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Hong Kong

Market Development Reports

Hong Kong Frozen Fruits and Vegetables

Market Brief

1999

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Report Highlights:

Although the frozen fruit and vegetable market is small, there is potential to expand through extensive marketing and promotion efforts. Current consumer perceptions that frozen fruit and vegetables are less delicious and less nutritious than fresh products must be changed. Promotional efforts should focus on frozen fruit and vegetables as better alternatives to canned products.

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

TABLE OF CONTENTS

	<u>Page</u>
Introduction	2 - 4
Frozen Fruit & Vegetable Trade	5 - 8
Consumption and Segmentation	9 - 10
Distribution	11 - 13
Pricing	14
Marketing and Promotion	15
Rules and Regulations	16
Recommendations	17
Contact	18 - 19

INTRODUCTION

Methodology

The goal of this report is to provide a brief on the frozen fruit and vegetable markets in Hong Kong as future developments.

For Hong Kong dollar currency figures, the exchange rate used is US\$1 = HK\$ 7.78.

Executive Summary

The frozen fruit and vegetable market in Hong Kong is small. Though there is potential to expand the market, extensive marketing and promotion efforts are required to achieve results. A critical consideration is to overcome current consumer perceptions that frozen fruit and vegetables are less delicious and less nutritious than fresh fruit and vegetables.

Promotional efforts should focus on frozen fruit and vegetables as better alternatives to canned products. Retail food service and institutional sectors should be targeted as frozen products offer longer shelf life and freshness than canned products, and are often in a labor saving form.

As poor economic conditions are expected to remain through 1998, retail prices should further decline for great many products. Caution should be exercised in terms of promotion cost, and expectations on potential returns should be moderated.

Frozen Fruit

Frozen fruit is insignificant in the frozen category representing approximately 2% of imports. Most frozen fruit are targeted to the institutional food sector. Hong Kong consumers overwhelmingly prefer fresh fruit in the retail sector. Also, efforts are required to displace the canned food segment. Overall the Philippines is the largest source of frozen fruit imports, except for frozen berries where the USA dominates.

Frozen Vegetables

Frozen vegetables represent over 98% of the frozen market with products widely accepted in both retail and food service sectors, i.e, corn, peas, and mixed vegetables for retail; Corn, potato products, etc, for food service. Frozen vegetables are already prepared for cooking and are convenient and time saving for consumers.

Market Access Statement

LABELING REQUIREMENTS

The Food and Drugs (Composition and Labeling) Regulations require food manufacturers and packers to label products in a prescribed, uniform and legible manner. The following information is required to be marked on

of all prepackaged food except for ‘exempted items’ as provided in the Regulations. Prepackaged food means food packaged in such a way that the contents cannot be altered without opening or changing packaging, and it is ready for presentation to the ultimate consumer or a catering establishment as a single food item.

1 Name of the Food

- a) Prepackaged food shall be legibly marked or labeled with its name or designation.
- b) The food name should not be false, misleading or deceptive but should serve to make the name and type of food known to the purchasers.

2 List of Ingredients

- a) Preceded by an appropriate heading consisting of the words “ ingredients”, “composition”, “contents” or words of similar meaning, the ingredients should be listed in descending order of weight or volume determined when the food was packaged.
- b) If an additive constitutes one of the ingredients of a food, it should be listed by its specific name or by the appropriate category (e.g. Preservative, artificial sweetener, etc.) Or by both name and category.

3) Indication of “best before” or “use by” date.

Prepackaged food shall be legibly marked or labeled with the appropriate durability indication as follows:

- a) a “best before” (in Chinese characters as well) date; and
- b) in the case of a prepackaged food which, from a microbiological point of view, is highly perishable and is likely, after a short period, to constitute an immediate danger to human health, a “ use by” (in Chinese characters as well) date.

The words “use by” and “best before” in English lettering and Chinese characters followed by the date which specific properties of the food can be retained, to indicate the shelf life of the food. The “use by” or “best before” date should be shown either in Arabic numerals in the order of day, month and year (or month and year in certain circumstances) or in both the English and Chinese languages. For specific details refer to the Regulation.

