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ATO ACTIVITIES reports

Agricultural Export Opportunities Update - May 1999

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Report Highlights:

The Hong Kong economy shows signs of moderating. The decline in retail sales volume moderated to 10.5% in the first two months of 1999, compared to a drop of 16.7% in 1998. The number of tourist arrivals revived and grew by 13.4% in the first quarter of 1999. This should also have a positive affect on the slumping hotel and restaurant sectors. Inflation measured by CPI(A) declined by 2.3% in March 1999, with prices of clothing and footwear recording the most significant decrease.

Includes PSD changes: No
Includes Trade Matrix: No
Trade Report
Hong Kong [HK1], HK

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 The decline in retail sales volume moderated to 10.5% in the first two months of 1999, compared to a drop of 16.7% in 1998.
- S The unemployment rate edged up to 6.2% for Jan-Mar 99.
- S Inflation measured by CPI(A) declined by 2.3% in March 1999, with prices of clothing and footwear recording the most significant decrease.
- S The prime lending rate was reduced to 8.25% on May 3, 1999.
- S The number of tourist arrivals revived and grew by 13.4% in the first quarter of 1999.

(Source: Hong Kong Trade Development Council)

SECTION 2: KEY MARKET INFORMATION

1. Hofex'99 Successfully Held in Hong Kong

Hofex'99 (The 8th Asian International Exhibition of Hotel, Restaurant, Retail and Catering Equipment, Supplies & Services, Food & Drink) was successfully held in Hong Kong on May 4-7, 1999. This year, 53 U.S. companies exhibited in the U.S. pavilion. Around 200 new U.S. products were test marketed. Among all products, the following products generated the most interest from buyers:

Alaska King Crab, Beef, Black Cod, Cheddar Broccoli Soup, Chicken Franks, Chocolate Banana Milk Muesli,

Citrus Fruits, Clams, Cola, Fish Fillet, Food Flavors, Frozen Concentrated Orange Juice, Frozen Vegetables, Fruit Juices, Gummy Watch, Ham, Honey Almond Cookies, Honey Mustard & Onion Pretzel, Jelly Fish, Long Egg (boiled egg product), Pork Snacks, Lobster, Macadamia Nut and Chocolate Chips Cookies, Mashed Potatoes, Monkfish, Natural Soft Drink Line with Ginseng, Omelettes, Oysters, Photo Cake, Potato Soup, Prepackaged Baby Vegetables and Leaf Items, Raisins, Ruby Red Grapefruit, Sausages, Squid, Turkey, Whip Cream.

Hong Kong's largest supermarket chain, Wellcome, organized a tour to its new state-of-the-art fresh food processing center during Hofex'99. This was a very special opportunity granted by Wellcome to a select number of US exhibitors participating at HOFEX'99 to witness the most modern fresh food processing center in Asia. ATO Hong Kong was able to solicit 9 seats for U.S. exhibitors and arranged the transportation for the US group. The tour not only allowed the participants to understand the fresh products handling capacity of Wellcome but also opened a dialogue for possible future cooperation between Wellcome Supermarket and the participating U.S. companies. The Wellcome fresh foods processing center is currently supplying over 500 Wellcome supermarkets, 7-Eleven convenience stores and Mannings personal products stores in Hong Kong with perishable products handled through its expanded cold chain facilities. With its improved capability to handle fresh, chilled and frozen foods, Wellcome is actively seeking new overseas suppliers of these products.

2. EU Pork Increased in Hong Kong Market Share

Hong Kong's pork imports from European supplying countries increased tremendously after the re-introduction of the EU subsidy. The subsidy, coupled with abundant supplies, contributed to the conspicuous rise of imports from the Netherlands in particular. The Dutch share of Hong Kong's pork market rose from 6 to 13 percent after export subsidies were reinstated.

In general, the EU countries expanded their market shares of Hong Kong's pork import trade, from 13 to 26 percent.

In contrast, both the USA and China lost a portion of their market shares to EU countries. Hong Kong's pork imports from the USA and China decreased from 8 and 45 percent to 4 and 31 percent, respectively, between the two time periods.

