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Fresh Deciduous Fruit

Market Report On Stone Fruits

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Report Highlights:
This report examines competition that U.S. stone fruits (namely fresh peaches/ nectarines and plums) face in Hong Kong. The report is comprised of three sections. The first section identifies major stone fruit suppliers for the Hong Kong market and discusses current competition trends. The second section reports on marketing activities sponsored by other stone fruit suppliers. The final section assesses the impact of a sluggish economy on overall fruit sales and forecasts Hong Kong's stone fruits imports for 1999.

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Market Report on Stone Fruits

This report examines competition that U.S. stone fruits (namely fresh peaches/nectarines and plums) face in Hong Kong. The report is comprised of three sections. The first section identifies major stone fruit suppliers for the Hong Kong market and discusses current competition trends. A table which breaks down monthly imports of stone fruits to Hong Kong by source is included. Hong Kong is a free market with an array of fruits available throughout the year. U.S. stone fruits face intense competition, not only from other countries supplying stone fruits, but also competition from other fruit categories. This section also looks at the overall fruit supplies during the season in which U.S. stone fruits are available in Hong Kong. The second section reports on marketing activities sponsored by other stone fruit suppliers. The final section assesses the impact of a sluggish economy on overall fruit sales and forecasts Hong Kong's stone fruits imports for 1999.

Competition from Other Suppliers

Hong Kong Government (HKG) statistics group peaches and nectar9ines together while plums fall under a separate category. The U.S. is the largest supplier of peaches/nectarines (62 percent in 1997) and plums (66 percent in 1997) . Other major suppliers include Chile, China and Australia (see Tables 1, 2, 3, and 4).

It is worth noting that both Chile and Australia supply stone fruits to Hong Kong, but during a different season than the U.S. China is the only significant competitor faced by U.S. stone fruits during the same season. Out of the three types of stone fruits, China is extremely strong in peaches. Hong Kong fruit traders revealed that both the quality and packaging of Chinese peaches have improved tremendously over the years. Chinese peaches are mostly produced in Szechuan and Beijing areas. They are delivered to the southern part of China by air and then exported to Hong Kong by boat or truck. The transportation time is short so the peaches are able to remain fresh throughout the entire distribution channel. The products generally reach the retail markets in Hong Kong in good shape. Both the production and transportation costs of Chinese peaches are far lower than those of U.S. peaches. Chinese peaches are supplied to the Hong Kong market at very competitive prices. Given their good quality and competitive prices, Chinese peaches sell much better than U.S. peaches in Hong Kong. In the summer of 1997, the wholesale price of Chinese peaches were 30 percent less than prices of U.S. peaches. The significant price gap makes it difficult for U.S. peaches to compete in the Hong Kong market. This explains why the market share of Chinese peaches/nectarines jumped from 8 percent in 1997 to 24 percent in the first nine months of 1998. Chinese peaches are already established and have a strong hold in this market. Consumers already accept the size and taste of Chinese peaches.

Conversely, U.S. nectarines dominate the Hong Kong market during the summer. As of 1998, the supply of Chinese nectarines to Hong Kong was insignificant. Traders commented that the quality of Chinese nectarines were inconsistent and supplies not stable. Chinese nectarines are usually smaller than American ones. Unlike peaches, China is not yet able to compete with the U.S. in selling nectarines. However, China does produce nectarines and will continue to make quality improvements over the years. Presently, it is difficult to predict when China will be able to successfully improve the quality and provide a dependable supply of nectarines which are comparable to the export standard. Sooner or later, China will become a serious competitor of U.S. nectarines, as it has managed to do with peaches. Hong Kong is a sophisticated market which demands high quality products, yet at competitive prices. Once China becomes more sophisticated in production and packaging techniques for nectarines, it will prove to be a strong contender because China has always enjoyed the privilege of being close in proximity to Hong Kong. This geographical proximity is translated into lower transportation costs and faster delivery times.

Like nectarines, U.S. plums are well received by Hong Kong consumers. The U.S. captures a very strong position in the Hong Kong plum market. However, US plums began to face competition from Chinese plums beginning the summer of 1998. China used Hong Kong as a test market for its Kelsey plum variety and successfully introduced this product to Hong Kong consumers. Some local fruit wholesalers who did not sell Chinese Kelsey in 1998 said they will consider selling them during the 1999 season because of the positive response the Kelsey received in 1998. It is probable that the Chinese Kelsey will be able to expand its market share in the future as long as China is able to increase production.

Competition from Other Fruits during Summer Months

Hong Kong is a free market without any trade barriers applied to fresh fruit imports from any country. The popularity of a product is purely based on price, quality and taste. U. S. stone fruits to Hong Kong are supplied from June to September. During these months, in addition to competition from stone fruits from China, U.S. stone fruits face competition from a variety of other fruits, including oranges, apples, grapes, watermelons and pears. Please refer to tables 5 & 6 for import market share and retained import market share of fruits, respectively.

Competitors' Marketing Activities

Other stone fruit supplying countries do not have trade representatives based in Hong Kong. There have been no competitor marketing activities for stone fruits.