Home Page: <http://www.info.gov.hk/justice>

4) Statement of Special Conditions for Storage or Instruction for Use

If special conditions are required for storage to retain the quality, or special instructions are necessary for prepackaged food use, a statement should be legibly marked on the label.

5) Name and Address of Manufacturer or Packer

Prepackaged food shall be legibly marked or labeled with the full name and address of the manufacturer or packer, except under the following situations:

- a) The package is marked with an indication of the country of origin and the name and address of the distributor or brand owner in Hong Kong, and the address of the manufacturer or packer of the food in its country of origin has been submitted in writing to the Director of Health.
 - b) The package is marked or labeled with an indication of its country of origin and with a code marking identifying the manufacturer or packer in that country and particulars of the code marking and of the manufacturer have been submitted in writing to the Director of Health.
- 6) Count, Weight or Volume

The food label should include the numerical count or net weight or net volume of the food.

- 7) Appropriate Language

The marking or labeling of prepackaged food can be in either the English or the Chinese language or both languages. If both the English and Chinese languages are used in the labeling or marking of prepackaged food, the name of the food and the list of ingredients shall appear in both languages.

Exempt from labeling regulations: Individually wrapped confectionery products and preserved fruits intended for sale as a single item; Prepackaged foods for sale to catering establishment for immediate consumption and those containing more than 1.2 percent alcohol by volume.

Under the amended Food and Drugs (Composition and Labeling) Regulations, it is illegal to sell any food after its "best by" date. Furthermore, any person who, other than the food manufacturer or packer or without their written authorization, removes or obliterates any information on the label required under these regulations also commits an illegal act.

IMPORT DUTIES

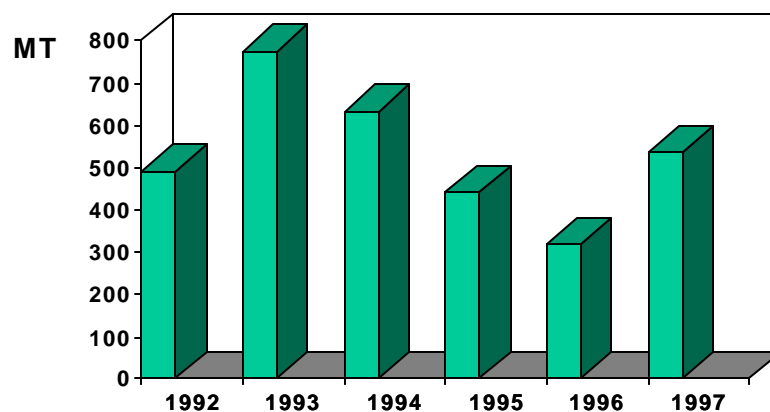
Hong Kong is a free port which does not impose any import tariffs on products with the exception of four dutiable products: liquor, tobacco products, hydrocarbon oils and methyl alcohol. Local importers have to apply for a licence from the Hong Kong Customs and Excise Department for the importation of dutiable commodities. In addition, a licenced importer has to apply for a permit for each and every consignment. The current duties are as follows:

Cigarettes per 1000 sticks	US\$98.45
Cigars per kg	US\$126.74
Beer & liquor with less than 30% alcohol	: 30%
Liquor with more than 30% alcohol	: 100%
All wines	: 60%

FROZEN FRUITS TRADE

- # Import patterns of frozen fruit into Hong Kong over the past five years is erratic with large quantity fluctuations.
 - C The inconsistency is due partly to the fluctuations of re-exports.
- # Re-export trends are also erratic and there have been no specific major destinations.
 - C China, the USA, and Japan have each been major destinations where frozen fruits are re-exported from Hong Kong .
 - C Frozen fruit re-export volume varies greatly, indicating that regional deals have been made on an ad hoc basis.
- # There has been no domestic production. Therefore, imports less re-exports reflect accurately local consumption.

