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ATO ACTIVITIES reports

Agricultural Export Opportunities Update - April 1999

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Report Highlights:

Preliminary figures showed that real GDP declined by 5.1% in 1998 with private consumption dropped by 6.8%. The Hong Kong Government projects the economy will grow by 0.5% in 1999.

There are some encouraging signs in the domestic economy. The property market has stabilized and liquidity has improved. With a further recovery in tourism, export of services is projected to show a positive growth at 3% in 1999. The government projects the economy to recover in the second half of 1999 and to record a 0.5% growth in real GDP for the whole year.

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Hong Kong [HK1], HK

Agricultural Export Opportunities Update

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SECTION 1: MARKET IN BRIEF

Current Economic Situation

- The world's freest economy
- The world's most service-oriented economy
- The world's 2nd highest per capita holding of foreign currency
- The world's 2nd most competitive economy
- The world's 4th largest foreign exchange reserves holding
- The world's 4th largest source of foreign direct investment

The following data reflects the latest developments in Hong Kong's economy:

- S Preliminary figures showed that real GDP declined by 5.1% in 1998 with private consumption dropped by 6.8%. The Hong Kong Government projects the economy will grow by 0.5% in 1999.
- S Unemployment rate went up to 6% for Dec98 - Feb 99.
- S Inflation measured by CPI(A) declined by 1.5% in February 1999. The Hong Kong Government projects the CPI(A) will decline by 1.5% in 1999.
- S In 1997, the service sector contributed to 85.2% of Hong Kong's GDP.
- S The number of tourist arrivals grew by 13.9% in the first two months of 1999.

There are some encouraging signs in the domestic economy. The property market has stabilized and liquidity has improved. With a further recovery in tourism, export of services is projected to show a positive growth at 3% in 1999. The government projects the economy to recover in the second half of 1999 and to record a 0.5% growth in real GDP for the whole year.

(Source: Hong Kong Trade Development Council)

SECTION 2: KEY MARKET INFORMATION

1. Slotting Fees in Hong Kong Supermarkets:

It is a common practice for major supermarket chains in Hong Kong to charge slotting fees for consumer food products, similar to the practice in the U.S. The slotting fees of major supermarket chains in Hong Kong are considered to be high in this market. Therefore, it is somewhat difficult and too costly for small and medium sized exporters to afford these fees for shelf space.

It's also apparent that major supermarket chains already have plenty of suppliers making it very difficult for a new supplier to open a new "supplier account" with the supermarket chains - even if the suppliers can afford the slotting fee.

To overcome the problem, ATO Hong Kong recommends the following:

- S Small and medium sized U.S. suppliers should work with a distributor, agent or consolidator who is already supplying products to major supermarket chains in Hong Kong. These distributors/agents/consolidators are in a better position to penetrate major supermarket chains with lower slotting fees.
- S Some smaller retail outlets or supermarket chains do not charge slotting fees. Although these companies have fewer stores and the stores are usually smaller in size, they often provide enough of a platform to gain entry into the Hong Kong market.

2. Increase in the number of tourists to Hong Kong:

The number of tourists arriving in Hong Kong is increasing, suggesting that the purchasing power in many Asian countries is gradually reviving. The number of South Korean tourists increased 56.8% in the first two months in 1999. Japanese tourist arrivals increased 7.5% and Taiwanese tourists increased 4.9%. Further increases are expected in tourist arrivals. The increase in tourist arrivals from Asia also demonstrates new found optimism in the recovery of many regional economies and the revival of intra-regional trade.

3. China Capital Investment in Hong Kong:

Following 20 years of the highest economic growth in its history, mainland China has now become wealthy enough to invest abroad. According to official figures, by the end of 1998, 5,666 mainland Chinese firms had invested US\$6.33 billion overseas. Most of the investments end up in Hong Kong, where total mainland Chinese investments in manufacturing and non-manufacturing businesses reached HK\$444 billion and HK\$18.3 billion, respectively, at the end of 1997.

