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Market Development Reports

Hong Kong Cheese Market Brief

1999

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Report Highlights:

There are opportunities for U.S. suppliers of cheese products in Hong Kong and China. A consistently applied market approach with strong promotional support, the right packaging and price points will allow U.S. suppliers to be competitive in both the retail and institutional sectors. The Hong Kong market is growing and will continue to grow. Without consistent support for U.S. cheese in Hong Kong, U.S. suppliers will be left out of this growing market.

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

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INTRODUCTION

Methodology

The goal of this report is to provide an assessment of the cheese market in Hong Kong from 1992 to 1997 as well as project future developments through the year 1999. For the purpose of this report, five different categories of cheese will be used as devised by the Hong Kong Statistics Department. They are Grated or Powdered Cheese of all kinds, Processed Cheese, Processed Cheese not Grated or Powdered, Blue-Veined Cheese and Fresh (unripened or uncured) cheese.

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

Main Findings

According to the published statistics, the total Hong Kong cheese market grew at 8% AAGR over the 1992-98 period. Local demand is the key driving force, but this figure is considered to be too high. Cheese re-exports to China are under estimated, as traders often do not declare and undervalue cheese coming across the China-Hong Kong border. Therefore, the local demand is estimated to have grown at only 5.7% over the 1992-97 period. More importantly, the overall market for cheese is still growing, however, certain segments are flat and the current (1997) economic crisis has adversely affected demand. The Cheese market in Hong Kong will slow in growth for 1998, but for the long term growth in this market is expected to continue.

Local demand for powdered and grated cheese will decline, but demand in China will increase as more and more snack foods produced in China require Cheese powder for flavoring. The demand for processed cheese will remain flat or increase slightly as institutional consumers look for cheaper alternatives. The demand for fresh or aromatic cheeses will experience a slight decline in the institutional sector as hotels and restaurants are feeling the affect of a slump in the tourist industry and business environment.

Although local demand is driving cheese imports, suppliers are anticipating the re-export market to grow as suppliers find it easier to use Hong Kong as a transshipment port to China as it receives over 60% of all cheese re-exported from Hong Kong. Macau receives 30% of re-exported cheese and the majority of that is re-exported to China.

There are opportunities for U.S. suppliers of cheese products in Hong Kong and China. A consistently applied market approach with strong promotional support, the right packaging, and price points will allow U.S. suppliers to be competitive in both the retail and institutional sectors. The Hong Kong market is growing and will continue to grow. Without consistent support for U.S. cheese in Hong Kong, U.S. suppliers will be left out of this growing market.

Market Access Statement

LABELING REQUIREMENTS

The Food and Drugs (Composition and Labeling) Regulations require food manufacturers and packers to label their products in a prescribed, uniform and legible manner. The following information is required to be marked on the label of all prepackaged food except for 'exempted items' as provided in the Regulations. Prepackaged food means any food packaged in such a way that the contents cannot be altered without opening or changing packaging and the food 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 nature 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 as at the time of their use 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 the 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 up to 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/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 needed 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 notified 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 notified 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 in 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 an offence to sell any food after its “use by” date. Furthermore, any person who, not being the food manufacturer or packer or without their written authorization, removes or obliterated any particulars on the label required under these regulations also commits an offence.

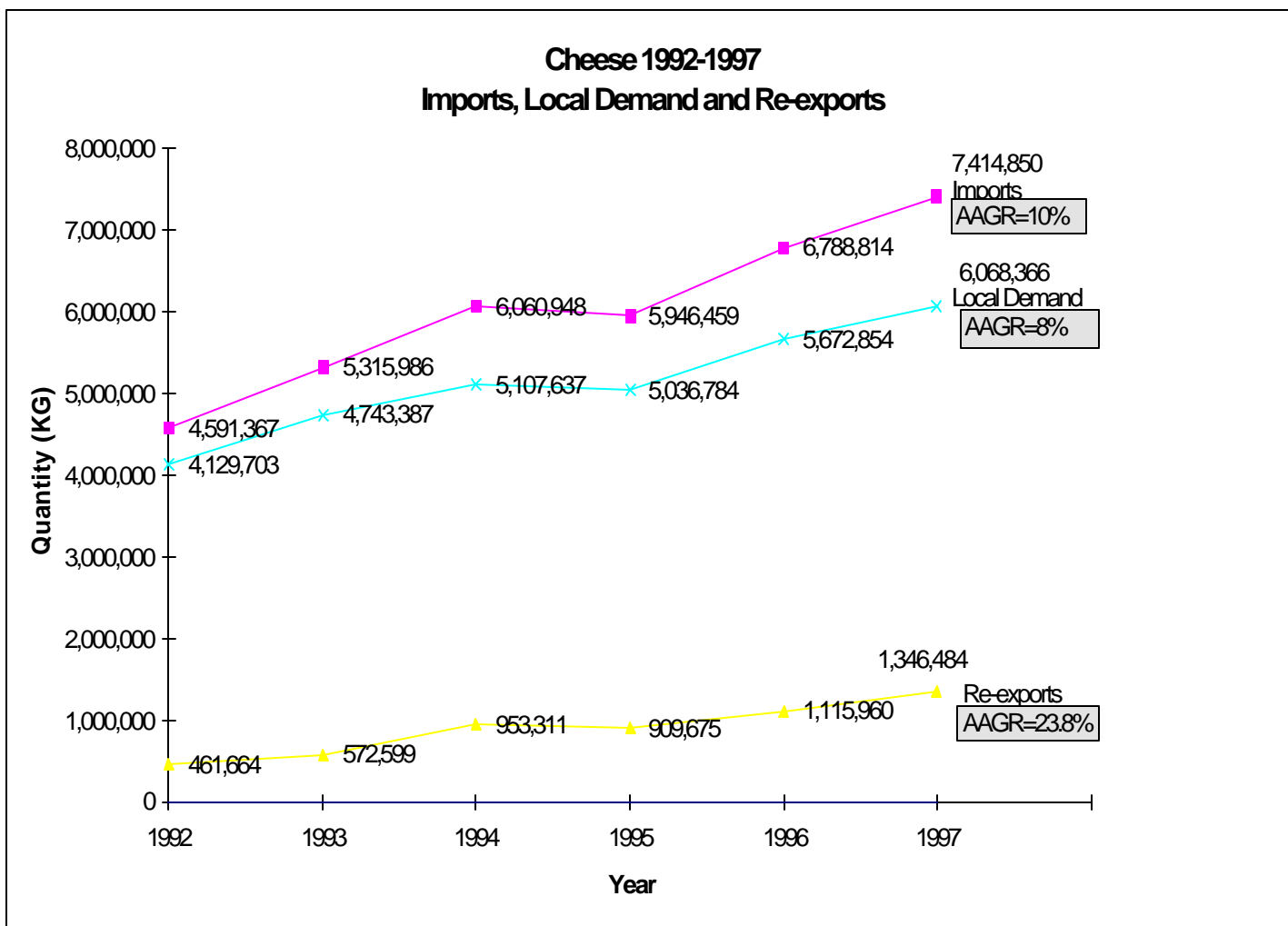
IMPORT DUTIES

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%

OVERVIEW

Total cheese imports have grown at an average annual rate of 10%. Local demand is the key driving force. With local demand experiencing 8% AAGR for the past five years, the majority of cheese remains in the Hong Kong market. However, re-exports have been growing quickly. A 23.8% AAGR, has local traders anticipating that Cheese re-exports will increase significantly in the years to come.