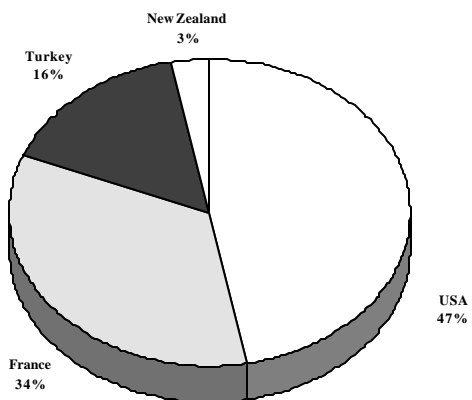
Frozen Fruits Imports 1992-1997



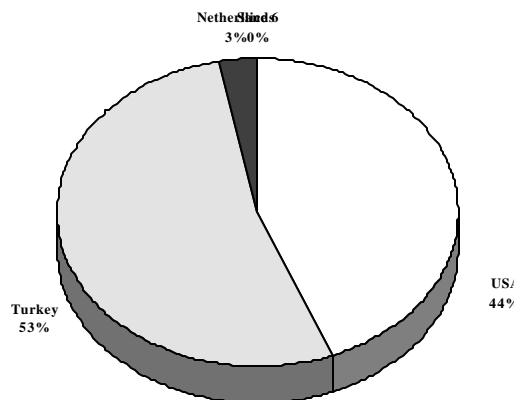
Source: Hong Kong Census and Statistics Department (HKCSD)

FROZEN FRUITS SUPPLY

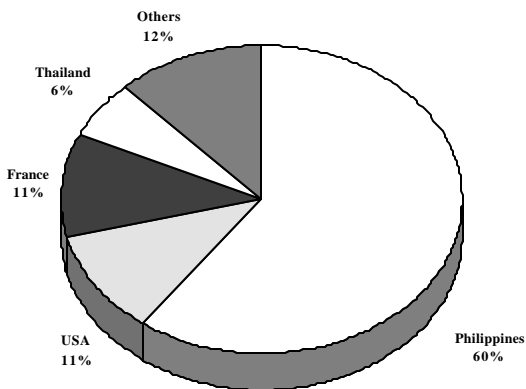
- # Frozen fruit in the Hong Kong market comprises mainly strawberries and other berries.
- # The US has been the major supplier of frozen berries, together with France and Turkey.
- # Other frozen fruit supply is dominated by the Philippines (these include mostly tropical and mixed fruit).



