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Hong Kong

Promotion Opportunities

Agricultural Export Opportunities Update - March 2000

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Report Highlights:

- S** In its 2000-01 Budget, the government is projecting a 5% real GDP growth for 2000 with exports as a driving force of growth, while inflation, measured by Composite Consumer Price Index (CCPI), will drop by 1%.
- S** In December 1999, retail sales increased by 5.7% in volume terms.
- S** Inflation, in terms of CCPI, declined by 5.3% in the 12 month period ending in January 2000.
- S** Starbucks Coffee announced its alliance with Maxim Caterers to open Starbucks Coffee Shops in Hong Kong.
- S** Park'N Shop Launched Fresh Food Partnership Program 2000

Includes PSD changes: No

Includes Trade Matrix: No

Trade Report

Agricultural Export Opportunities Update

March 15, 2000

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SECTION 1: MARKET IN BRIEF

- S** In its 2000-01 Budget, the government is projecting a 5% real GDP growth for 2000 with exports as a driving force of growth, while inflation, measured by Composite Consumer Price Index (CCPI), will drop by 1%.
- S** While the 2000-01 Budget contains no major change in taxes, the stamp duty on stock transactions will be reduced from 0.25% to 0.225%.
- S** In December 1999, retail sales increased by 5.7% in volume terms.
- S** Inflation, in terms of CCPI, declined by 5.3% in the 12 month period ending in January 2000.
- S** Tourist receipts declined by 4.1% in 1999, due to reduced hotel charges and prices.
- S** Total exports increased by 14.1% in January 2000, while imports expanded by 16.4%.

(Source: Hong Kong Trade Development Council)

SECTION 2: KEY MARKET INFORMATION**1. Hong Kong Budget 2000-01**

The Hong Kong Financial Secretary presented the Budget for 2000-01 on 8 March 2000, projecting a real GDP growth of 5% for 2000. The economy revived and grew by 2.9% in 1999 with a strong growth of 8.7% in the last quarter of 1999. The recovery in 1999 was largely export-led with total exports of goods growing by 3.7% in real terms while exports of services increased by 5.5%. External demand is expected to continue to be a major source of growth in 2000. The government is expecting consumer prices to gradually edge up in the later part of the year and the Composite Consumer Price Index (CCPI) will decline by 1% in 2000 after a 4% drop in 1999.

A marginal fiscal deficit of HK\$1.6 billion (US\$0.2 billion) was recorded for the fiscal year 1999-00, much better than the original estimate at HK\$36.5 billion (US\$4.7 billion) due to the windfall of the Exchange Fund's investment income. The fiscal balance is projected to show a small deficit of HK\$6.2 billion (US\$0.8 billion) for 2000-01. The fiscal reserves will drop slightly from an estimated HK\$433 billion (US\$56 billion) at the end of March 2000 to HK\$426 billion (US\$55 billion) at the end of March 2001, which is still a strong reserves level.

The Budget contains no major change in tax measures, with profit taxes and salary taxes remaining unchanged. But the stamp duty on stock transactions will be reduced from 0.25% to 0.225% to enhance Hong Kong's competitiveness as an international financial center. The Budget also outlines a few strategic initiatives for Hong Kong's development. These include better use of information technology in an effort to maximize the benefits of globalization, enhancing the financial infrastructure, developing a multi-currency capital market, attracting more companies outside Hong Kong to issue debt papers here and establishing links with more central clearing systems outside Hong Kong. The government will try to provide better services to business and attract more foreign direct investment into Hong Kong.

(Source: Hong Kong Trade Development Council)

2. Starbucks Coffee comes to Hong Kong

Maxim Caterers of Hong Kong announced their partnership with Seattle-based Starbucks Coffee chain to open Starbucks coffee shops in Hong Kong later this year. Starbucks has opened coffee shops throughout Asia, including mainland China, Taiwan, Thailand, South Korea and Singapore. Maxim Caterers operates more than 300 outlets in Hong Kong including Chinese, Western and Japanese restaurants, fast-food outlets and cake shops. The alliance is regarded as one step further for Maxim, which intends to move beyond its core business of being just a fast-food chain. Starbucks coffee will not be offered through Maxim's 300-plus outlets in Hong Kong. Instead, they will open Starbucks stores, with similar decoration and ambience to other stores around the world.

