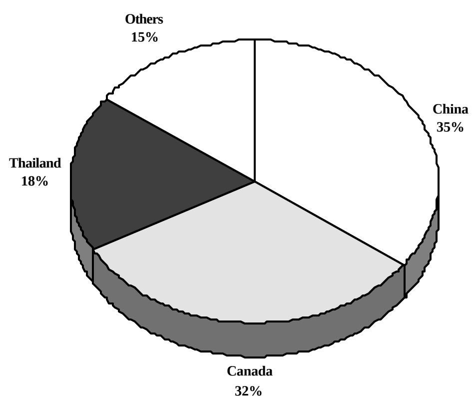
- C However, there is a fairly significant amount of fresh supply (about 25%).

Imports of frozen molluscs have shown trends of decline from 1994 to 1997, as consumers switched to more fresh products.

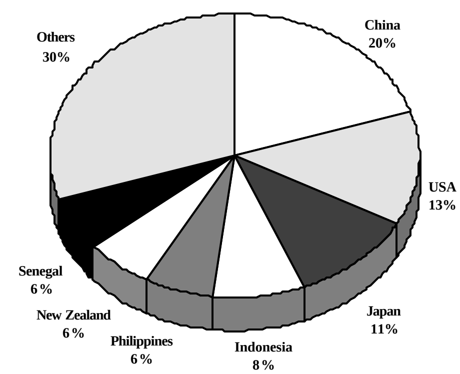
- C However, fresh mollusc imports have not been consistent due to the fluctuation of re-exports (re-exports of molluscs are to China, Japan, and many other Asian destinations).

Supply of frozen molluscs are primarily from China, Japan, and the USA, whereas supply of fresh molluscs are mainly from China and Canada.

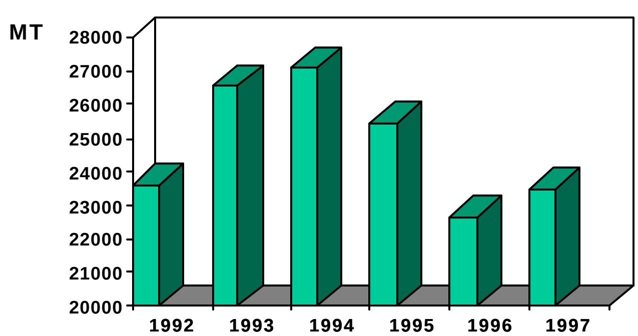
Re-exports are typically about 30% of import levels, leaving 70% of imports for domestic consumpt



Fresh Molluscs Imports 1997
5,727 MT



Frozen Molluscs Imports 1997
17,783 MT



Molluscs Imports 1992-1997

Source: HKCSD

Consumption of other seafood in Hong Kong is largely crustaceans, which include shrimp, prawns, lobsters, crayfish, etc.

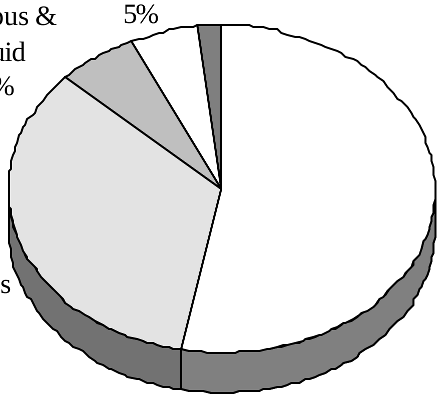
C Consumption of crustaceans in 1997 accounted for over 50% of total other seafood consumption valued at HK$5 billion (US$650 million).

Molluscs account for majority of other seafood consumption.

Local consumption of cuttlefish, octopus, and squid is significant in volume, but quite insignificant in value terms.

Local production of other seafood has been small compared to total consumption.

Seafood Type		Value (1997) (HKD million)	Market Share (%)
IMPORTS	Crustaceans	2650	53
	Molluscs	1705	34
	Cuttlefish, Octopus, and Squid	300	6
	Oysters	133	2
Local Production		232	5
Total		5020	100%



Source: Eastern Strategic Consulting Ltd.

