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GAIN Report #HK0005

Hong Kong

ATO ACTIVITIES reports

Agricultural Export Opportunities Update

2000

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Report Highlights:

- S** Real GDP grew by 4.5% in the third quarter 1999, and the growth in the second quarter was revised upward to 1.1% from 0.7%.
 - S** Retail sales increased by 3.1% in volume terms in October 1999.
 - S** Effective January 1, the Hong Kong government implemented its long-awaited reorganization of food safety agencies.
 - S** Wellcome has started a US\$100 million refurbishment and expansion program that will include opening 40 shops over the next four years and refurbishing 65 stores in Hong Kong.
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Includes PSD changes: No

Includes Trade Matrix: No

Trade Report

Hong Kong [HK1], HK

Agricultural Export Opportunities Update

January 15, 2000

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SECTION 1: MARKET IN BRIEF

- S** Real GDP grew by 4.5% in the third quarter 1999, and the growth in the second quarter was revised upward to 1.1% from 0.7%.
- S** Retail sales increased by 3.1% in volume terms in October 1999.
- S** Inflation, measured by Composite Consumer Price Index (CCPI), continued to decline by 4.2% in November.
- S** The number of tourist arrivals grew by 12.4% to 9.7 million in Jan-Nov 1999.
- S** Total exports continued to improve and increased by 10.3% in November 1999 after 6.2% growth in October.

(Source: Hong Kong Trade Development Council)

SECTION 2: KEY MARKET INFORMATION

1. Reorganization of Hong Kong Food Safety Agencies

Effective January 1, the Hong Kong government implemented its long-awaited reorganization of food safety agencies. The major feature of the reorganization is the creation of the Environment and Food Bureau, which has consolidated various food safety and environmental hygiene responsibilities previously handled by three distinct governmental bodies. The objective of the reorganization is to improve the Hong Kong Government's handling of food safety and environmental hygiene problems by creating a more efficient organizational structure to strengthen and better coordinate the work

previously carried out by the various departments.

For details, please refer to Gain Report #HK0003. Report can be downloaded from FAS Home Page.

2. Wellcome Supermarket Expansion Plan

The Dairy Farm Group, mother group of Wellcome Supermarket chain in Hong Kong, reported a 63 percent year-on-year fall in net profit, excluding exceptional charges, at a time of intensifying competition among supermarkets in Hong Kong. Consolidated profit after tax and minorities dropped to HK\$32.6 million (US\$4.2 million) from HK\$94.5 million (US\$12.3 million) in the previous period. The supermarket price war has compressed profit margins as prices were slashed in an attempt to stay ahead of the competition. Despite the mediocre financial figures, Wellcome has launched a HK\$780 million (US\$100 million) investment plan to fend off competition. Wellcome has started a refurbishment and expansion program that will include opening 40 shops over the next four years and refurbishing 65 stores in Hong Kong.

(Source: South China Morning Post, January 10, 2000)

3. GD Group agreement with bankers

GD Group, mother group of Guangan (K.K.) Supermarket chain, reached an agreement with bankers before Christmas for debt restructuring. This agreement ensured the continuous operation of Guangan (K.K.) Supermarket chain in Hong Kong. At the end of 1998, GD Group ran into serious financial problems and almost had to liquidate the group.

4. CRC Supermarket chain starts the fresh food section.

Due to the highly successful experiences of the leading supermarket chains with expanded fresh food sections, more supermarket chains in Hong Kong are following the trend. CRC Supermarket (55 stores), owned by Ng Fung Hong, launched its first fresh food section in late December, 1999. They plan to increase the fresh foods section to 10 of their stores. They also predicted the sales of fresh food will grow to 30% of the total sales.

5. Wendy's fast food chain retreated from Hong Kong market.

Wendy's fast food chain closed down all 5 stores in Hong Kong in early January, 2000, signifying the total retreat of this fast food chain from Hong Kong market. The close down of Wendy's chain came suddenly and Wendy's employees are seeking legal action to recover unpaid salaries.

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: ccpitsli@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.

B. IN-STORE AND MENU PROMOTIONS

1. **Promotion with Park'N Shop:** ATO Hong Kong is discussing a possible U.S. food promotion early next year with 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.

SECTION 4: OTHER INFORMATION

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

March 9, 2000

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 (**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.