(Source: South China Morning Post, March 05, 2000)

3. Park'N Shop Launched Fresh Food Partnership Program 2000

Park'N Shop announced the launch of the "Fresh Food Partnership Program 2000". Fresh food includes produce, bread, cooked food (deli food items), etc. Since Park'N Shop started the "Superstore" concept, which includes a large section of fresh foods, sales of fresh food items have been accounting for an increasing percentage of total sales. Park'N Shop has said the direction for this year is to increase the market share of the fresh food products. The Fresh Food Partnership program grades the fresh food suppliers based on their food qualities and hygiene of the suppliers' plants. There are four grades in this program "A, B C & D". If suppliers cannot attain the hygiene requirement, Park'N Shop will stop their purchasing contract. Park'N Shop plans to have all fresh food suppliers become grade "A" by the end of this year.

Park'N Shop is currently the largest supermarket chain in Hong Kong in terms of sales, with around 180 outlets.

(Source: Hong Kong Economic Times, March 03, 2000)

4. McDonald's Latest Stuffed Toy Promotion

With the tremendous success of various promotions in the last two years using various popular cartoon figures as gifts, McDonald's fast food chain launched another stuffed toy promotion in March, 2000. This time featuring popular "Hello Kitty" figures. Customers can purchase the specially designed stuffed "Hello Kitty" figures when they purchase food at McDonald's. The promotion has been very successful so far with a long line of people outside the restaurant every day.

The success of McDonald's promotion indicates one of the effective marketing activities in Hong Kong.

(Source: Hong Kong Economic Times, March 03, 2000)

5. Hong Kong Government's Forum to Discuss the Genetically Modified Food (GM Food)

The Hong Kong Government has announced it will hold its first public forum to discuss Genetically Modified Food issues on March 31, 2000. The forum is by invitation only with a small number of seats available to the public. Genetically Modified Food issues have been attracting a lot of attention from the media recently. In response to the public demand, Hong Kong Government is collecting information and opinions from different sources regarding the GM food issues. The Hong Kong Government does not have a definite plan to impose GM food labeling law at this stage, but foresees labeling will be required in about three years.

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 Asia:

March 15-25, 2000: Spring'2000 National Candy & Spirits Fair, Chengdu International Exhibition & Convention Center, Chengdu, China. This is a semi-annual event and the largest domestic trade show in China. The spring edition of the National Candy & Spirits Fair is usually held in the Southwestern city of Chengdu, but the organizers may decide to move the 2000 show to a new location. This and the final dates will not be

decided until early January 2000. This show features a wide variety of food, wine and spirits products. It attracts more than 50,000 domestic buyers, mostly wholesalers and distributors, and is an excellent chance to expand one's contact base and penetrate new markets in inland China. The ATO Shanghai will likely lead a sales mission to this show. Organizer: National Light Industry Council. Contact: Ms. Chen Bo, Chengdu Commodity Exchange Fair Office, Chengdu Sports Center Hostel, Chengdu 610015. Tel: (86-28) 661-9300; Fax: (86-28) 662-3764.

March 26-28, 2000: Fine Food Brisbane, Brisbane Convention and Exhibition Center, Brisbane, Australia. This specialized food, drink and equipment exhibition is designed to generate new business opportunities in the Queensland marketplace. It will have over 300 exhibitors and 10,000 trade visitors all looking for new suppliers. Organizer: Australian Exhibition Services, Illoura Plaza 424 St Kilda Road Melbourne, Victoria, Australia 3004.

April 5-7, 2000: Food Ingredients China 2000, Guangda Convention & Exhibition Center, Shanghai, China. This show had a successful joint appearance with Food Ingredients Asia in April 1998 in Shanghai. In April 1999, Food Ingredients China traveled to Beijing, and even though the Chinese organizers were on their own, the show gathered large numbers of business visitors from the food manufacturing and food processing sector. About a third of the exhibitors were from abroad and the show appeared to be well organized and professionally managed. In 2000, this show will reunite with Miller Freeman, the organizer of many international Food Ingredients shows around the world, and is likely to, just like in 1998, be called Food Ingredients Asia. This is expected to be a very good opportunity for foreign food ingredients exporters, since some of the largest Chinese food manufacturers are located in Shanghai. The ATO Shanghai will actively assist U.S. companies involved with this show. Organizer: China Food Additive Production & Application Industry Association (CFAA), CCPIT-Light Industry. Address: 22B, Fuwai St., Beijing 100833. Tel: (86-10) 6839-6330; Fax: (86-10) 6839-6422. E-mail: cc pitsli@public3.bta.net.cn

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.

