HOFEX 2019 and Opportunities in the Greater Bay Area

Austrade Hong Kong and Guangzhou
14 March 2019
1. Select “Chat” function
2. Select “Host & Presenter”
3. Type your question here
4. Press ‘Send’
AUSTRADERS IN GREATER CHINA REGION

Sam Guthrie
Senior Trade and Investment Commissioner, Hong Kong & Macau

Stephanie Zhou
Senior Business Development Manager, Guangzhou, China

Timmy Lau
Business Development Manager, Hong Kong

Kathy Chen
Business Development Manager, Guangzhou, China
WHAT AUSTRADE CAN HELP YOU

• Assistance with market selection and assessment
• Advice on market regulations
• Identification and introduction to international contacts
• Market and industry intelligence including developing market entry strategy
• Facilitation on in-market event and promotional support
ABOUT HOFEX

HOFEX (7-10 May 2019 in Hong Kong)

• One of the largest comprehensive food trade shows in the region
• Featuring F&B concepts, products, equipment, designs and technologies from across the globe.

• In 2017, about **80 Australian companies** exhibited in the Australian Pavilion
  • 67,000 sqm of exhibiting space
  • 2,800 international exhibitors
  • 45,000 regional buyers
• Website: [https://hofex.com](https://hofex.com)

Source: HOFEX 2019
WEBINAR AGENDA

- Opportunities in the Hong Kong Market
  - Austrade Hong Kong

- Insight Sharing by Hong Kong Importer
  - Angliss Hong Kong

- Opportunities in the China Greater Bay Area
  - Austrade Guangzhou

- HOFEX 2019 Hong Kong Market Insight Tour on 6 May
  - Austrade Hong Kong

- Questions and Answers
TIMMY LAU
AUSTRADE HONG KONG

OPPORTUNITIES IN
THE HONG KONG MARKET
MARKET OVERVIEW – HONG KONG

• Hong Kong at a glance - 2018
  › Population: 7.482 million
  › Tourists: 65.1 million
  › Area: 1,106 sq. km
  › GDP per capita: US$47,678
  › GDP growth: 3.00%
  › Unemployment rate: 2.8%

• Interesting Facts
  › Expatriates average annual income: US$148,000
    (Ranked #9, HSBC 2016 Expat Survey)
  › Australia is 6,987 times larger than Hong Kong
  › Australia has received 9.2 million visitor arrivals for year ending December 2018
MARKET OVERVIEW – MACAU & SOUTH CHINA

• Macau (Special Administrative Region of China)
  › Population: 0.63 million
  › Area: 31.3 sq. km
  › 35 times smaller than Hong Kong
  › “Las Vegas of the East”
  › Tourists: 38.8 million
  › Ranked #3 for GDP per capita (US$77,033)

• South China
  › Population: approx. 167 million
  › Guangdong Province
    - Highest per capita GDP within China

Source: Macao Government Tourism Office
Source: The Galaxy Macao
WHY HONG KONG & MACAU?

• **Import-dependent market**
  › Hong Kong imports over 95% of F&B products
  › Total F&B import to HK - US$24 billion in 2015

• **Trading Hub - significant re-export: 40%**

• **Low market entry barrier**
  › Westernised & English friendly
  › IP protection, Rule of law
  › Established logistics infrastructure
  › No import duty on food items

• **Foodie Capital**
  › 82 Michelin-starred restaurants
  › Trend-setter, testing ground for new products

Source: The Michelin Guide
AUSTRALIAN FOOD EXPORT TO HONG KONG

• Positive image of a “clean and green” production environment
• Australia: A major food supplying country to Hong Kong, after China, the United States, Brazil and Thailand
• Major Australian F&B exports to Hong Kong:
TRENDS & OPPORTUNITIES

• **Heath consciousness & food safety**
  › Nutrients & functional foods
  › Natural & organic, traceable, sustainable

• **Local premium food production**
  › Artisan product: craft beer, ice-cream, jam
  › Organic produce: vegetables, meat, fish

• **Food as medicine**
  › Ageing population
  › Demand on superfood, e.g. dark leafy greens, avocado, chia seed, etc

• **Eco-friendly**
  › Recyclable / biodegradable / resealable / compostable packaging
  › Packaging-free products
• **Young consumers: Quality of Life**
  › Willing to spend on premium food products
  › Recognize the country of origin

• **Busy lifestyle & small households**
  › Dine-out & take-away (special occasion, family celebrations)
  › Single-serving, convenient foods