Frozen Strawberry Imports 1997
85,817 kg



Other Frozen Berries Imports 1997
4,504 kg

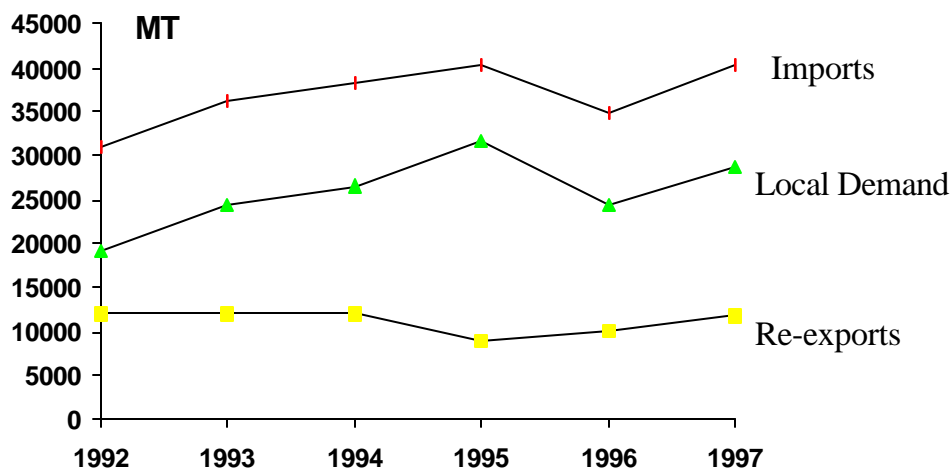


Other Frozen Fruit Imports 1997
500 MT

Source: HKCSD

FROZEN VEGETABLE TRADE

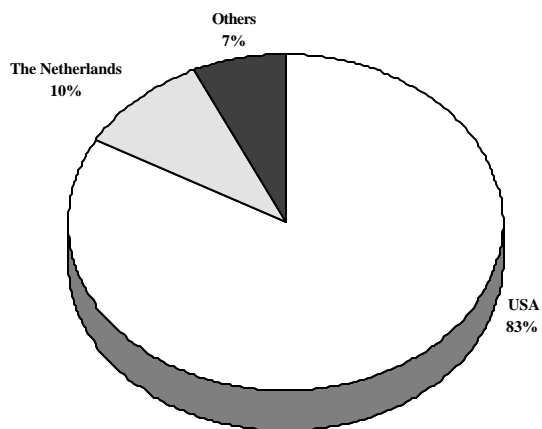
- # Frozen vegetable imports (including frozen french fries) grew significantly from 1992 to 1995, but seriously declined in 1996.
 - C The decline was mainly because of less home cooking as consumers increased spending on restaurants and fast foods.
 - C 1997 saw a recovery to 1995 levels.
 - C The decline in 1996 applies only to certain vegetables. Frozen sweet corn and potato products have experienced consistent increases in demand from 1992 to 1997.
- # There is no domestic frozen vegetable production. Consumption of imports therefore represents local demand..



Source: HKCSD

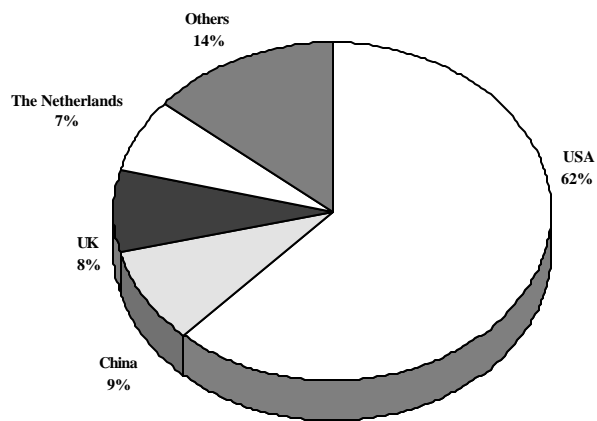
FROZEN VEGETABLES SUPPLY

- # USA imports dominate supply of frozen vegetables to Hong Kong.
 - C The USA supplies 83% of total frozen corn and 62% of other frozen vegetables (these include frozen broccoli, cauliflower, beans, etc., most of which are products by Hyde Park, Green Giant, Bird's Eye, etc)..
 - C Other major suppliers are mostly Western countries like the Netherlands and UK.
- # China supplies about 7% of frozen vegetables to Hong Kong.
 - C As China improves upon current refrigerated transport facilities, near-term supply is expected increase.



Frozen Corn Imports 1997

10,054 MT



Other Frozen Vegetable Imports 1997

30,372 MT

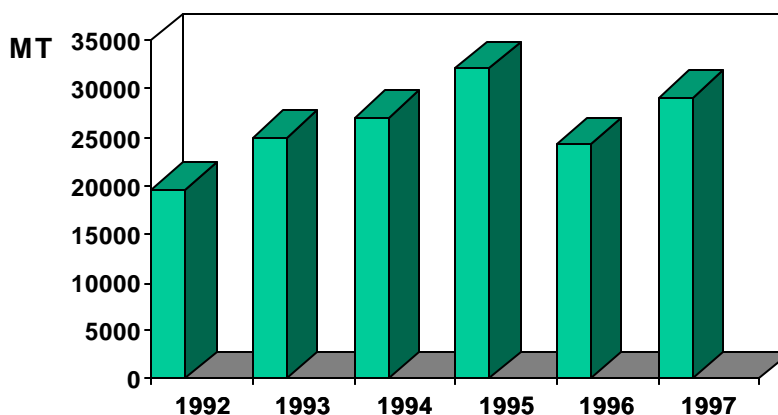
Source: HKCSD

LOCAL DEMAND

- # The frozen fruit and vegetable market in Hong Kong is small.
 - C Frozen fruit and vegetables are more expensive than fresh fruit and vegetables.
 - C It is known to consumers that the frozen products are not as tasty and nutritious as the fresh products.