August 25-27, 2000: Lifestyle 2000, Hong Kong Convention and Exhibition Center, Hong Kong. Lifestyle is a consumer retail event targeting visitors from middle to upper income brackets, aged 25 to 45. One section of the exhibition is designated as food exhibition section. Organizer: Publicitas Promotions Network, 2/F Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong. Tel: (852) 2527-3525; Fax: (852) 2528-3260.

September 12-15, 2000: Food & Hotel South China 2000, Guangzhou Foreign Trade Center, Guangzhou, China. The International Food, Drink, Supermarket, Hotel and Catering Equipment and Supplies Exhibition. Organizer: Hong Kong Exhibition Services Ltd., 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 8-11, 2001: Hofex'01, Hong Kong Convention & Exhibition Center, Hong Kong. The 9th 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'01. 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. **U.S. Promotion with Park'N Shop, March 24 - April 20, 2000.** ATO Hong Kong together with Park'N Shop is hosting a U.S. promotion at 17 outlets of the Park'N Shop supermarket chain. This promotion will focus on the new products that Park'N Shop purchased during its buying trip to the U.S. in September 1999. Other participating organizations include: Western U.S. Agricultural Trade Association (WUSATA); Mid-America International Agri-Trade Council (MIATCO); USA Poultry & Egg Export Council; Alaska Seafood Marketing Institute; Sunkist Growers Inc.; California Raisin Administrative Committee; California Office of Trade and Investment, and California Department of Food and Agriculture.
2. **U.S. Commercial Catalog Exhibition in Macau, March 29, 2000.** ATO Hong Kong together with the Foreign Commercial Service will host the U.S. Commercial Catalog Exhibition in Macau World Trade Center, Macau, March 29, 2000. The exhibition will feature various U.S. exporters products catalogs and/or product samples. Major trade contacts in Macau will be invited to attend. The exhibition will be held on the same day the Consul General of the American Consulate General Hong Kong will deliver a speech at the Macau World Trade Center.

SECTION 4: OTHER INFORMATION

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

May 4, 2000

July 6, 2000

September 7, 2000

November 2, 2000

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 and urged to attend.

SECTION 5: LIST OF MARKET BRIEFS & REPORTS AVAILABLE

ATO prepares or commissions market overviews on selected food & beverage topics to assist U.S. exporters in identifying potential market opportunities and to help effectively compete in the Hong Kong market. Market overviews are available to companies and individuals through the ATO Hong Kong or the 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 (AGR# HK9020)

Bourbon (AGR# HK9032)

Cakes, Cookies and Crackers (AGR# HK9049)

Canned Food (AGR# HK9061)

Cheese (AGR# HK9079)

Chocolate & Sugar Confectionery (AGR# HK9081)

Cooking Oils and Fats (AGR# HK9084)

Dairy Products (AGR# HK9089)

Dried Fruits and Tree Nuts (AGR# HK9085)

Fast Food (AGR# HK9086)

Food Retailing (AGR# HK9117)

Fresh Fruit & Vegetables (AGR# HK9088)

Frozen Fruit & Vegetables (AGR# HK9090)

Frozen Desserts (AGR# HK9021)

Fruit Juice (AGR# HK9023)

Herbs, Spices and Ginseng (AGR# HK9024)

Hong Kong's Food Service (AGR# HK9033)

Meat (AGR# HK9054)

Microwaveable Foods (AGR# HK9055)

Poultry & Egg (AGR# HK9093)

Pet Foods (AGR# HK9060)

Seafood (AGR# HK9062)

Snack Foods (AGR# HK9074)

Sauces, Relishes and Condiments (AGR# HK9075)

Soft Drinks (AGR# HK9077)

Wine (AGR# HK9080)

-8th Largest Export Market of U. S. Ag Commodities

****Signifies date of last revision.**

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