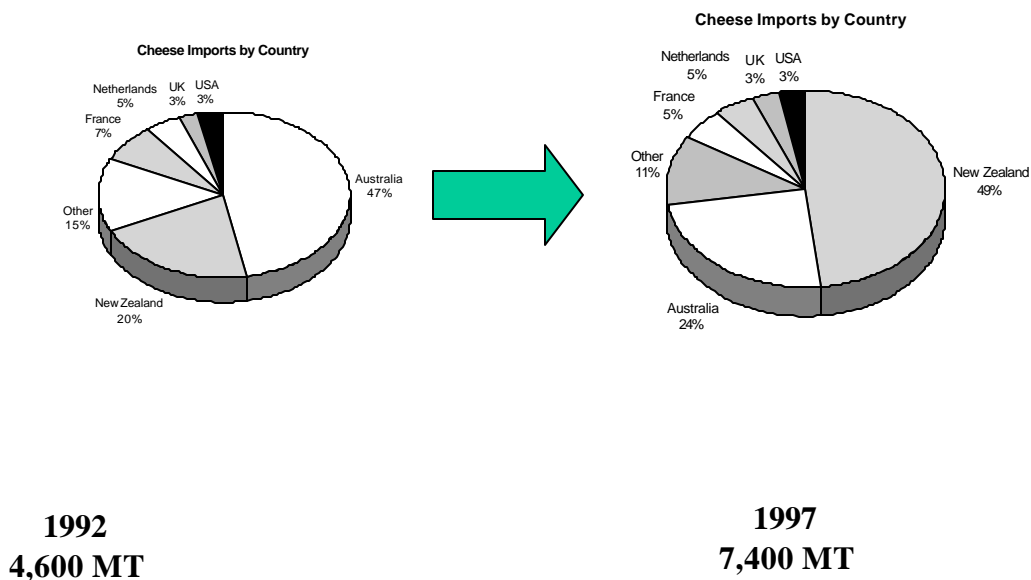
Source: Hong Kong
Census
and Statistics
Department (HKCSD)

IMPORTS

Total volume for cheese imports increased from approximately 4,600 Metric Tons (MT) in 1992 to 7,400 MT in 1997; an increase of approximately 60%. Overall imports grew at 10% AAGR since 1992.

During the last five years Australian and New Zealand cheese producers dominated the Hong Kong cheese market. In the early 1990's, Australia had the largest share of the market imports with 47% share of the market. New Zealand, the second largest country supplier had 20% market share of imports. By 1997, the tables were reversed. Currently, New Zealand controls 49% of the cheese imports and Australia only 24%.

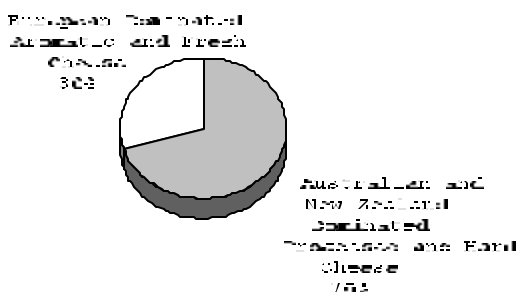
France, the Netherlands, the UK and the U.S. have played a less significant role in the Hong Kong cheese market. Although market shares for these countries have remained the same, total volume of cheese imports have increased for each country.



Source: HKCSD

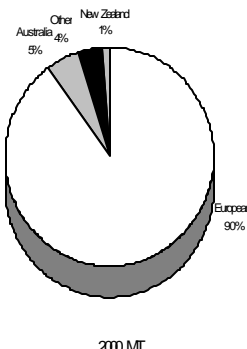
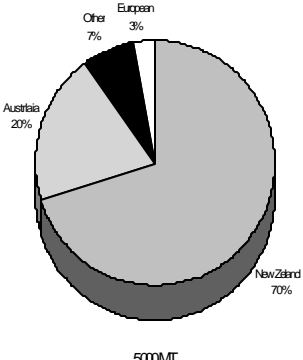
Unlike the European, Australian and New Zealand cheese producers who have identified and marketed to a certain segment of the cheese market, U.S. producers appear to be fragmented and inconsistent in their approach to marketing and selling cheese in the Hong Kong market. It should be noted that American multinational corporations have traditionally been the largest importers of American cheese products. However, cheese products obtained from their subsidiary companies located in Australia have allowed them to compete more effectively against New Zealand and Australian suppliers.

In the early 1990's, high growth occurred in the fresh and specialties cheese segment (Aromatic) due to an upturn in the Hong Kong economy. With established product reputation and relationships with key retailers and distributors, European cheese producers benefitted tremendously. In 1997, European aromatic cheeses accounted for an estimated 25% of total cheese imports. The recent downturn in the Hong Kong economy and the regional financial turmoil has devastated the tourist industry. Hotels and restaurants being the driving force behind this segment have cut their purchases thus reducing overall demand for cheese in the institutional sector.



