

Food Trading and Distribution

“ If we succeed in Hong Kong, we can succeed in other places as well. ”

Takushi Suminaka, Director and General Manager
Kubota Rice Industry (H.K.) Co Ltd

Hong Kong: Asia's Culinary Capital

As a cosmopolitan city, Hong Kong is Asia's leading tourist destination and is renowned for its diverse array of Chinese and western cuisines. Coupled with high-income local residents who enjoy gourmet food, a culture of service excellence and unrivalled transportation infrastructure, Hong Kong is the ideal location to showcase a new and exciting food and beverage concept.

Hong Kong has a robust economy with strong inbound tourism. The GDP in Hong Kong expanded 3.8 percent in real terms in 2017 over the previous year. Annual visitor numbers reached a record of 65.1 million in 2018, 78 percent of which were from Mainland China. Growing disposable income of 7.4 million local residents and increasing visitor numbers both translate into increasing demand for quality food and beverage products in Hong Kong.

Advantages

- A great variety of restaurants and cuisines which constantly requires quality food and beverage supplies
- World's freest economy with low and simple taxes. For example, there is no import duty on food and beverages with alcohol content lower than 30 percent
- Excellent logistics and transportation infrastructure for efficient and low-cost deliveries
- Pro-business labour legislation, strong intellectual property protection and a highly trained, multilingual workforce

Opportunities

- Premiumisation – increasing consumer demand for high quality, fairtrade and organic products
- Increasing number of visitors – international and Mainland China visitor arrivals predicted to grow to 100 million per year by 2023
- Ideal launch pad for international brands into Asia, particularly Mainland China
- Supermarkets and foodservice operators continuously looking for new and better quality supplies
- Online grocery shopping – excellent e-infrastructure, high smartphone penetration rate and extensive courier networks give rise to robust growth in online food purchase
- Highly sought-after healthy packaged food due to change in education and sophistication level

Industry Snapshot

Sales Value of Food Items (HK\$ million)	2016	2017	Growth	2018 (Forecast)
Packaged Baby Food	\$18,871	\$19,936	5.64%	\$20,668
Packaged Baked Goods	\$4,104	\$4,295	4.66%	\$4,408
Packaged Confectionery	\$3,901	\$4,028	3.27%	\$4,080
Packaged Dairy	\$5,659	\$5,920	4.60%	\$6,059
Packaged, Processed Fruit and Vegetables	\$495	\$504	1.92%	\$502
Packaged, Processed Meat and Seafood	\$2,682	\$2,789	3.96%	\$2,832
Packaged Oils and Fats	\$924	\$963	4.28%	\$984
Packaged Food (all categories)	\$48,801	\$50,945	4.39%	\$52,125
Packaged Organic Food	\$100	\$106	5.60%	\$111
Packaged Ready Meals	\$900	\$931	3.43%	\$945

Source: Euromonitor International January 2018



InvestHK 投資推廣署
The Government of the Hong Kong
Special Administrative Region

Registration of Food Importers and Distributors

The Food Safety Ordinance (Chapter 612) introduces a food tracing mechanism to help the Hong Kong SAR Government trace the source of food more effectively and take prompt action when dealing with food incidents. It includes a registration scheme for food importers and distributors and a record-keeping requirement relating to the movement of food. For details and online registration, please visit www.foodsafetyord.gov.hk

Imported Food Control

According to the Public Health and Municipal Services Ordinance (Chapter 132), there are specific legal requirements or administrative arrangements for the import of the following selected food items due to their perishable or high-risk nature:

- (1) game, meat, poultry and eggs;
- (2) milk and milk beverages;
- (3) frozen confections; and
- (4) marine products.

Also, the food items below require specific licenses from relevant departments:

- (1) rice (www.tid.gov.hk)
- (2) liquor (www.customs.gov.hk)
- (3) tobacco (www.customs.gov.hk)

Food importers, through close liaison with exporting countries, are responsible for ensuring that food items they procure comply with the local legislation. To help ensure hygienic standards of food, importers are encouraged to obtain health certificates issued by health authorities of countries of origin to accompany their imports certifying that the food products concerned are fit for human consumption.

