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ATO ACTIVITIES reports

Agricultural Export Opportunities Update - January 1999

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Agricultural Export Opportunities Update

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SECTION 1:. MARKET IN BRIEF

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

- S Preliminary figures showed that real GDP declined by 7.1% in the third quarter of 1998. With 3 consecutive quarters of GDP contraction, Hong Kong is now fully immersed in an economic recession. Also, in the third quarter private consumption contracted by 10% and gross fixed capital formation by 9.1% during the same time period.
- S The seasonally adjusted unemployment rate rose to 5.5% in Sep-Nov 1998.
- S Inflation measured by CPI(A) declined by 0.9% in November 1998.
- S The prime interest rate was further reduced to 9% on 21 December 1998.
- S The number of tourist arrivals grew by 5.1% in November 1998.
- S Total exports dropped by 6.9% in the first eleven months of 1998, while imports declined by 11%.

(Source: Hong Kong Trade Development Council)

SECTION 2: KEY MARKET INFORMATION

1. *American Chamber of Commerce in Hong Kong 1998 Business Outlook Survey*

The American Chamber of Commerce's ninth annual Business Outlook Survey results forecast that Hong Kong's economy will be weak in the short term but will strengthen by 2000. The results also indicate that the extent of the hardship caused by the Asian financial crisis was underestimated and AmCham member companies foresee another year of painful economic adjustment before the Hong Kong economy starts to turn around.

On Hong Kong's business environment outlook, only 54% of survey respondents perceived that it will be "good" or "satisfactory" in 1999 while as many as 87 and 98 percent said it would be "good" or "satisfactory" in 2000 and 2001, respectively.

Despite the gloomy short-term forecast, AmCham companies hold an optimistic long-term view of Hong Kong. Of the 66 percent of companies that have regional headquarters in Hong Kong, 90 percent said they would retain their regional base here and almost half said they intend to expand their operations. The sharp fall in asset values which resulted in lower office and housing costs has worked toward Hong Kong's competitive advantage.

(Source: American Chamber of Commerce in Hong Kong "1998 Business Outlook Survey")

2. *Success of Rainforest Restaurant in Hong Kong*

The U.S. based Rainforest Restaurant opened its first restaurant in Hong Kong in early December, 1998. The restaurant has immediately become the hottest spot in town. Daily, a long line of anxious customers wait to get a chance to eat at the Rainforest. It is estimated that an average of 100,000 people a day try to phone in for reservations. On average, about 2,500 patrons visit the restaurant per day. Newspapers and TV crews have conducted special reports on the Rainforest. Even tourist groups are visiting the restaurant as a special event during tours of Hong Kong. The Rainforest Restaurant is decorated with a rainforest theme and serves mainly U.S. food and beverage products. The volume of U.S. meat products consumed is so large that Hong Kong meat importers are having a difficult time supplying enough meat for the restaurant. The success of the Rainforest restaurant indicates that American food & cuisine combined with a fun and unique "theme" is highly popular among Hong Kong consumers, even during recessionary times.

3. *Weak Restaurant Business in 1998 Third Quarter*

According to the Hong Kong Census and Statistics Department, sales receipts of restaurants in the third quarter of 1998 dropped 4.4% compared with the same time period in 1997. Only fast food restaurants and "low cost" restaurants recorded an increase in sales receipts during the third quarter of 1998. The decrease in sales is a result of the economic downturn in Hong Kong. More Hong Kongers forego eating out and have begun to eat at home. That trend is expected to continue for some time.

4. *CitySuper Opens Second Store*

CitySuper opened its second store in Tsim Sha Tsui in late December, 1998. CitySuper is an upscale supermarket selling a large variety of food products sourced from many different countries. CitySuper has become one of the most successful supermarkets in Hong Kong for both expatriates and locals in a relatively short period of time. A successful U.S. promotion was held at the Causeway Bay CitySuper store in November 1998.