Australia's nonprofit Horticultural Corporation, an industry representative body with the primary objective of promoting Australian fruit products, stages an outward mission to Hong Kong and Guangzhou each year. The objective is to obtain first-hand information on the market and meet with traders. However, their focus is primarily on citrus products. The Australian Trade Commission in Hong Kong simply provides logistical support to the Corporation.

Trade Policy and Forecasts

It has been over one year since Hong Kong became the Special Administrative Region of China. Hong Kong remains a free port without imposing any trade barriers on imports. Its trade policy remains unchanged from pre-transition days.

1998 witnessed a decline in the overall category of fruit imports to Hong Kong, which was a result of the sluggish economy. Comparing import figures for the first nine months in 1997 and 1998, overall fruit imports dropped 22 percent, with stone fruits dropping 11 percent, in terms of value. The economic situation in China has a profound influence on many of Hong Kong's fruit imports. Over 23 percent of Hong Kong's overall fruit imports are re-exported to China. It is noteworthy, however, that most of Hong Kong's imports of stone fruit are retained in Hong Kong, i.e. not re-exported to China and other neighboring markets. In 1997, only about 3 percent of stone fruit exports were re-exported. This situation is due largely to the fact that China supplies good quality stone fruit at the same time that U.S. product arrives in Hong Kong. (Please refer to table 7).

The economy of Hong Kong has been going through a major readjustment since the last quarter of 1997 fueled by the regional financial crisis. The general economic sentiment was worsened by the downturn of the stock market, property prices and the rising unemployment rate. According to the government's tentative estimates, real GDP fell by about 7.1 percent in the third quarter of 1998, as compared to declines of 2.6 percent and 5.1 percent in the first and second quarters, respectively. The HKG revised its GDP forecast downward for 1998 to a decline of 5 percent in real terms. Private consumption has also contracted. Inevitably, Hong Kongers' consumption of fruits declined including stone fruit consumption. That is why retained imports of all fruits during the first nine months of 1998 dropped by 10 percent as compared with the corresponding period in 1997. (Please refer to table 8)

1999 is expected to be another year of painful economic adjustment for Hong Kong. According to a Business Outlook Survey conducted by the American Chamber of Commerce, AmCham member companies predict a tough year ahead in 1999, but anticipate a recovery in 2000. Despite the gloomy short-term forecast, AmCham member companies continue to be optimistic on Hong Kong long-term.

China also appears to have entered into an economic and import consolidation phase. Periodic vigorous anti-smuggling campaigns in China have increased "transportation costs" of fruits re-exported from Hong Kong to China. Also, the restructuring of state-run enterprises has resulted in huge unemployment in China. With larger domestic stone fruit crops expected in 1999, the demand for stone fruits in China is unlikely to increase in the next year.

With the Hong Kong economy not being very strong, both local consumption and re-exports to China of stone fruit imports will likely ease further in 1999, possibly by another 5 percent. Hong Kong consumers will continue to be very conservative when spending money. Price remains the key factor affecting their purchasing decisions. Also, it is expected that U.S. stone fruits will face increasing competition from China which are offered at very competitive prices. However, this situation could change rapidly, depending upon supplies and prices of all fresh summer fruits. Hong Kong is a very price-sensitive market and lower U.S. stone fruit prices in 1999 or smaller supplies of competing fruit could significantly boost prospects for U.S. stone fruit in Hong Kong later this year. Therefore, it is vital the US conducts systematic marketing programs highlighting U.S. stone fruits in the Hong Kong market. The program should have two approaches; to educate the public on the nutritional and unique taste of U.S. stone fruits, and to educate the trade on how to handle these products.

Table 1 : Hong Kong Monthly Import of Peaches/Nectarines by Major Suppliers, 1997, KG

	USA	Spain	Chile	China	S. Africa	Australia	Total Supplies
January	60,536	0	285,992	0	0	155,872	512,350
February	5,600	0	463,564	0	0	118,639	611,803
March	29,934	0	339,779	0	0	103,120	472,833
April	8,924	0	40,547	0	0	167,280	227,163
May	107,989	0	0	12,000	0	13,174	133,379
June	633,565	0	0	55,004	0	4,610	698,665
July	1,765,812	0	0	75,662	0	1,820	1,870,738
August	1,132,111	20,943	0	237,850	0	0	1,391,770
September	169,891	63,436	0	87,320	0	0	323,637
October	31,470	0	0	1,000	0	2,735	69,374
November	31,352	0	0	24,000	5,586	8,657	69,595
December	62,704	0	0	2,000	16,534	101,027	182,965
Total	4,039,888	84,379	1,129,882	494,836	22,120	676,934	6,564,272
Market Share	62%	1%	17%	8%	0%	10%	100%
US$ per Kg	1.30	0.78	1.53	0.80	2.95	2.64	1.45

Table 2 : Hong Kong Monthly Import of Peaches/Nectarines by Major Suppliers, 1998, KG