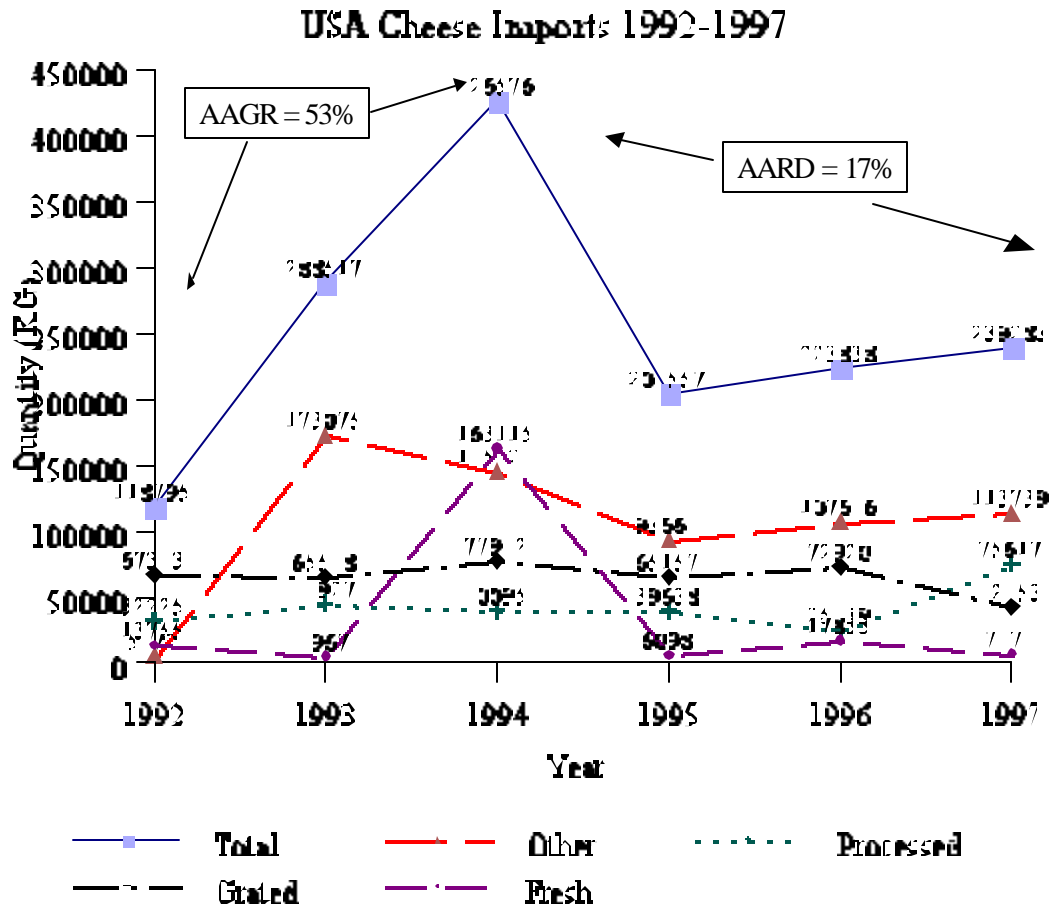
New Zealand and Australia cheese producers have supplied the majority of processed and hard cheeses to the Hong Kong market over the last seven years. Geographical proximity to Hong Kong has allowed these two countries to offer the Hong Kong market a low cost endless supply of cheese consumed by both the retail and the institutional sectors.

Source:
Eastern Strategic Consulting
Ltd.

Aromatic-Fresh/ Soft Cheese	Processed and Hard Cheese
 <p style="text-align: center;">2,000 MT</p> <p style="text-align: center;">1,500MT 1997</p>	 <p style="text-align: center;">5,000 MT</p> <p style="text-align: center;">4,500MT 1997</p>
<p>From 1995 to 1997, the New Zealand Dairy Board tried to break into the fresh/high end cheese sector. However, the Europeans had key retailers and institutional accounts locked up through key distributors and chef preferences for European products in the institutional sector.</p>	<p>The New Zealand Dairy board has the processed and hard cheese segments locked up. Through consistent supply, promotion and a very competitive price, New Zealand cheese producers have enjoyed a majority of market share.</p>

Source: Eastern Strategic Consulting Ltd.

Total U.S. cheese imports surged from 1992 to 1994. With an overall Annual Average Growth rate of 53%, U.S. cheese producers began to realize the latent potential of the Hong Kong cheese market. However, in 1995 total U.S. cheese imports dropped by more than half from their peak in 1994. Lack of consistent supply and promotion are some of the main reasons for this sharp decline. Overall U.S. cheese suppliers have seen their imports increase at AAGR 15% over the last five year period. There are opportunities for suppliers in the processed cheese, grated cheese and “other” cheese segments.



Source: HKCSD

American Cheese Producers

- # In the early 1990's, U.S. cheese producers began to realize that with an AAGR of 53%, (1992-1994) the potential of the Hong Kong cheese market was greater than they had anticipated.
 - C In the retail sector, supermarkets and boutique food stores were becoming more popular in order to meet the demand of a growing expatriate community.
 - C In the institutional sector, two changes occurred that contributed to the increase in demand for cheese.
 - C The tourist industry was experiencing growth. Hotels and restaurants catering to an international clientele consistently placed orders for high quality cheese to meet the taste of their guests.
 - C Western food became more popular as fast food outlets like McDonalds, Pizza Hut and Wendy's opened up outlets. The proliferation of these food outlets drove demand for cheese in the institutional sector and continues to do so today.

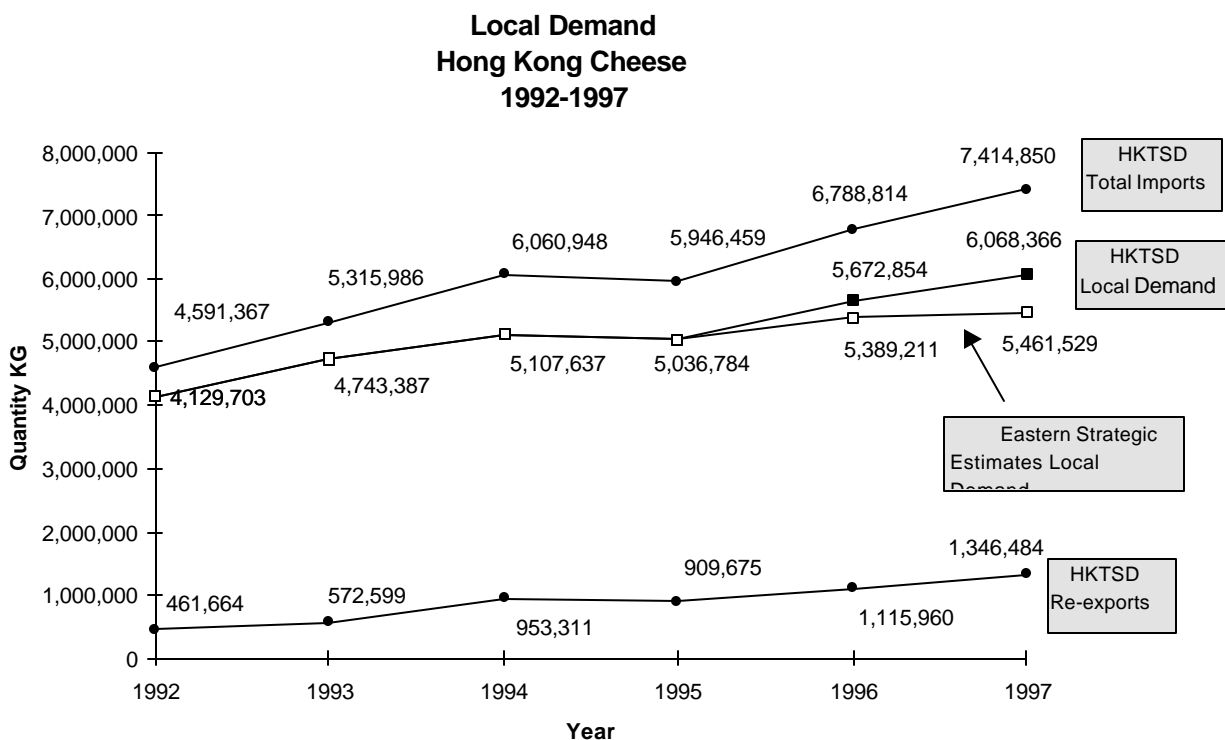
- # As the demand for cheese in Hong Kong surged and imports from other countries began to pour into Hong Kong market, U.S. producers anticipated that sales would increase naturally. However, U.S. imports dropped off significantly in 1994. The following reasons have been contributing factors to this sudden decline.
 - C In the early 1990's, U.S. suppliers appeared to target the fresh or aromatic cheese segment in the market. However, European traders in the late 1980's developed important relationships with key distributors who had strong contacts in the institutional and retail sectors. These Hong Kong traders also purchased cheese in bulk at discounted prices. Both of these practices kept American producers from making inroads in the cheese market.
 - C Furthermore, in the institutional sector, hotels and restaurants employing European chefs were purchasing European cheeses. These chefs were partial to and familiar with the variety of European cheese.