• **Home-based generation**
  › Consumers will choose to eat at home than visit restaurants
  › IT advancement: online recipes, food delivery apps

• **Plant-based protein**
  › Health-conscious, using natural ingredients
  › E.g. [Impossible Foods](#) (vegan burger) and [Omnipork](#) (plant based pork meat), [Gardein](#) (meat-free foods), [Daiya](#) (dairy alternative food)
MAIN RETAILERS IN HONG KONG

- **ParknShop (A.S. Watson Group)**
  - a member of CK Hutchison
  - 270+ outlets in Hong Kong
  - Online Store: www.parknshop.com

- **Wellcome (Dairy Farm Group)**
  - owned by Jardine Matheson
  - 280+ outlets in Hong Kong
  - Online Store: www.wellcome.com.hk

- **CitySuper**
  - 4 outlets in Hong Kong
  - Premium retailer

- **YATA Supermaket**
  - 10 outlets in Hong Kong
  - Premium retailer

- **DCH Food Mart**
  - 50 outlets in Hong Kong
  - Mass market meat store
OTHER RETAILERS IN HONG KONG

- Gourmet & Organic Stores
  - il Bel Paese
  - Feather & Bone
  - GreenDotDot
  - O’Farm
  - Organic Plus

- E-commerce (Grocery)
  - HKTV Mall (www.hktvmall.com)
  - Jou Sun (www.jousun.com)
  - Honest Bee (www.honestbee.hk)

- E-commerce (Meat)
  - The Butchers Club (thebutchers.club)
  - Meat Market (meatmarket.com.hk)
  - Aussie Meat (aussiemeat.hk)
• Similar to Western culture
• English is widely spoken
• Traditional Chinese for printing materials
• Punctuality is important
• Handshake, exchange business cards with both hands
• Face to face meetings and building up relationships

For more information about Hong Kong market, please visit Austrade’s Food and Beverage to Hong Kong Guide [www.austrade.gov.au/Australian/Export/Export-markets/Countries/Hong-Kong/Industries/Food-and-beverage](http://www.austrade.gov.au/Australian/Export/Export-markets/Countries/Hong-Kong/Industries/Food-and-beverage)
MIKE CHAN
GENERAL MANAGER – PROCUREMENT

KEVIN PAU
ASSISTANT PURCHASING MANAGER

ANGLISS HONG KONG
Agenda

• Introduction to Angliss Hong Kong Food Service Ltd.

• Hong Kong Market
  • Opportunities
  • Challenges

• Potentials for Australian Suppliers
Angliss Hong Kong

• Part of the Bidcorp Group (Bidfood in Australia)

• Under Angliss Asia Banner
  • With a presence in:
    ➢ China (28 cities)
    ➢ Hong Kong & Macau
    ➢ Singapore
    ➢ Malaysia
    ➢ Japan
    ➢ Vietnam
    ➢ Philippines
Angliss Hong Kong

- Markets served and Product Categories

[Diagram showing distribution channels and product categories]

Our Extensive Distribution Channels (wide customer base and geographic coverage)

- Wholesales: 4.9%
- Food Service: 52%
- Pastry: 23.6%
- Retail: 17.1%
- Export: 2.4%

- Meat & Poultry: 39%
- Dairy: 27%
- Fresh: 8%
- Seafood: 12%
- Grocery & Others: 15%

Serving those who serve great food
Hong Kong Market

• Opportunities
  • Diverse population
  • Gourmet Food Paradise/Trendsetting
  • Free Entry/Exit
  • Logistical Hub
  • Good Test/Launch Platform for development for other Asian markets
Hong Kong Market

• Challenges
  • Market Size small
  • Products need to be customized (pack size etc)
  • Many Competitors
    • Distribution perspective
    • Global Competition
  • Local Laws and Regulations
Potentials for Australian Suppliers

- Inherent APAC advantage – proximity to Asia
- Natural and Healthy Products
- Production Technologies/Efficiencies
OPPORTUNITIES IN THE CHINA GREATER BAY AREA
China Beef Market Overview: China leads import growth in 2019

As a less familiar protein in China, about half of beef is consumed outside the home.
Australia Beef brand in China market
Australian Horticulture Industry
China is now the **largest export destination** for Australian stonefruit — total volume accounts for nearly 50% of Australia exports.

Horticulture exports to China **worth $412 million** in 2017 — up from $13 million in 2010.