	USA	Spain	Chile	China	S. Africa	Australia	Total Supplies
January	0	0	44,390	10,000	0	225,903	281,617
February	21,600	0	128,736	0	16,800	353,608	544,570
March	0	0	145,880	0	66,800	485,138	716,878
April	0	0	20,088	0	0	14,114	34,202
May	4,428	0	0	26,800	1,357	0	33,017
June	383,856	0	0	249,634	0	0	633,530
July	656,935	0	0	305,011	25,505	0	992,465
August	918,435	0	0	383,356	0	0	1,316,901
September	248,458	84,600	0	294,210	0	40,800	373,121
Total	2,233,712	84,600	339,094	1,269,011	110,462	1,119,563	5,226,301
Market Share	43%	2%	6%	24%	2%	21%	100%
US$ per Kg	1.39	1.30	1.80	0.82	1.43	1.94	1.40

Note : Average price is valued on a c.i.f. basis
Source : Hong Kong Census & Statistics Department

Table 3 : Hong Kong Monthly Import of Plums by Major Suppliers, 1997, KG

	USA	Chile	China	S. Africa	Australia	Total Supplies
January	249,674	231,741	40,640	7,928	560,910	1,128,373
February	340,850	622,522	0	217,201	936,022	2,131,555
March	330,308	2,240,207	22,560	94,404	661,973	3,349,932
April	222,904	1,044,685	0	0	221,341	1,491,530
May	45,316	0	16,200	0	81,790	151,706
June	694,079	0	11,540	0	1,040	715,059
July	3,769,764	0	27,000	0	9,945	3,806,709
August	4,378,129	0	52,200	0	0	4,430,329
September	3,529,374	0	26,000	0	0	3,555,374
October	1,024,473	0	0	0	0	1,093,273
November	19,432	0	0	2,030	2,480	23,942
December	15,600	0	0	91,169	62,701	159,470
Total	14,619,903	4,139,155	196,140	402,732	2,538,202	22,037,252
Market Share	66%	19%	1%	2%	12%	100%
US$ per Kg	1.34	1.57	0.93	1.98	2.28	1.50

Table 4 : Hong Kong Monthly Import of Plums by Major Suppliers, 1998, KG

	USA	Chile	China	S. Africa	Australia	Total Supplies
January	57,200	0	0	185,486	628,018	915,204
February	229,315	128,235	3,000	95,614	1,144,408	1,600,572
March	674,797	1,633,815	0	69,790	1,185,642	3,583,844
April	374,238	956,865	0	0	345,506	1,676,609
May	49,600	92,800	6,600	0	48,568	201,148
June	53,939	0	65,300	0	19,171	138,410
July	1,531,265	0	84,660	0	0	1,615,925
August	2,889,329	0	19,301	0	0	3,092,470
September	4,600,676	0	6,400	0	10,820	4,712,868
Total	10,460,359	2,811,715	185,261	350,890	3,382,133	17,537,050
Market Share	60%	16%	1%	2%	19%	100%
US$ per Kg	1.44	1.78	0.85	1.89	2.12	1.62

Note : Average price is valued on a C.I.F. basis

Source : Hong Kong Census & Statistics Department

Table 5 : Fruit Imports to Hong Kong by all countries during June - September,

	1997 USD in thousands	1997 Market Share	1998 USD in thousands	1998 Market Share
Stone Fruit	22,134	5%	17,991	6%
Oranges	51,734	13%	78,387	25%
Grapes	66,414	16%	36,492	12%
Watermelons	13,258	3%	22,955	7%
Papayas	3,443	1%	2,459	1%
Apples	28,937	7%	29,268	9%
Pears	18,575	5%	16,823	5%
Strawberries	2,489	1%	2,710	1%
Lychees	12,497	3%	3,372	1%
Longans	94,553	23%	7,508	2%
Durians	21,261	5%	19,454	6%
All Fruits	404,419	100%	313,640	100%

Table 6 : Hong Kong Retained Imports of Fruit by all countries during June - September,

	1997 USD in thousands	1997 Market Share	1998 USD in thousands	1998 Market Share
Stone Fruit	21,866	6%	16,197	8%
Oranges	47,126	14%	52,422	25%
Grapes	55,819	16%	13,707	6%
Watermelons	13,209	4%	22,889	11%
Papayas	3,370	1%	2,357	1%
Apples	18,182	5%	14,354	7%
Pears	16,762	5%	15,729	7%
Strawberries	2,457	1%	2,700	1%
Lychees	5,101	1%	1,823	1%
Longans	85,880	25%	5,213	2%
Durians	16,943	5%	3,299	2%
All Fruits	342,901	100%	213,389	100%

Note : Imports are valued on a c.i.f. basis
Source : Hong Kong Census & Statistics Department

Table 7 : Percentage of Hong Kong Overall Fruit Imports being re-exported in 1997, in USD thousands

	Overall Fruits	Stone Fruits
Total Imports	989,672	42,614
Re-exports	225,271	1,380
% re-exported	23%	3%

Table 8 : Retained Imports of Hong Kong Fruits from January to September, in USD thousands

	1996	1997	1998
Imports	685,474	781,845	743,670
Re-exports	184,234	133,934	162,497
Retained Imports	501,240	647,911	581,173

Source : Hong Kong Census & Statistics Department