New Zealand and Australian Cheese Producers

- # Over the last five years New Zealand and Australia have dominated the Hong Kong cheese market due to a number of key competitive advantages.
- C In the late 1980's, New Zealand and Australian cheese producers developed relationships with key Hong Kong distributors/importers who specialized in importing and distributing Western food products to Hong Kong. Over the last ten years, these key alliances have helped to ensure that Australian and New Zealand cheeses reach the retailer and institutional vendor consistently and in a timely manner.
- C Geographic proximity to Hong Kong has also been a competitive advantage that these two countries have enjoyed. Cheese from New Zealand or Australia can arrive in Hong Kong faster than it can from Europe or the U.S. Airfreight from New Zealand and Australia can arrive in Hong Kong in 7-10 hours whereas air freight from the U.S. takes approximately 12 to 20 hours. Closer proximity to the market keeps transportation costs low, reduces spoilage and keeps order response time very competitive.
- C Over the last ten years, Australia and New Zealand have been very consistent in educating the consumer on the benefits of consuming their products by promoting their products through advertisements and promotional offers. These activities have helped to brand their products as fresh and healthy quality products.

LOCAL DEMAND

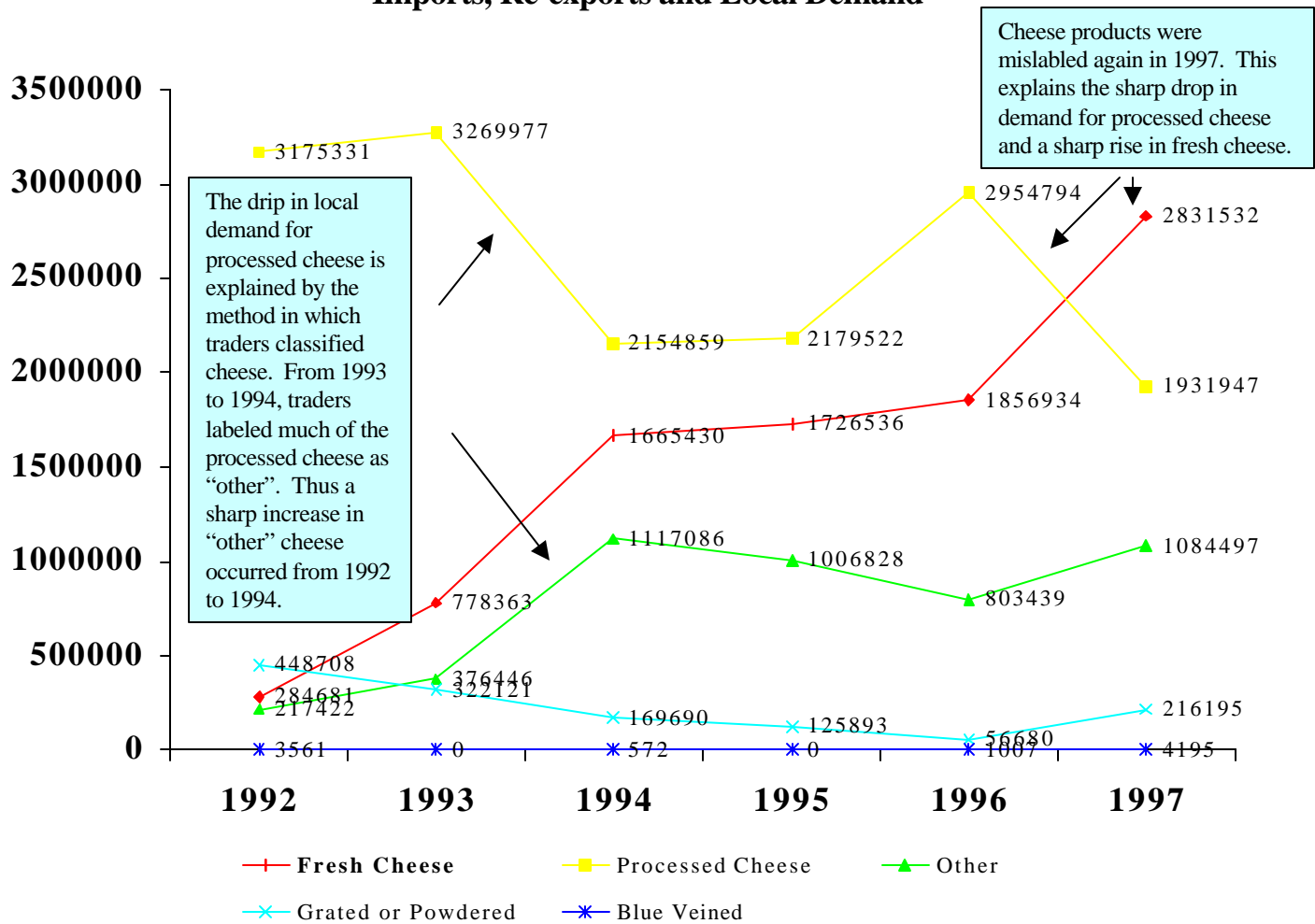
Local demand for cheese has increased at an official 8% AAGR. In 1992, local consumption was 4,100 Metric Tons. That increased to approximately 6,000 MT by 1997. Per capita consumption is approximately 1 kg per person, an increase of over 68% since 1992. Although official statistics indicate that the market size for cheese in Hong Kong is about 6,000 MT, it appears that local demand is over estimated. Approximately 1,000 MT of cheese annually finds its way across the border to China through grey channels. Cheese is usually undervalued, under declared or smuggled into Guangdong province. Eastern Strategic estimates that the actual local demand growth for cheese is 5% to 6% AAGR.