(Reference: South China Morning Post)

4. Many Hong Kong Firms to be Shaken Up by Beijing

Mainland authorities, shocked by revelations of widespread financial irregularities, corruption and other excesses at some firms, are mapping out plans and assembling teams to investigate and restructure mainland China “window” companies operating in Hong Kong. These window companies, controlled by government ministries and local authorities, seem poised for a massive shake up later this year. This comes after the collapse of the Guangdong International Trust and Investment Corp. (Gitic) and the ensuing financial crisis surrounding many of the firms, notably Guangdong Enterprises.

Preliminary figures indicated there are more than 2,000 mainland-controlled firms. The actual figure could be much higher as many mainland cities and towns, particularly in the coastal areas, have evaded government approval procedures and set up bases in Hong Kong through unofficial channels.

The days of easy money appear to be over. For mainland firms to survive and prosper in Hong Kong, they will have to undertake restructuring and increase transparency by inviting professionals to audit their books.

(Reference: South China Morning Post)

5. Bridging Role for Hong Kong Firms Remains Important

An Jitao, Vice-Chairman and Chief Executive of the Hong Kong Chinese Enterprises Association believes that enterprises based in Hong Kong should remain an important bridge between the mainland and international markets despite the difficulties caused by the bankruptcy of Guangdong International Trust and Investment Corp. Those mainland companies that are well run, have strong financial ability and boast international management standards should continue to outperform Hong Kong and overseas companies in penetrating the mainland market. Mainland firms are an important force in capital markets with 113 firms listed on the Hong Kong stock exchange. They also serve as a conduit for capital to the mainland, with fixed assets they are valued about HK\$18.9 billion.

(Reference: South China Morning Post)

SECTION 3: UPCOMING PROMOTIONAL ACTIVITIES/EVENTS

The promotional activities listed below are provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the organizer. Contact the organizer directly for additional information.

A. TRADE SHOWS

Trade Shows in the U.S.:

May 2-5, 1999: FMI/U.S. Food Export Showcase, Chicago. FMI's Supermarket Industry Convention is clearly the largest and most significant food show in the United States. Linking with this convention, the U.S. Food Export Showcase is the perfect opportunity for American companies to meet with thousands of prospective international buyers without the additional expense of traveling. Organizers: Food Marketing Institute, Tel: (202) 452-8444, Fax: (202) 429-4559; National Association of State Department of Agriculture, Tel: (202) 296-9680, Fax: (202) 296-9686.

May 22-25, 1999: NRA, Chicago. The National Restaurant Association (NRA) Show features food products for all types of food service. The primary audience are food service operators from independent restaurants and corporations as well as suppliers to this important industry. The show includes everything needed to supply a restaurant and food service operations from aprons to food ingredients and software packages. The show also features many special events, such as an excellent lecture series with well known speakers, educational programs, and The Culinary Classic cooking contest. Organizer: National Restaurant Association, Tel: (312) 853-2525; Fax: (312) 853-2548.

Trade Shows in Asia:

May 4-7, 1999: Hofex'99, Hong Kong Convention & Exhibition Center, Hong Kong. The 8th Asian International Exhibition of Food & Drink. Since the first show in 1987, Hofex Food & Drink has become the region's number one biannual event for the food and drink industry. Hofex also runs concurrently with the Asian International Seafood Show, Wine & Spirits Asia'99. Organizer: Hong Kong Exhibition Services, Unit 901-902, 9F Shui Lam Building 23 Luard Road, Wanchai, Hong Kong, Tel: (852) 2804-1500, Fax: (852) 2528-3103. U.S. contact: Robert Chang, Commerce Tours International, Tel: (415) 433-3072; Fax: (415) 433-2820.

May 5-6, 1999: 2nd Asiafruit Congress, Hong Kong Convention & Exhibition Center, Hong Kong. The Asiafruit Congress takes place alongside Hofex'99. The conference provide the meeting place for Asia's buyers and their suppliers of fresh fruit and vegetable worldwide. This year the Asiafruit Congress is focusing on developments for the fresh fruit and vegetable business in China, Hong Kong and Taiwan under the conference theme "Profit from change: The fresh produce market in Ching, Hong Kong and Taiwan". Organizer: Market Intelligence Ltd., Tel: (44 171) 501-3719; Fax: (44 171) 498-6472.