5. *Inchcape Sells Marketing Arm to Li & Fung Unit*

Britain-based Inchcape, one of the largest consumer food products importers/distributors/agents in Hong Kong, announced the sale of its Asia-Pacific marketing operations to Li & Fung (Distribution) on January 8, 1999. The US\$150 million deal also grants Li & Fung the right to control Inchcape's other marketing operations in Japan, Greater China and Southeast Asia. Inchcape is currently an agent of many major U.S. brands such as S & W, Kellogg's, Heinz, Pringles, Gatorade....etc.

(Source: South China Morning Post, January 09, 1999).

6. *Counterfeit Sweetcorn Cans Seized*

About 8,300 cans of fake Del Monte creamed corn were seized by Hong Kong Customs officials from a warehouse on January 7, 1999. Hong Kong Customs officials believe the distribution of the cans has been limited to only one outlet and the operation aimed at selling the cheaper fake product to smaller shops in Hong Kong. The content inside the fake cans was "mushy" in consistency and lighter in color compared with the actual product. This case indicates that famous & high quality U.S. brands remain very popular in this market and often lead to the misrepresentation of product brand names.

7. *GITIC, China Liquidation is Announced*

The fallout from the announcement on Sunday, January 10, that Guangdong International Trust & Investment Co. (GITIC) is to be liquidated continues. GITIC is a trust company from China's richest province. The liquidation was announced when it was revealed that GITIC's debts were nearly double their assets.

8. *Guangdong Enterprises Unable to Make Payments*

The announcement on Tuesday, January 12, that Guangdong Enterprises may not be able to pay roughly \$100 million to creditors sent Hong Kong's stock market tumbling. However, the provincial government has announced it would honor all debts and not allow Guangdong Enterprises to go into liquidation. The Guangnan Group of companies, a subsidiary of Guangdong Enterprises, also owns and operates the Guangnan (K.K.) Supermarket chain (approximately 50 stores in Hong Kong).

9. Competitor News

Canada will host a Canadian food promotion at CitySuper in March, 1999.

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.:

January 26-28, 1999: Pacific Basin Economic Council's (PBEC) Conference, organized by the Working Committee on Food Products, Pullman, Washington. PBEC's effort to initiate a comprehensive work program in the food sector that will take immediate action in liberalizing trade, eliminating distorting subsidies, developing rural infrastructure, and disseminating technology is well underway. For more information please contact Pacific Basin Economic Council, 900 Fort Street, Suite 1080, Honolulu, HI 96813, Tel: 808/521-9044, Fax 808/521-8530.

February 6-8, 1999: United Fresh Fruit & Vegetable Association, 95th Convention & Exposition, San Diego, California, USA. An extensive, comprehensive, educational conference combined with trade show exclusively devoted to tools, technology, equipment, goods and services for the produce industry. Organizer: United Fresh Fruit & Vegetable Association, PO Box 1417 #320, Alexandria VA 22313-9954.

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 Tour International, Tel: (415) 433-3072; Fax: (415) 433-2820.

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.

August 25-28, 1999: Food China & Hotel China'99, Beijing, 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 Tour 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.

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.

B. IN-STORE AND MENU PROMOTIONS

ATO Hong Kong is in the midst of preparing a series of U.S. promotions in the coming months. Please stay tuned for the latest developments.

SECTION 4:. OTHER INFORMATION

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

March 18, 1999
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:

Beer
Bourbon
Cakes, Cookies and Crackers
Canned Food
Cheese
Confectionery
Cooking Oils and Fats
Dried Fruits and Tree Nuts
Fast Food
Fish, Shellfish and Seafood
Food Retailing
Food Service Sector
Fresh Fruit and Vegetables
Frozen Fruit and Vegetables
Frozen Desserts
Fruit Juice
Herbs, Spices and Ginseng

Microwaveable Foods
Milk, Milk Products and Ice Cream
Pet Foods
Sauces, Relishes and Condiments
Snack Foods
Soft Drinks
Sparkling and Still Wines
-8th Largest Export Market of U. S. Ag Commodities
-Hong Kong Food Service Sector Report

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.