Source: Hong Kong Census and Statistics Department (HKCSD)

The five categories for cheese have been devised by the Hong Kong Census Statistical Department. Hong Kong importers/distributors have their own method of labeling Cheese and often don't follow the established classification. This lead to misrepresentations of volume in the early 1990's and again in 1997.

Cheese 1992 - 1997 Imports, Re-exports and Local Demand



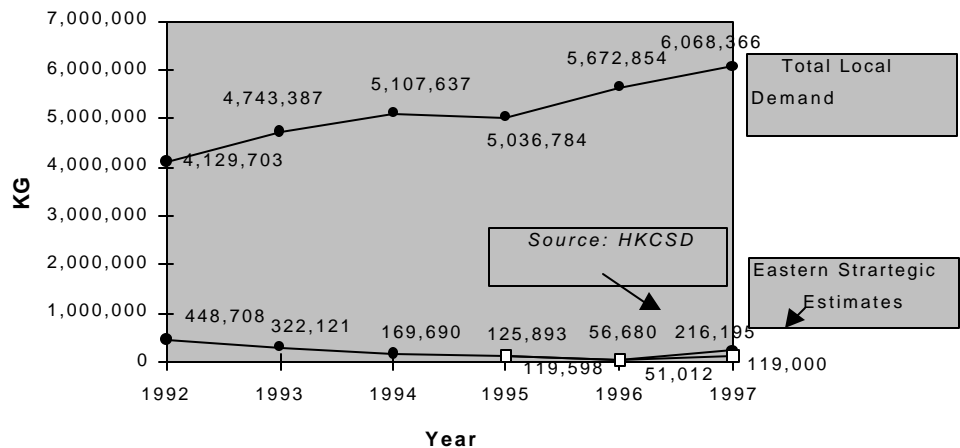
Source: HKCSD

Grated or Powdered Cheese of all Kinds

- C Although the official statistics seem to indicate that there has been a 40% Average Annual Rate of Decline from 1992 to 1994 in local demand for this category of cheese, the market has actually seen an increase of approximately 1% in local demand. The official statistics are misleading because of Hong Kong traders not being very familiar with the different types of cheeses, and often mislabeled imported cheese when filling out import documentation.
- C It is estimated that the real demand for grated and powdered cheese is approximately 10% above what has been reported. The institutional sector is driving this demand with fast food outlets and restaurants being the largest consumers.
- C Demand for grated or powdered cheese is expected to become flat or fall slightly due to the recent downturn in the Hong Kong economy. However, demand in China for powdered cheese is expected to pick up as food factories produce more snack foods that require cheese powder.

**Grated or Powdered Cheese
Hong Kong Local Demand
1992-1997**

**Grated or Powdered Cheese
Hong Kong Local Demand
1992 - 1997**

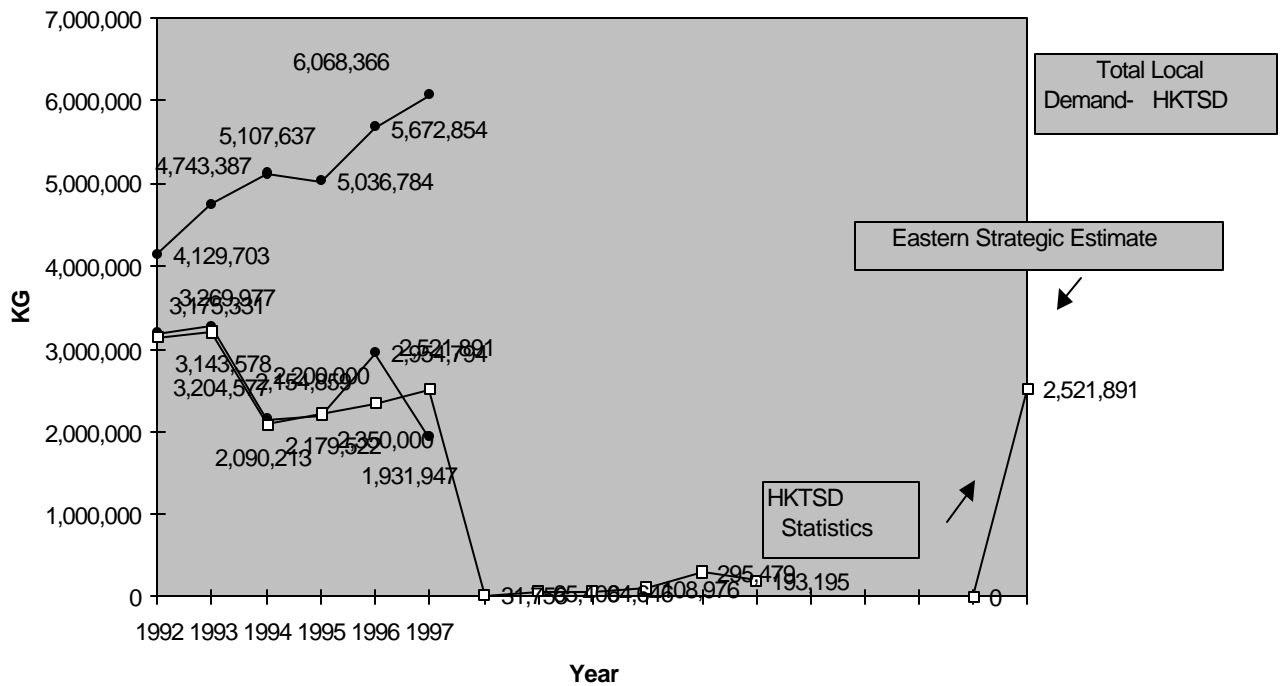


Processed Cheese

C This category is by far the largest. It is estimated that local demand for 1997 is approximately 2,500 Metric Tons. In 1994, local demand appeared to drop off significantly and did not recover until 1996. The drop in demand can be explained by the misclassification of processed cheese. Many traders during this period were classifying processed cheese as “Other”. Thus in 1994, local demand for “Other” cheese increased significantly.