June 22-24, 1999: Singapore Seafood Exhibition and Seafood Processing Asia, Singapore International Convention & Exhibition Center, Singapore. The Singapore Seafood Exhibition will bring together seafood buyers and sellers from Southeast Asia and beyond. It targets on the leading retail, food service, importers and

wholesale companies. Organizer: Diversified Business Communications, P.O. Box 7437, 121 Free Street, Portland, Maine 04112-7437 USA. Tel: (207) 842-5504; Fax: (207) 842-5505.

July 8-11, 1999: International Ginseng Conference'99, Hong Kong Convention & Exhibition Center, Hong Kong. The topic of this conference is "Ginseng: Its Sciences and Its Markets - Advances in Biotechnology, Medicinal Applications & Marketing. Organizer: Chinese Medicinal Material Research Center, The Chinese University of Hong Kong. Contact: IGC'99 Secretariat, c/o BDG Communications Management Ltd., Unit A, 3/F, Eton Building, 288 Des Voeux Road Central, Hong Kong. Tel: (852) 2559-9973; Fax: (852) 2547-9528. Website: <http://www.cmmrc.cuhk.edu.hk/ginseng>.

September 23 - 26, 1999: Food China'99, Shanghai Mart, Shanghai, China. The sixth International Food & Drinks Exhibition. Organizer: Hong Kong Exhibition Services, Unit 901-902, 9F Shui Lam Building 23 Luard Road, Wanchai, Hong Kong, Tel: (852) 2804-1500, Fax: (852) 2528-3103. U.S. contact: Robert Chang, Commerce Tours International, Tel: (415) 433-3072; Fax: (415) 433-2820.

August 29-September 1, 1999: Fine Food 99, Sydney, Australia. This international food, drink and equipment exhibition is designed specifically to generate new business opportunities for companies just like yours. It will have over 500 exhibitors and 20,000 trade visitors all looking for new suppliers and new products. Organizer: Australian Exhibition Services Pty Ltd., Illoura Plaza 424 Kilda Road Melbourne Victoria Australia 3004, Tel: (61-3) 9261 4500, Fax: (61-3) 9261-4545.

September 1-3, 1999: Agritech'99, Chengdu International Exhibition & Convention Center, Chengdu, China. International Exhibition on Agricultural Equipment & Technology incorporated with Animal Husbandry'99 & Meatech'99. An event geared at revealing the market situation of south-western China and serves as a promotion platform to display advanced agricultural & food-processing equipment and technology for the region. Organizer: Top Repute Co. Ltd., Room 2403, Fu Fai Commercial Center, No. 27 Hiller Street, Hong Kong. Tel: (852) 2851-8603; Fax: (852) 2851-8637. Contact: Carmen Wong.

October 7-9, 1999: AgriLink 1999, Philippine International Convention Center, Philippines. The 6th international exhibition for agriculture, breeding, processing, packaging and technology. Organizer: FRLD, 3rd Flr. Administration Bldg., East Service Road, Taguig, Metro Manila, Philippines. Tel: 632-838-4852; Fax: 632-838-4573. Contact: Ditte Ooms.

October 12-15, 1999: WoodMac & FurniTek China 99. WoodMac China 99 is the 3rd International Forestry and Woodworking Machinery and Supplies Exhibition; FurniTek China 99 is the 3rd International Exhibition of Machinery and Accessories for Furniture Production, Upholstery and Furnishings. Organizer: Hong Kong Exhibition Services Ltd. Tel: (852) 2876-5112; Fax: (852) 2528-3103; Contact: Nancy Yung.

November 3-5, 1999: China Fisheries & Seafood Expo'99, Intex, Shanghai, China. This seafood show targets seafood importers, wholesalers, and seafood processors in China. Organizer: Sea Fare Expositions Inc., 5305 Shilsole Ave. NW., Suite 200, Seattle, WA 98107, USA. Tel: (206) 789-6506; Fax: (206) 789-9193.