- # Nevertheless, the local demand of frozen fruits and vegetables has increased significantly from 1992 to 1995. Demand suffered a 25% decline in 1996, but recovered in 1997.
 - C The consistent increase in demand from 1992 to 1995 is mainly due to the increase in supermarket distribution. Consumers realized that frozen foods are convenient and easy to prepare as compared to traditional Chinese food preparations.
 - C The significant decline in 1996 was due to less home cooking as consumers increased spending on restaurants and fast foods.
 - C In 1996, more Hong Kong people visited and migrated to Mainland China, causing local food consumption to decline (the border traffic has been enormous over the past two years and has affected the food demand in Hong Kong).

- # 1998 should see an increase in the demand for frozen fruits and vegetables from 1997.
 - C A weak economy in 1998 is expected to drive frozen food demand as supermarket purchases.
 - C Frozen fruits and vegetables demand in 1999 is expected to remain flat from 1998.

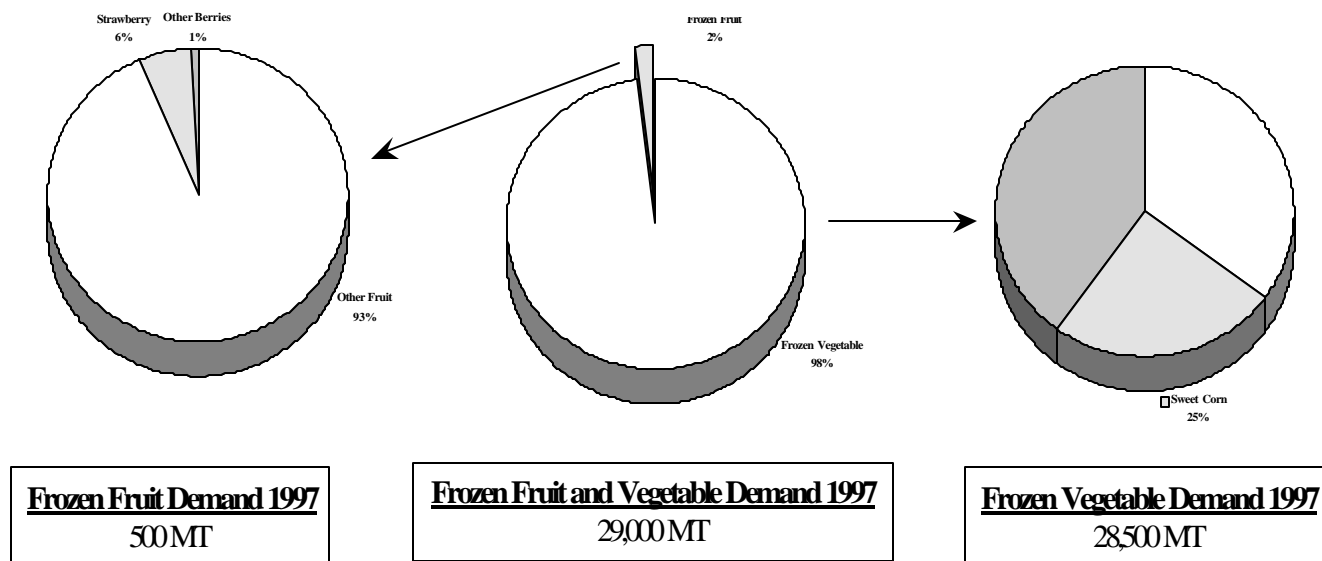


Local Demand of Frozen Fruit and Vegetables 1997

Source: Eastern Strategic Consulting Limited
(ESCL)