C Processed cheese demand is expected to remain flat or increase slightly as institutional consumers turn to cheaper cheese for some of their requirements.

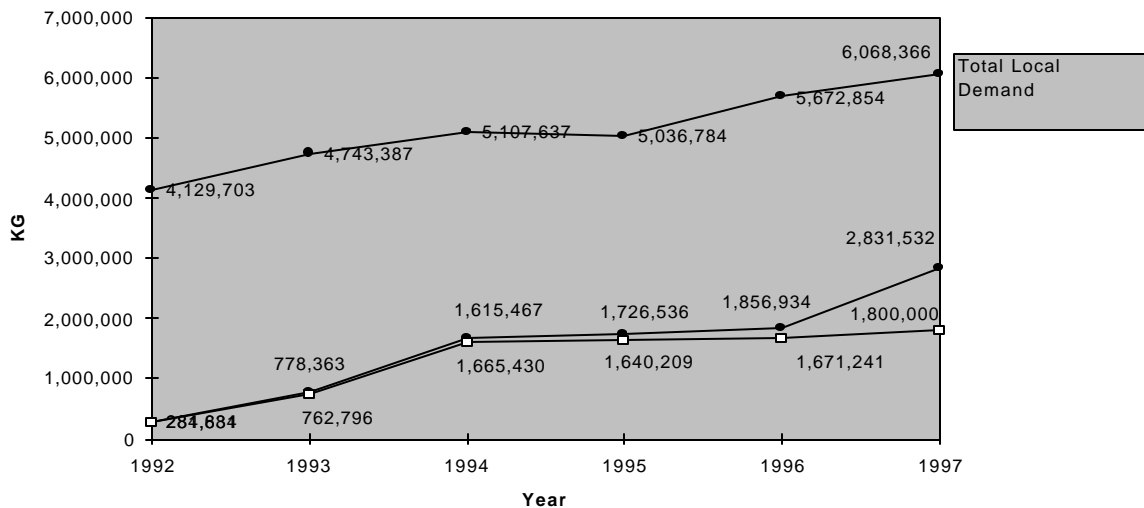
**Processed Cheese
Hong Kong Local Demand
1992-1997**



Fresh Cheese (Aromatic)

- C Local demand for fresh of aromatic cheese over the last five years has increased significantly. Average Annual Growth has been over 47%. The driving force behind this demand has been both the retail and institutional sectors. Strong demand from hotels and Western style fast food outlets using cheese for everything from buffets to hamburgers, have pulled cheese in from around the world. In the retail sector, a large expatriate community shops at boutique supermarkets which sell high quality imported food items.
- C Local demand was expected to fall off in 1998 because of the slow down in the tourist industry which generates business for restaurants and hotels.

**Fresh Cheese
Hong Kong Local Demand
1992-1997**



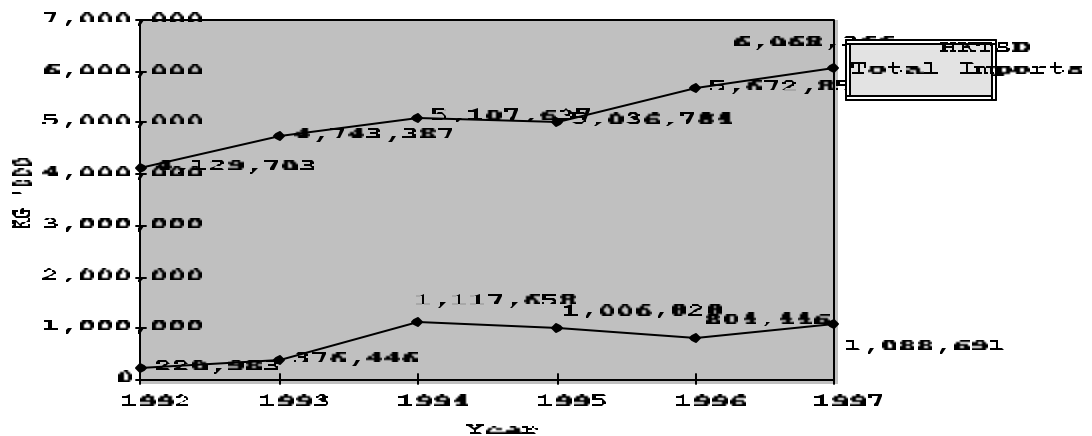
Source: Eastern Strategic Consulting Limited (ESCL)

Source: Hong Kong Census and Statistics Department (HKCSD)

Other and Blue Veined Cheeses

- C This is a catch-all category including all products not mentioned separately in the above categories. "Other" cheese also includes products such as cottage and cream cheeses. The sharp increase in local demand during 1992 can be explained by the way cheeses were classified during this period of time.
- C Over the last five years cottage cheese and particularly cream cheese has become popular with the Hong Kong consumer. A variety of flavors ranging from pineapple to garlic can be found on most retail shelves in supermarkets.
- C Demand for these type of cheeses is expected to remain flat during the next year due to the recent slow down in the economy, but may pick up in the future as products are supported by concession promotional activities, and as consumers become more accustomed to the uses and tastes for these types of cheeses.

Other & Blue Veined Cheese
 Hong Kong Local Demand
 1992-1997

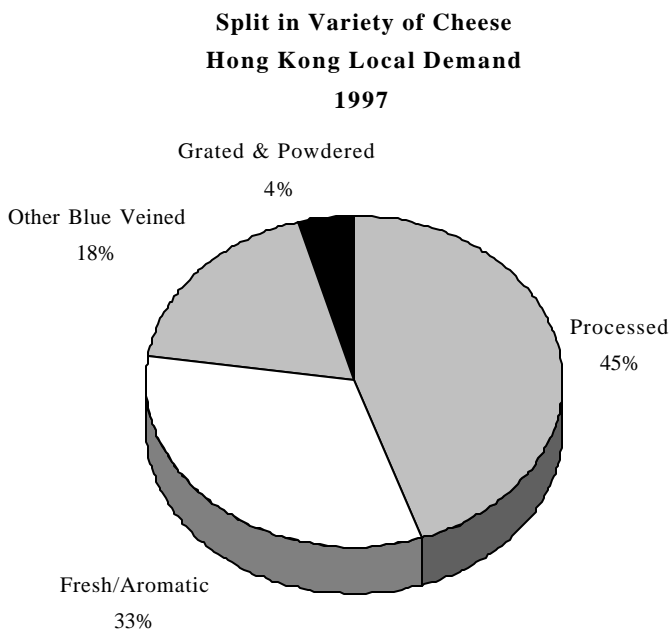


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Source: Hong Kong Census and Statistics Department (HKCSD)

Overall, processed cheese is the dominant type of cheese in the market. It is estimated that it accounts for almost 45% of the cheese consumed in the Hong Kong market. It is used in both the retail and institutional sectors. In the retail sector it is sold in single individually wrapped slices. It is used for sandwiches or often eaten alone. In the Institutional sector, processed cheese is often bought in block form and cut or sliced by the trader according to the end users preference.