In 1998, in addition to the EU subsidy, there were a few other unfavorable factors for US pork exports to Hong Kong. First, the Hong Kong dollar is pegged with the US currency, which was strong in 1998. The strong US currency made US products less price competitive. Second, the Netherlands had an over supply of pork last year, allowing the country to export their surplus. The EU subsidy certainly played a significant role in the general rise in Hong Kong's pork imports from European countries.

3. Hong Kong Teens Turn from Water to Fizzy Drinks for Fluid Needs

According to research conducted by the University of Hong Kong, more young people aged 12 to 17 are now drinking the recommended amount of daily fluids but the number choosing plain water has dropped. Young people are turning from water to soft drinks, juice and milk to meet their minimum intake of eight glasses of fluid per day. While nearly 90% of the sample population still drink plain water daily, 6% had switched to consuming bottled water on a daily basis. Soda drinks are becoming increasingly popular, up 4.8% from last year. Carbonated drinks are the favorite among boys, followed by water and juice. Teenage girls ranked juice

first, water second and soda third. Of those who drank sodas on a daily basis, 43% of respondents drank more than two glasses a day.

(Source: South China Morning Post, May 14, 1999)

4. Dairy Farm Unit Wins Kraft Deal

A subsidiary of Dairy Farm Group has been appointed Hong Kong's sole distributor for imported Kraft Foods products. Sims Trading won the contract, which goes into effect in mid May, 1999. Sims previously had ties with Kraft, distributing their dressing and cheese products as well as Oscar Mayer chilled meats. The new deal gives Sims distribution rights over those products previously distributed plus a new range of products.

(Source: South China Morning Post, May 12, 1999)

5. Restaurant Directory Service on the Internet

The first comprehensive interactive Hong Kong restaurant directory has been born and it now operational on the Internet. The foodeasy.com Website provides a user friendly method to search for Hong Kong restaurants on the Internet. If you don't know where to dine, this Website also provides you with a list of recommendations. The Foodeasy Website is: <http://www.foodeasy.com>.

(Source: Hong Kong Economic Times, April 21, 1999)

6. Discount Trend in Hong Kong Restaurants

Since Hong Kong's economy remains in recession, the major issue for restaurants in Hong Kong is how to survive and remain competitive. "Discount" seems to be one of the preferred solutions. More and more restaurants are jumping on the discount bandwagon like never before.

Set-price lunches and dinners are becoming the norm for most conservative spending dinners - while la carte menus are being dramatically trimmed. Formal, expensive fine dining is on the decline; welcome to the cheap and cheerful world of the café culture where value for money and quality is the name of the game.

Survival tactics are also extending to dining hours. Special discounts are offered to customers who dine during off-peak hours for lunch or dinner.

(Source: "Wine & Dine", South China Morning Post, April 18, 1999).

7. Market Republic Plans to Go Public

Supermarket operator Consumer Republic (Holdings) plans to seek a listing on the Hong Kong Stock Exchange after opening its second outlet next year. Market Republic sells premium food and household products imported primarily from the U.S. They are planning to open a new store in the next few months. Their goal is to open one store annually during the next five years in Hong Kong and a string of outlets in Asia, including shops in South Korea and Beijing.

(Source: South China Morning Post, May 14, 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.:

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:

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

- July 9 - 21, 1999; Jusco Great American Food Fair'99:** ATO Hong Kong and Jusco Stores are in negotiations for possibly launching a "Great American Food Fair". It's predicted the fair will be held in 7 of their stores within their supermarket sections. U.S. cooperators are expected to participate in this promotion. Please stay tuned for more details.
- June 25 - July 8, 1999; Guangnan (K.K.) Supermarket Great American Food Promotion:** ATO Hong Kong is reviewing a detailed proposal from Guangnan (K.K.) Supermarket for a "Great American Food Promotion" in late June. Although there has been a substantial amount of news coverage relating to the

financial instability of the Guangnan Group (the parent company), Guangnan (K.K.) Supermarket chain still maintains 46 stores and is reported to have healthy operations. State Regional Trade Groups and U.S. Cooperators are expected to participate in this promotion.

3. **Buying Trip and Promotion with Park'N Shop:** ATO Hong Kong is working very closely with Park 'N Shop and State Regional Trade Groups to arrange a buying trip to the U.S. and a possible U.S. food Promotion. More details to be announced as plans develop.

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

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