PRODUCT SEGMENTATION

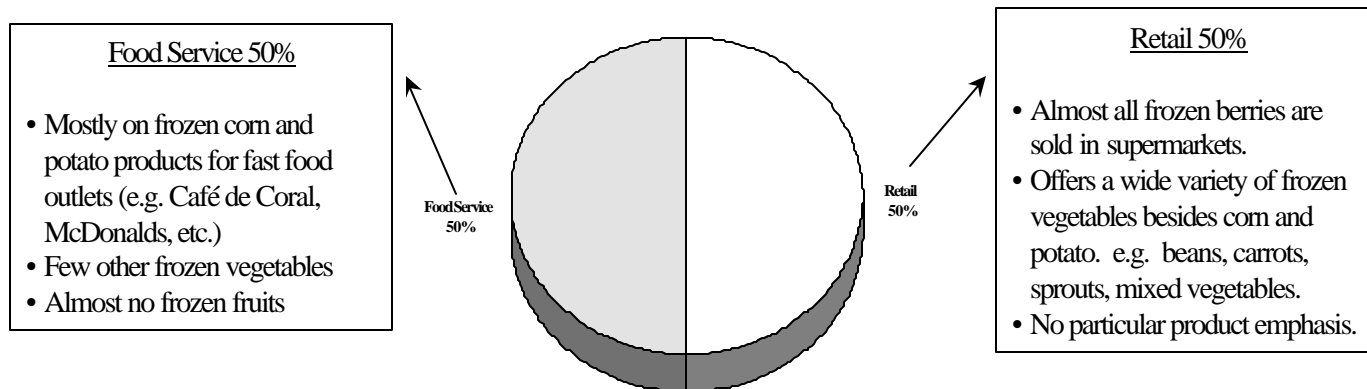
- # At present, frozen fruits and vegetables represent only a small portion of total frozen food in the Hong Kong market.
- C Growth in recent years has slightly expanded the segment's market share.
- C Despite recent growth, frozen fruits and vegetables are not expected to become a significant portion of total frozen food.
- # Within the segment, frozen vegetables dominate. Frozen fruit accounts for less than 2% of total.
- C Frozen berries are mostly strawberries and other berries.
- C Other frozen fruits are a fragmentation of types.
- C For frozen vegetables, the most common are potato products(french fries), corn and mixed vegetables.



Source: Eastern Strategic Consulting Limited (ESCL)

PRODUCT DISTRIBUTION

- # Frozen fruits and vegetables are distributed in Hong Kong through two channels:
 - C Supermarket chains and major department stores (retail sector).
 - C Food service sector.
- # In 1997 the distribution ratio for each channel is about equal.
 - C 1998 should see a slight decline in food service demand and an increase in retail demand, as supermarket sales are expected to improve in the current weak economy.
 - C The distribution ratio for 1998 and 1999 is expected to be 45% for food service and 55% for retail sales.



Source: Eastern Strategic Consulting Limited (ESCL)

RETAIL DISTRIBUTION

Segment	Key Players	Market Positioning and Comments
Department Stores	C Hong Kong Seibu	C Important segment in this channel
	C Jusco	C Market share remains consistent
	C Sogo	
Chain Supermarkets	C Wellcome	C Most important segment in this channel
	C Park N Shop	C Largely take-home purchases
	C Guangnan	C Wellcome and Park N Shop are serious competitors, and have similar market share. Together they constitute about 75% of this sector
	C Dah Chong Hong	C General strategy is to expand market reach by increased number of outlets

FOOD SERVICE DISTRIBUTION

Segment	Players	Market Positioning	Outlook
Restaurants	<ul style="list-style-type: none"> Ⓒ Big restaurants like Dun Wong, Palace, Hanbo, etc. Ⓒ Presently Hong Kong has over 10,000 restaurants 	<ul style="list-style-type: none"> Ⓒ Declining overall business in 1997 of 30-40% affecting frozen fruit and vegetable demand Ⓒ Many restaurants have closed by the end of 1997 and in 1998 	<ul style="list-style-type: none"> Ⓒ Undesirable market sentiments likely to continue in 1998, expecting recovery in 1999
Hotels	<ul style="list-style-type: none"> Ⓒ Presently total more than 1500 in Hong Kong. Of that there are 120 major hotels of 5, 4, and 3-star categories. 	<ul style="list-style-type: none"> Ⓒ Declining overall business in 1997 of 30 to 40% affecting food service sales 	<ul style="list-style-type: none"> Ⓒ Undesirable market sentiments in 1998