Product Category	Historical Development (1992-1997)	Near-Term Outlook (1998-2000)	Rationale
Crustaceans (shrimp, prawns, crayfish, lobsters, etc.)	Decreased (frozen) Increased (fresh)	Flat or decrease (frozen) Slight increase (fresh)	C Consumers continue to prefer fresh products. C Less affected by economy as consumption level is lower compared to fish and fish products. C Lobster demand expected to decline because it is a luxury item.
Oysters	Increased	Flat	C Increased demand expected from Western food sector in 1998. C Gaining popularity, but this effect is marginal.
Cuttlefish, Octopus, and Squid	Decreased	Flat	C Current trend expected to maintain.
Molluscs (shells)	Flat	Flat or slightly decrease	C Scallop demand in Hong Kong is limited by supply (imports) as Australia, New Zealand, and the US have limited stocks. C Other shell fish demand expected to slightly decline as consumers have become more wary of hygiene as some shellfish are known to cause hepatitis.

Hong Kong regulations stipulate that all chilled and frozen whole fish are to be distributed through the markets stated below.

- C Chilled and frozen whole fish are regarded as essential foods for consumption. They are subjected to government wholesale regulations.
- C However, at present most imported seafood is not distributed through government specified cha
- C The government has not effectively implemented the stipulated rules on seafood.
- C Whole fish other than chilled and frozen is being distributed directly by importers and their resp wholesalers.

There are seven seafood wholesale markets in Hong Kong. The markets are all managed by the Fish Marketing Organization (FMO).

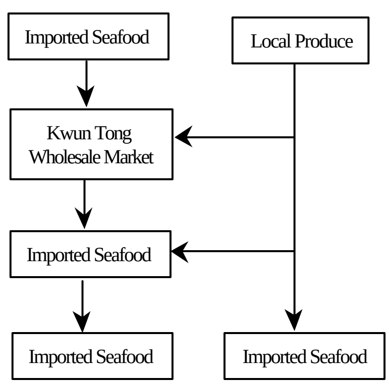
Seafood Wholesale Market	Products Handled
Kwun Tong Seafood Wholesale Market	Live, chilled, and frozen seafood of all kinds
Cheong Sha Wan Wholesale Market	Chilled and frozen fish and seafood
Sai Kung Wholesale Market	Chilled and frozen fish and seafood
Aberdeen Wholesale Market	Chilled and frozen fish and seafood
Castle Peak Wholesale Market	Chilled and frozen fish and seafood
Tai Po Wholesale Market	Chilled and frozen fish and seafood

- C The wholesale markets distribute about 10% of imported seafood and 50% of local product.
- C The Hong Kong government has not enforced the regulations strictly, therefore most seafood pı at present are not distributed through the FMO wholesale markets.

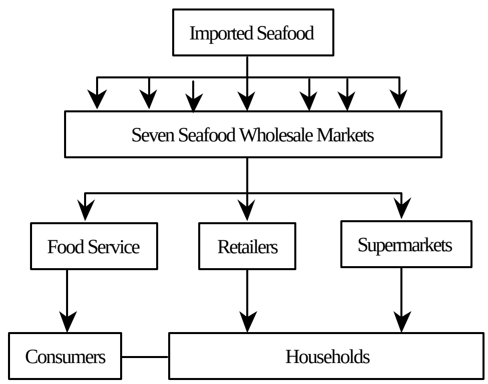
Private seafood retailers (from wet markets or independent stores) will acquire their products either f importers or from the wholesale market. The seafood will then be distributed through retailer's outle

Supermarket chains import seafood either directly or through the FMO markets, but chilled seafood h inspected by health officials before delivery to the outlets.

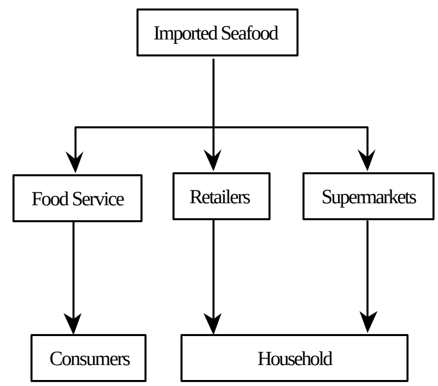
Live Seafood Distribution



Chilled Seafood Distribution



Frozen Seafood Distribution



Source: Eastern Strategic Consulting Ltd.

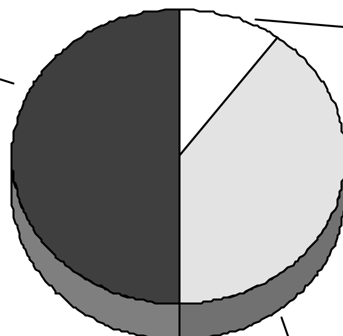
Fish and fish products are distributed mainly through the food service sector.