Source: HKCSD



**1997
5,450 MT-Approx**

Institutional and the Retail Sectors

**Total Local Demand
5, 068,366 kg**

**Retail
30% to 35%**

**Institutional
65% to 70%**

**Speciality-boutique
Stores
25% to 30%**

**Supermarkets
70% to 75%**

**Western Fast Food
Outlets
80% to 85%**

**Hotels and
Restaurants
15% to 20%**

- # The institutional sector is driving demand in the Hong Kong cheese market. The institutional sector consumes approximately 65% to 70% of all the cheese in the Hong Kong market. The majority of which (80% to 85%) ends up in the Western style fast food outlets. 15% to 20% goes to the Hotel and Restaurant segment.
- # The retail sector accounts for 30% to 35% of local cheese demand in Hong Kong. Approximately 70% of that is placed in the main supermarket chain stores. Speciality type boutique supermarkets that sell mainly imported food items account for 25% to 30% of local demand.

Source: Eastern Strategic Consulting Ltd.

<u>Institutional Demand</u>			
U.S. suppliers are non-competitive in this sector. However U.S. multinationals producing cheese in the Asia Pacific area are. Furthermore, there are opportunities for U.S. suppliers who have the right packaging, price points and promotional support.			
Segment	Country Supply	Type of Cheese	End User
Fast Food (65% to 70%)	New Zealand Dominated	Sliced Processed Block Processed Block Sliced Processed Shredded packaged in bag Sizes include: 5kg and 10kg	McDonalds Hardees Wendy's Pizza Hut Jack in the Box
Restaurants & Hotels	European Dominated	Soft Cheese Aromatic Cheese Fresh Cheese	Western Style Restaurants and Four and Five star Hotels
<u>Retail Demand</u>			
U.S. suppliers are also not very competitive in this sector. The U.S cheese prices are high and prevent suppliers from being price competitive in the Hong Kong market. However, opportunities do exist in this sector. U.S. multinationals producing cheese in Australia are competitive in the processed cheese sector.			
Segment	Country Supply	Type of Cheese	End User
Supermarkets (Park 'N Shop and Wellcome)	New Zealand Australia (Dominated)	Hard Sliced Processed Soft Processed	Consumer
Speciality-Boutique Stores (City Super, Olivers, Seibu)	European New Zealand Australian U.S.	Cottage-Cream Cheese Soft-Aromatic Hard Processed-all Varieties	Consumer

Pricing and Packaging

Brand	Product	Price (HK\$) 1998	Brand	Product	Price (HK\$) 1998
Primula	Cheese . Bacon 125g	12	Kraft	Cheddar portions triangles 160g	19.9
Diary Farm	Cottage Cheese 235g	13.4		Single sizes, 12 slices 120g - light, strawberry, pineapple,	18.5
Pauls	L.F. Cottage Cheese 250g	14.5		Cheddar 12 slices	12.2
Chesdale	P'Apple Sl. Cheese 250g	18.9		Cheddar 6 slices	10.4
Kraft	Cheese Proc. Ched. 500g	33.2	LaughingC ow	Cheese Spread 8's 140g	15.4
	Ex. Shart Ched Cheese 8oz	31.9		Apericules Pl-blue 125g	20.7
	Cheese Cheddar Sl. 250g	17.8	Mainland	Vint. Tasty Ched. Cheese 250g	23.5
	Cheese Ched. s/sl. 250g	18.5		Tasty Ched. Cheese 250g	22.4
	Chse. Mozzarella sl. 6oz	26		Mild Ched. Cheese 250g	22.4
	Phil. Cream 250g	19.5		Gouda Cheese 250g	24.6
	Chse. C/Barel Tasty 250g	24.9		Edam Cheese 250g	23.5
	Light cheese s/sl. 250g	18.5		Mini Babybel 5x22g	23.3
	Single ched. cheese	10.4		Plain s/sl. Cheese 250g	18.4

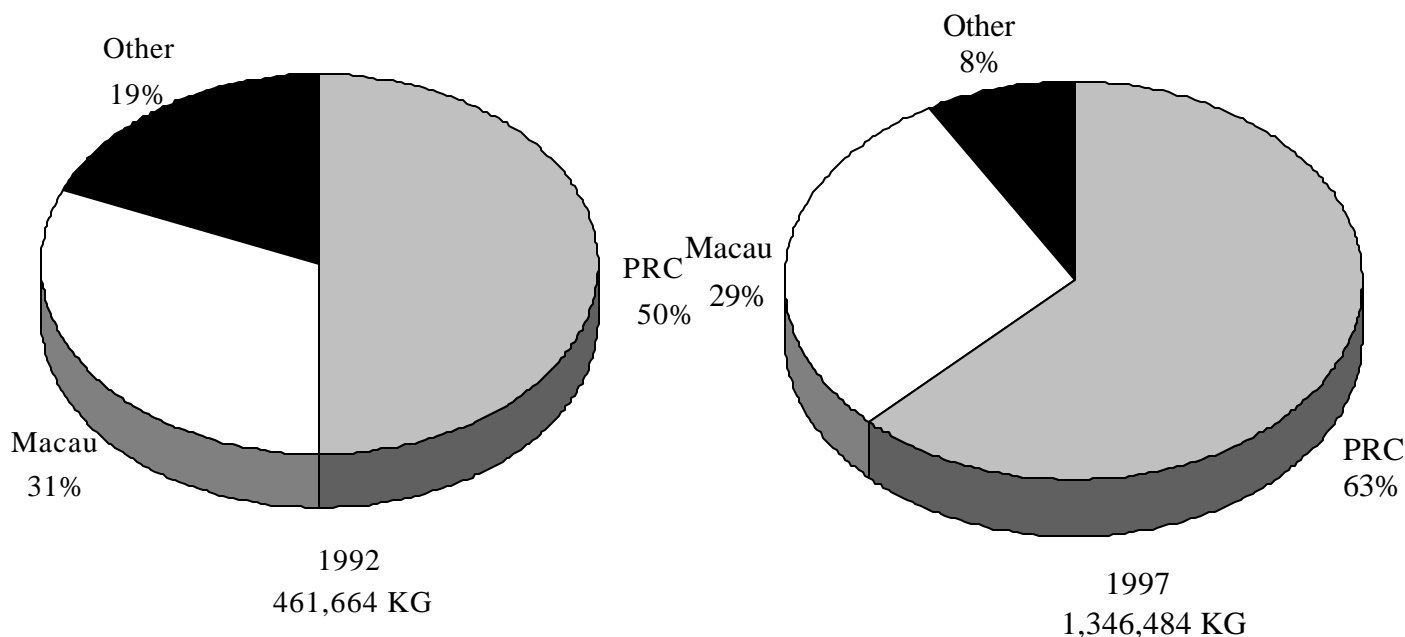
RE-EXPORTS

With an AAGR of 23.8% over the last five years, Hong Kong traders expect that re-exports to China in the next few years will increase significantly.