PRICING AND PACKAGING

Brand	Product	Price (HK\$)
Hyde Park	Whole kernel corn 16oz	13.8
	Crinkle cut potato 907gm	18.9
	Green pea 453gm	13.9
	Corn	17.9
	Mixed Vegetable 453gm	10.8
Birds Eye	Mixed Vegetable	14.9
	Garden peas 227g	13.9
Green Giant	Corn	18.9
Still Well	Onion Rings 454gm	16.9
Shearway	Strawberries 500g	29

MARKETING AND PROMOTIONS

- # There have been no specific marketing and promotion programs for frozen fruits and vegetables in Hong K
- # Unlike fresh fruits, frozen fruit and vegetable advertisements are rarely seen on TV.
- # The only promotion of frozen fruits and vegetables are from supermarkets, where discount coupons are of for specific products, i.e, Bird's Eye, Green Giant, etc.
- # The US Agricultural Trade Office in Hong Kong is available to offer help to American companies and their distributors to more effectively promote their products by facilitating and organizing seminars, conference introducing alliances.

Agricultural Trade Office

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Fax: (852) 2845-0943

E-Mail: ATOHongKong@fas.usda.gov

Internet Homepage: <http://www.usconsulate.org.hk/ato>

RULES AND REGULATIONS

- # As Hong Kong is a free port, there are no import duties on frozen fruits and vegetables.

- # For imports into Hong Kong, a health certificate is required to certify that the product is produced and shipped under hygienic conditions, and samples inspected using a test method approved by the country of origin (for example, The US Agriculture Department, etc.).

- # Packaging requirements must comply with the Hong Kong Food and Drug Regulations, which include proper labelling of items, ingredients, shelf-life, storage and handling instructions, and other product specifications, volume and weight, and the manufacturer's name and address.

- # Details of import regulation can be obtained from the Hong Kong Government, Department of Health at Wanchai House, 18th Floor, 213 Queen's Road East, Wanchai, Hong Kong.

- C The Health Department also provides hotline for import regulation enquires at (852) 2380-2581

RECOMMENDATIONS

- # The Hong Kong frozen fruit and vegetables market is small and significant growth is not expected.
 - C Historically for fruits and vegetables, Hong Kong consumers overwhelmingly prefer fresh produce frozen. This is not expected to change significantly in the near term.

- # At present American frozen fruit and vegetable suppliers (Hyde Park, Green Giant, etc.) dominate the retail segment, where significant growth in the near term is not expected.

- # Promotional efforts should focus on frozen fruits and vegetables as better alternatives to canned products. suppliers should target the food service and institutional sectors , educating the customers that frozen products offer longer shelf life and greater freshness than canned products, and are often in a labor saving form.

- # As poor economic conditions are expected to remain through 1998 and 1999, retail prices should further decline for a great many products. Therefore caution should be exercised in terms of promotion cost, and expected potential returns should be moderated.

CONTACTS

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Fax:(852) 24899627

CONTACTS

List of Important Government Web Sites and E-Mail Addresses

Department	Web Site	E-Mail Address
Census and Statistics Department	http://www.info.gov.hk/censtatd/	genenq@censtatd.gcn.gov.hk
Company Registry	http://www.info.gov.hk/cr/	crenq@cr.gcn.gov.hk
Consumer Council	http://www.consumer.org.hk	cc@consumer.org.hk
Financial Secretary's Office Business and Services Promotion Unit	http://www.info.gov.hk/bspu/	bspuenq@bspu.gcn.gov.hk
Economic Services Bureau	http://www.info.gov.hk/esb	esbuser@esb.gov.hk
Trade and Industry Bureau	http://www.info.gov.hk/tib/	--
Department of Health Headquarters	http://www.info.gov.hk/dh/index.htm	dhenq@dh.gcn.gov.hk
Industry Department	http://www.info.gov.hk/id	industry@id.gcn.gov.hk
Trade Department	http://www/info.gov.hk/trade	dcsn@trade.gcn.gov.hk
Hong Kong Trade Development Council	http://www.tdc.org.hk	hktdc@tdc.org.hk