**Citrus, cherries and table grapes** are biggest drivers of export growth to China.

The first season for mainland cherry debut in China market.
MARKET SIZE BY CHANNEL – FRUIT AND NUT

Market size by channel

Fresh food retail sales by channel, 2017 (%)

- Supermarkets 14.7%
- Hypermarkets 21.7%
- Convenience stores 0.8%
- Internet retailing 2%
- Traditional grocery stores 60.2%

Source: Euromonitor International
Nut Consumption in China

- World Leading tree nuts consumer
- 45% walnut, 21% pine nuts and 8% of macadamia nuts
- Import 13% of the world’s tree nut exports in 2017
- Most nuts are imported
- Nuts imports from Australia have grown to 41%
Australian Seafood Industry
Australia-China Seafood Trade

- It is difficult to know the exact amount of seafood to China due to the grey channel.
- Direct trade to China has been increasing since 2013.
- In 2017 direct trade from Australia to China reached A$358 million.
- Australian Rock Lobster and Abalone have strong reputation in China.

<table>
<thead>
<tr>
<th>TRADE</th>
<th>Rock lobster</th>
<th>Prawns</th>
<th>Abalone</th>
<th>Tuna</th>
<th>Salmon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian exports to China, 2017</td>
<td>183.4</td>
<td>6.6</td>
<td>62.8</td>
<td>5.7</td>
<td>92.0</td>
</tr>
<tr>
<td>(A$ million)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Chinese imports from the world, 2017</td>
<td>674.6</td>
<td>1,117.3</td>
<td>63.6</td>
<td>219.6</td>
<td>1,200.3</td>
</tr>
<tr>
<td>(A$ million)</td>
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<td></td>
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</tbody>
</table>

Source: ABS on Global Trade Atlas; China Customs on Global Trade Atlas
Potential Opportunities for Australian Seafood

• Besides pork and egg, seafood has become an important source of protein for Chinese consumers.
• Seafood from overseas is considered safer because of the higher water quality and stricter control standards.
• Online sales to China present a growing opportunity for foreign seafood firms.
• Good reputation of Australian Seafood: Clean, Green, Premium
• China-US Trade War will benefit Australia
Functional Food opportunities

Functional / Fortified products

- Functional processed food and drinks, water, concentrate, e.g. cherry crush
- Fruit and herbal tea
- Yoghurt smoothies, fortified kefirs, probiotics ice cream
- Products benefit for human body & immunity: brain, heart, digestion, low risk of cancer, diabetes, cardiovascular, e.g. Barley Max
- Supplement – functional drinks, supplement, probiotics, organic
- Protein ingredient – protein bar and beverage, muscle milk protein
- Loss weigh/ appetite control products
- Kids nutrition, senior/old people, expectant mother nutrition, Anti-ageing product
- Nutrition for sports, e.g. products from Viplus Dairy
## Retail sales by channel, 2017 (US$ billion)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Percentage</th>
<th>Sales (RMB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience stores</td>
<td>24.1%</td>
<td>41.4</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>82.7%</td>
<td>151.6</td>
</tr>
<tr>
<td>Traditional grocery retailers</td>
<td>61.1%</td>
<td>108.952</td>
</tr>
<tr>
<td>Internet retailing</td>
<td>10.7%</td>
<td>19.478.8</td>
</tr>
</tbody>
</table>

### Forecast retail sales of packaged food (US$ billion)

- 2017: 231.6
- 2018: 246.1
- 2019: 283.1
- 2020: 282.1
- 2021: 302.9
- 2022: 325.4

## Retail sales by category

<table>
<thead>
<tr>
<th>Category</th>
<th>Sales (RMB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baked goods</td>
<td>194,478.8</td>
</tr>
<tr>
<td>Breakfast cereals</td>
<td>6,820.9</td>
</tr>
<tr>
<td>Confectionery</td>
<td>108,952</td>
</tr>
</tbody>
</table>

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### Notes
- RMB stands for Renminbi, the currency of China.
- The forecast data represents projected growth based on historical trends and market analysis.
CHINA WINE & BEVERAGE MARKET OVERVIEW

Forecast retail (off-trade) sales of wine and beer (US$ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Wine</th>
<th>Beer</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>25.6</td>
<td>28.1</td>
</tr>
<tr>
<td>2018</td>
<td>27.6</td>
<td>29.9</td>
</tr>
<tr>
<td>2019</td>
<td>29.7</td>
<td>31.9</td>
</tr>
<tr>
<td>2020</td>
<td>32.3</td>
<td>33.9</td>
</tr>
<tr>
<td>2021</td>
<td>34.4</td>
<td>36.1</td>
</tr>
<tr>
<td>2022</td>
<td>36.3</td>
<td>38.3</td>
</tr>
</tbody>
</table>