In 1992, China and Macau received over 81% of all cheese re-exported from Hong Kong. The majority of cheese re-exported to Macau was destined for China as Macau is a transshipment point for products destined for China. The Philippines and Thailand also received a smaller share of cheese re-exports.

In 1997, over 92% of all re-exports of cheese ended up in China (63%) and Macau (29%). China is driving demand. It appears that Hong Kong will continue to be a transshipment point for cheese products destined for China for the next few years. Suppliers prefer to go through Hong Kong traders because of the difficulty in locating customers in China, the lack of infrastructure at Chinese ports that are suitable for handling perishable products, and the difficulty in figuring out mainland business practices, especially matters relating to financial transactions.

Hong Kong Cheese Re-export Recipient Country



Source: HKCSD

MARKETING & PROMOTION

Advertising

- # Cheese products are not frequently advertised on TV.
- C Educational promotional activity is key. Suppliers currently work closely with distributors and retailers alike providing them with brochures and pamphlets about the variety of cheeses available and about the benefits of eating cheese. Free samples and coupons are provided in key supermarkets where a high volume of cheese is sold. Consumers need to be educated on product tastes, uses and benefits.
- C Very little advertising is done in the institutional sector. Promotional activity and developing long term relationships with distributors is key in selling cheese in the institutional sector.

Marketing Programs

- # There are relatively few marketing programs for U.S. cheese products in Hong Kong.
- C Consumers are generally unaware of U.S. cheese products in terms of brand (except for Kraft and Philadelphia cream cheese, and Kraft single sliced processed cheeses).
- C However, most local distributors are aware that U.S. dairy products are of premium quality.

Promotion

- # Promotional activities are very inconsistent for American dairy products (with the exception of Kraft which promotes cheese items by offering free sampling at supermarkets).
- C A lack of promotional activity has resulted in extreme fluctuation of import volumes and overall unstable supply.
- C Suppliers from other countries (NZ, Australia, the Netherlands) have been very consistent in their efforts to promote their products. Australian suppliers visit their distributors/retailers up to four times a year to inquire about problems, promote, resolve issues and overall ensure that they are in good standing with their distributors/retailers. Recently the Australia Dairy Corporation launched an education promotion campaign in Hong Kong and the South China area. The campaign included free seminars for distributors, retailers and wholesalers interested in carrying Australian dairy products. Free samples were given out, demonstrations on cooking with Australian dairy products were held, and educational seminars on how to contact suppliers and how to import Australian dairy products were also held.

INDUSTRY RULES & REGULATIONS

- # Hong Kong's food and labelling laws have been in effect since August 9, 1987. These laws established the requirements for the marketing and labelling of prepackaged foods such as some varieties of cheese.

- # Prepackaged foods or those that the contents can not be altered without opening or changing the packaging, and for which the food is ready for presentation to the consumer or institutional users, must contain the following information:
 - C Name, ingredients -- in descending order of weight of volume, shelf life, conditions of storage and use, weight and volume, and name and address of manufacturer or packer.
 - C Products must indicate shelf life of product in both English and Chinese.
 - C Dates must be in English and Chinese unless Arabic numbers are used and must be expressed in terms of day, month and year.
 - C If special storage conditions are required an explanatory statement must be included on the products label.

- # It is not necessary to have complete Chinese language used if the information is provided in full English; however, at a minimum, the package must state in Chinese "Consume before date stamped on package". If both languages are used, then the product name and ingredients must appear in both languages.

- # The importation of cheese into Hong Kong is governed by the Food and Drugs of the Public Health and Municipal Services Ordinances Cap. 132 and its subsidiary legislation which are enforced by the Hygiene Division of the Department of Health.

- # Most traders and importers are aware of these regulations and may provide the supplier with a copy of such regulations. However it is the responsibility of the supplier to have the appropriate labelling and packaging for the market before the product is shipped.

- # Details of import regulations can be obtained from the Hong Kong government, Department of Health at Wu Chung House, 18th Floor, 213 Queen's Road East, Wanchai, Hong Kong.
 - C Also, the Health Department provides a hotline for import regulations at (852) 2380-2580 and fax at (852) 2845-0943.

RECOMMENDATIONS

- # U.S. cheese producers have the potential to increase their market share in the Hong Kong cheese market. Although U.S. cheese products are viewed as being of high quality, producers have to overcome a few obstacles in the short term to gain long term benefits. Certain U.S. cheese products are not price competitive. An unstable supply of cheese and looking upon the Hong Kong cheese market as an opportunistic one has hindered the ability of U.S. cheese producers to gain significant market presence in the Hong Kong market. However, a consistent marketing and promotional approach and establishing key relationships with distributors are two of the strategic steps that U.S. producers can take that will guarantee an increase in market share.

- # Although the cheese market in Hong Kong is expected to remain flat in 1998 due to the current economic crisis, this should not discourage U.S. cheese producers to start planning and identifying which cheese products are suitable for the market. Overall the cheese market in Hong Kong has grown at AAGR of 5.7% and potential growth in certain segments is encouraging.
 - C In the retail sector, flavored processed cheese slices, cream cheese and cottage cheese are popular and in the long term this segment is expected to keep growing although slowly.
 - C Aromatic cheese, unless otherwise priced extremely competitive, is not considered an attractive market segment because European suppliers have this sector locked up in both the retail and institutional sectors.

- # U.S. cheese producers should also consider the Hong Kong market as a transshipment point for cheeses and cheese products bound for the China market, which is considered by many suppliers as having enormous potential.
 - C A strong presence in the Hong Kong market has made it easier for suppliers to increase their presence in the Southern China market. Distributors and traders in Hong Kong have key contacts in Southern China in the institutional and retail sectors. Many of the cheese suppliers who have substantial market share in the Hong Kong market use Hong Kong traders and contacts to help promote their products in the Southern China market. These distributors are currently pushing hard to develop their networks in North, South and East China.
 - C U.S. producers should look at cheese powder as the demand in China has increased significantly and will continue to do so as snack food factories producing cheese flavored chips and other cheese flavored food items increase in popularity.

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

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