December 8-11, 1999: ChinaMart'99, Guangzhou Foreign Exhibition Center, Guangzhou, China. A trade show for companies who want to sell products to Southern China. Organizer: E.J. Krause & Associates Inc., Rm. 2013, Hang Lung Center, 2-20 Paterson Road, Causeway Bay, Hong Kong. Tel: (852) 2577-3343; Fax: (852) 2577-6426.

June 20-23, 2000: Food China 2000, China International Exhibition Center, Beijing, China. The seventh International Food & Drinks Exhibition. Organizer: Hong Kong Exhibition Services, Unit 901-902, 9F Shui Lam Building 23 Luard Road, Wanchai, Hong Kong, Tel: (852) 2804-1500, Fax: (852) 2528-3103. U.S. contact: Robert Chang, Commerce Tours International, Tel: (415) 433-3072; Fax: (415) 433-2820.

B. IN-STORE AND MENU PROMOTIONS

1. **Hofex'99, May 4-7, 1999:** ATO Hong Kong will organize the USA Pavilion at the Hofex'99, The 8th Asian International Exhibition of Food & Drink. Approximately 60 U.S. companies, including food, beverages, seafood, etc., will exhibit in the USA Pavilion. ATO Hong Kong will also set up the "Great American Lounge" within the U.S.A. pavilion. The lounge will provide support services exclusively to U.S. exhibitors and will feature U.S. food & beverages sponsored by many of the U.S. exhibitors. Visitors can also learn about services provided by ATO Hong Kong at the "Great American Lounge".

SECTION 4: OTHER INFORMATION

1. The Agricultural Trade Office and Hong Kong Cooperators have scheduled bi-monthly Cooperator Meetings as follows:

May 20, 1999
July 15, 1999
September 16, 1999
November 04, 1999
** December 09, 1999

**The annual Strategic Planning Session

Unless stated otherwise, all meetings are held in the Conference Room of the U. S. Agricultural Trade Office in Hong Kong, 18th Floor, 33 Garden Road. All cooperators are welcome.

SECTION 5: LIST OF MARKET BRIEFS & REPORTS AVAILABLE

ATO prepares, commissions market overviews on selected food & beverage topics to assist U.S. exporters identify potential market opportunities and effectively compete in the Hong Kong market. Market overviews are available to companies and individuals through the ATO Hong Kong or Trade Assistance and Promotion Office of the USDA Foreign Agricultural Service (TAPO):

Phone: (202) 720-7420

Fax: (202) 690-4374

Market overviews currently available on are as follows:

Current market overview topics

Beer (**Jan 98)
Bourbon (Apr 98)
Cakes, Cookies and Crackers (Sep 98)
Canned Food (Sep 98)
Cheese (Mar 98)
Chocolate & Sugar Confectionery (Mar 98)
Cooking Oils and Fats (Apr 98)
Dairy Products (Mar 98)
Dried Fruits and Tree Nuts (Apr 98)
Fast Food (Apr 98)
Food Retailing (Apr 98)
Fresh Fruit & Vegetables (Apr 98)
Frozen Fruit & Vegetables (Apr 98)
Frozen Desserts (Jan 98)
Fruit Juice (Mar 98)
Herbs, Spices and Ginseng (Jun 98)
Hong Kong's Food Service (Dec98)
Meat (Jun 98)
Microwaveable Foods (Jan 98)
Poultry & Egg (Apr 98)
Pet Foods (Jan 98)
Seafood (Apr 98)
Snack Foods (Nov 98)
Sauces, Relishes and Condiments (Jun 98)
Soft Drinks (May 98)
Wine (Jan 98)
-8th Largest Export Market of U. S. Ag Commodities

**Signifies date of last revision.

To download a market brief or report, visit the Foreign Agricultural Service
Homepage:<http://www.fas.usda.gov>.

You'll find more than 100 reports relating to China. Or, contact FAS AgExport Services division, (202) 720-7420 phone, Fax: (202) 690-4374; or ATO Guangzhou, China Hotel Office Tower 14/F Guangzhou, 510015 China, Fax: (86-20) 8667-7553. Fax: (86-20) 8666-0703, E-Mail: ato@gitic.com.cn

If you find any of the above information of value, we would greatly appreciate your feedback. Please fax or e-mail your comments to ATO Hong Kong at the above number and/or address.