TRADE

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Australian exports to China</td>
<td>1030</td>
<td>0.04</td>
<td>17.4*</td>
<td>1.6</td>
<td>8.4</td>
</tr>
<tr>
<td>(A$ million)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Chinese imports from the world</td>
<td>4009</td>
<td>976.7</td>
<td>1,500.7</td>
<td>108.5</td>
<td>367.9</td>
</tr>
<tr>
<td>(A$ million)</td>
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</tbody>
</table>
DAIRY PRODUCTS RETAIL SALES BY CHANNEL, 2017 (US$BILLION)

2017 sales of milk and yoghurt (retail value)

<table>
<thead>
<tr>
<th>Product</th>
<th>Value (RMB billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh milk</td>
<td>27.8</td>
</tr>
<tr>
<td>UHT milk</td>
<td>89.2</td>
</tr>
<tr>
<td>Powdered milk</td>
<td>17</td>
</tr>
<tr>
<td>Yoghurt</td>
<td>121.9</td>
</tr>
</tbody>
</table>

Source: Euromonitor Int’l
- Organic
- Fresh – 24-hour milk
- Health functions – low fat, slim, probiotics
- Coffee / tea culture – Coffee milk or milk tea
- Kids yoghurt / cheese
- Infant formula – capsule milk powder, liquid infant milk, etc
- Flavour – cheese yoghurt
POTENTIAL OPPORTUNITIES FOR AUSTRALIAN DAIRY PRODUCTS:

• Fresh pasteurised milk
• Yoghurt (ambient and chilled yoghurt)
• Ice cream (ice cream plants needs to get CNCA approval)
• Infant formula (general trade limited to CNCA approved plant list, including brands and formula)
• Cheese
• Cream & butter
• Value-added dairy ingredients
Challenges for Australian Dairy Products

- Short Shelf life
- Packaging not impressive
- Supply capacity
- Lack of branding and marketing (Australia position itself as OEM manufacturers or raw ingredients suppliers)
- Restricted by Chinese National Standard and Registration Policy
Advice on Australian Packaged Food Products

- Brand and position at the premium end
- Need to develop on-line retail presence
- Raise market awareness by a long-term, creative and systematic marketing campaign
- Working with key industry associations will be critical to target areas and limited resources
HONG KONG
MARKET INSIGHT TOUR

6 MAY 2019
Program on 6 May 2019, Monday

9:00 am - Great Food Hall, owned by AS Watson. It offers a range of high quality imported products.

10:10 am – CitySuper, a retail chain in HK, China and Taiwan, positioned as a lifestyle specialty store.

11:00 am – YATA, a Japanese supermarket and department store chain in Hong Kong.

12:00 pm - Networking lunch at Little Creatures, joined by local trade buyers who cover a range of categories.

2:00 pm – HKTVmall, a major 24-hour online shopping mall, providing an "one-stop shop" platform to customers. This visit consists of a presentation by HKTVmall and a tour of their Robotic Picking & Conveying warehouse.

Note: This program is subject to the final confirmation by Austrade Hong Kong.
## PARTICIPATION OPTIONS (LIMITED SEATS AVAILABLE)

<table>
<thead>
<tr>
<th>Options</th>
<th>Package inclusions</th>
<th>Total cost</th>
</tr>
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<tbody>
<tr>
<td><strong>Option 1</strong></td>
<td><strong>6 May 2019 Full-day Program</strong></td>
<td>A$180</td>
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<tr>
<td></td>
<td>This package includes the following services and inclusions:</td>
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<tr>
<td></td>
<td>• transportation for the retail store visits (morning)</td>
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<tr>
<td></td>
<td>• venue hire and catering for networking lunch</td>
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<tr>
<td></td>
<td>• transportation for insight tour to logistics centre (afternoon)</td>
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<td></td>
<td>• overall program coordination and organisation</td>
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</tr>
<tr>
<td></td>
<td>• pre-event marketing to targeted potential importers in retail, trade, food service and related food processing sectors.</td>
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<tr>
<td><strong>Option 2</strong></td>
<td><strong>6 May 2019 Half-day Program (networking lunch and afternoon tour only)</strong></td>
<td>A$150</td>
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<td>This package includes the following services and inclusions:</td>
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**REGISTRATION DEADLINE: 18 APRIL 2019**
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THANK YOU!