Each distribution channel has a different product focus.

C The food service sector in Hong Kong consumes a large amount of live seafood (served in restaurants) and frozen seafood (for diners and fast food outlets).

C The wet markets and supermarkets focus on distribution of chilled and frozen seafood.

<u>Food Service 50%</u>
- Live fish and seafood for most restaurants
- Frozen seafood for most diners and fast food outlets
- Hong Kong food service sector consumes most amount of live seafood every year. It has one of the highest consumption rate in the world on a per capita basis.



<u>Supermarket 10%</u>
- Focused on chilled and frozen seafood only
- Expect to drive sales of chilled and frozen seafood in 1998

<u>Wet Market and Private Stores 40%</u>
- Major focus in fresh & chilled seafood, with considerable amounts of live seafood

Source: Eastern Strategic Consulting Ltd.

Segment	Key Players	Market Positioning and Comments
Department Stores	C Hong Kong Seibu C Jusco C Sogo C Yaohan C (presently closed)	C Important segment in this channel C Market share remains consistent
Chain Supermarkets	C Wellcome C Park N Shop C Guangnan C Dai Cheong Hong	C Most important segment in this channel C Largely take-home purchases C Wellcome and Park N Shop are serious competitors, and have similar market share. Together they constitute about 75% of this sector C General strategy is to expand market reach by increased number of outlets
Wet Market	--	C Increasing market sales in 1998 driven by an increase in home cooking.

Segment	Players	Market Positioning	Outlook
Restaurants	C Big restaurants like Dun Wong, Palace, Hanbo, etc. C Presently Hong Kong has over 10,000 restaurants	C Declining overall business in 1997of 30 to 40% affecting sales C Many restaurants closed by the end of 1997	C Undesirable market sentiments likely to continue in 1998, expecting recovery in 1999 C Reducing role in seafood distribution
Hotels	C Presently total more than 1,500 in Hong Kong, of which over 120 are 3, 4, and 5-star hotels	C Declining overall business in 1997of 30 to 40% affecting sales	C Undesirable market sentiments in 1998
Diners	C Diners are abundant in every district in Hong Kong	C Stable and increasing business in 1997 and 1998 C As cheap alternatives to restaurants	C Favorable market sentiments in the near-term

The most effective promotion program for fish and seafood has been through restaurant advertisemen

- These advertisements have been mostly through newspapers and food magazines. Occasionally can also be seen on TV.

- The effects of these advertisements are indirect: increase seafood consumption through patronage of the food service outlets.

Direct seafood marketing and promotion is relatively uncommon.

- Supermarkets have participated in occasional promotion programs by distributing discount coup

The US Agricultural Trade Office in Hong Kong is available in offering help to American companies and their local distributors to more effectively promote the products by facilitating and organizing seminars, conferences, and introducing alliances.

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E-Mail: ATOHongKong@fas.usda.gov
Internet Homepage: http://www.usconsulate.org.hk

For chilled and frozen seafood, a health certificate is required to certify that:

C The products are packed under proper hygiene condition as approved by the origin country, and inspection were conducted by a method approved by that country.

C Chilled and frozen seafood are supposed to be distributed through the FMO's wholesale markets. However, this regulation has been relaxed, and wholesalers who have not conformed to the above regulation are not penalized.

The local health department will conduct sampling and analysis upon arrival of food and beverage ship Therefore appropriate correspondence between the importer and the health ministry is necessary.

Packaging requirements must comply with the HK Food and Drug Regulations, which includes proper labelling of item, ingredients, shelf-life, storage and care instructions, and other product specifications including volume and weight, and manufacturer's/packer's name and address.

Details of import regulations can be obtained from the Hong Kong government, Department of Health at Wu Chung House, 18th Floor, 213 Queen's Road East, Wanchai, Hong Kong.

C Also, the Heath Department provides hotline telephone service for import regulation at (852) 2961-8812 and direct facsimile at (852) 2893-3547.

The Hong Kong seafood market is massive with a value of US$1.7 billion in 1997 with fish representing 60% seafood 40%.

Fish & Fish Products: Dominated by fish meat and live fish. Below are key categories and the respe sector shares in value.

The Hong Kong market is highly sophisticated and characterized by a diverse range of products. Fish is core to the Chinese diet and supply is dominated by imports (~80%). There has also been a trend of live fish displacing other forms as the affluent Hong Kong consumer prefers fresh products.

C Fish Fillets/Meat: (35%) Continued growth.
Driven by the food service sector, demand has tripled since 1992, with Japan dominating supply Canada and New Zealand are second tier competitors. Demand is expected to remain flat in 1998 and 1999. Re-exports are insignificant.

C Live Fish (31%) Current rapid decline (economic downturn), but longer term growth
With 12%-15% AAGR since 1992, it has displaced chilled/frozen whole fish. The supply is pri from Thailand and China. Garoupa is most popular. Demand is expected to decline in 1998 and 1999 due to the economic downturn adversely affecting food service trade need for over-priced live fish. Overall minor re-exports to China.

C Dried Seafood: (18%) Steady demand
Supply is highly fragmented though China holds approximated 25% of the market. Dried seafood is a critical component of Chinese cooking, therefore demand is expected to remain flat but stable.

C Chilled/Frozen Whole Fish: (13%) Current recovery (economic crisis)
A rapidly declining market since 1992 at a rate of -15% AAGR as Hong Kong consumers appre live fish taste/health benefits. Garoupa is most popular from China (chilled) and India (frozen). Approximately 20% of the market is comprised of western geography fish including Mackerel (Netherlands, Canada, USA), Salmon (Norway, UK, Canada) and Cod (USA, Canada, Chile) Demand for chilled/frozen fish will increase in 1998/1999 due to the lower prices meeting the depressed consumer disposable incomes.

Fish & Fish Products (Con't)

- Salted and Smoked Fish: (5%) growth re-export driven (China)
  Smoked fish is very minor and mainly for European cooking. Salted fish is a high growth market, but driven mainly by re-exports to China (80%).

Note that the local fish farming industry is dying and with recent "Red Tides" the industry has been devastated. The Hong Kong government is doing little to revive the local industry.

Other Seafood Products:

A US$700 million market dominated by imports (95%). The key categories and respective shares in va indicated.

- Crustaceans: (56%) Steady growth
  Popular varieties are shrimp and prawn, crayfish and to a lessor extent lobsters. Demand has been relatively stable since 1992, but in 1998 demand is falling rapidly due to the economic crash. As with fish, live products experienced high growth over the past 5 years whereas frozen products are declining drastically. China is a leading supplier for both live and frozen products. Asian neighbours dominate frozen supply, but for fresh products Australia and Canada are strong competitors.

- Molluscs (Excluding oysters): (36%) Declining and fluctuating demand. Dominated by frozen s (5%) and fresh at 25%. Fresh imports are displacing frozen at a steady rate. China leads supply both fresh and frozen. The USA and Japan are competitors in frozen supply, whereas Canada has significant share in fresh supply.

- Cuttlefish, Octopus and Squid: (6%) Declining demand
  A foreign driven market due to the challenges of chilled preservation. Demand has been steadily since 1992, and re-export demands a major portion. Asian supply from China, South and South Asia dominates.

- Oysters: (2%) Steady growth
  Demand increases mainly from local consumption trends. China is dominant but Japan, South K and Canada control over half the market. The USA is present but a small player.

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List of Important Government Web Sites and E-Mail Addresses

Department	Web Site	E-Mail Address
Census and Statistics Department	http://www.info.gov.hk/censtatd/	genenq@censtatd.gcn.gov.hk
Company Registry	http://www.info.gov.hk/cr/	crenq@cr.gcn.gov.hk
Consumer Council	http://www.consumer.org.hk	cc@consumer.org.hk
Financial Secretary's Office Business and Services Promotion Unit	http://www.info.gov.hk/bspu/	bspuenq@bspu.gcn.gov.hk
Economic Services Bureau	http://www.info.gov.hk/esb	esbuser@esb.gov.hk
Trade and Industry Bureau	http://www.info.gov.hk/tib/	--
Department of Health Headquarters	http://www.info.gov.hk/gsd/index.htm	dhenq@dh.gcn.gov.hk
Industry Department	http://www.info.gov.hk/id	industry@id.gcn.gov.hk
Trade Department	http://www/info.gov.hk/trade	dcsm@trade.gcn.gov.hk
Hong Kong Trade Development Council	http://www.tdc.org.hk	hktdc@tdc.org.hk