For details, please visit:
www.cfs.gov.hk/english/import/import_ifc.html

Online Sale of Restricted food

All restricted foods for sale or offered for sale on website or online platform account shall be pre-prepared, pre-packaged and supplied by approved suppliers. No storage, handling or preparation of restricted foods shall be conducted at the place where the online sale business is conducted. Otherwise, a relevant restricted food permit or an appropriate food business licence may be required under Food Business Regulation.

For details, please visit http://www.fehd.gov.hk/english/licensing/Guide_on_Types_of_Licences_Required.html

Food Labelling

The following information should be marked in either English or Chinese language or in both languages on the label of prepackaged food, unless otherwise exempted:

- (1) Name of the Food
- (2) List of Ingredients
- (3) Indication of "Use by 此日期或之前食用" or "Best before 此日期前最佳" Date
- (4) Statement of Special Conditions for Storage or Instructions for Use
- (5) Name and Address of Manufacturer or Packer
- (6) Count, Weight or Volume Food

Examples of Foreign Food Trading and Distribution Companies Operating in Hong Kong

- Arla Foods (Denmark)
- China Resources Enterprise (Mainland China)
- Export Packers (Canada)
- Ferrarini (Italy)
- General Mills (US)
- HKScan (Finland)
- Kubota Rice Industry (H.K.) Co Ltd (Japan)
- Lindt & Sprungli (Switzerland)
- Nihon Shokken (Japan)
- Nishihara Shokai (Japan)
- Sysco (US)
- The Produce Company (New Zealand)
- Unilever (UK)

Nutrition Labelling

All general prepackaged foods must contain a nutrition label that includes the information on energy and seven nutrients specified for labelling (1+7), namely, protein, carbohydrates, total fat, saturated fatty acids, trans fatty acids, sodium and sugars. Furthermore, the nutrition label must list the amount of any claimed nutrients.

For details about registration, licensing, and labelling requirements, please contact:

Food and Environmental Hygiene Department
44/F, Queensway Government Offices,
66 Queensway, Hong Kong

Tel: (852) 2868 0000
Fax: (852) 2869 0169
Email: enquiries@fehd.gov.hk
www.fehd.gov.hk

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Japanese Niigata Rice, Freshly Milled in Hong Kong

Japan's major player in agricultural machinery Kubota Corporation is venturing into rice trading and retail in Hong Kong, targeting the middle to upscale market who share a love for high quality rice

Adapting its business model to seek alternative revenue sources, Kubota Corporation has opened an operation in Hong Kong to provide freshly milled and prime quality Japanese rice to consumers in the city. With its long history in agricultural machinery for rice milling, the company believes providing this product to Hong Kong people will give it an edge for further overseas market expansion.

“We have considered many other overseas locations. But after our feasibility research, we concluded Hong Kong is the place to be because of its relaxed import controls on rice, proximity to the huge Mainland China market and the wide acceptance of Japanese food culture,” Takushi Suminaka, Director and General Manager, Kubota Rice Industry (H.K.) Co Ltd, said. “Currently, about 50 percent of Japanese rice exports go to Hong Kong. So, the territory is a very important market to us.”

Worldwide Demand for Safe and Fresh Food

Its initial investment in Hong Kong includes an imported rice machine from Japan and a food factory in Shatin. Niigata's Konshihikari brown rice from Japan, which has been rated the highest quality Japanese rice for 19 years in a row, is freshly milled in the Hong Kong factory. White rice consumer products, priced at about HK\$60 per kilogram, can be ordered online. Kubota Hong Kong also supplies many local Japanese restaurants with freshly-milled Niigata rice.

“The global market demands fresh and safe food. Since we set up last year, our business has performed much better than we expected,” Suminaka said. “There are an increasing

number of Japanese companies going to Hong Kong, which gives us the opportunity to build a bigger distribution network.”

An Entry Point to the Mainland Market

Thanks to Hong Kong's stable regulatory environment, Kubota Hong Kong has been able to focus on its core business after a smooth set-up. “The overall business environment is very friendly; the regulations are effective and don't change all the time. The city's lifestyle and infrastructure are convenient and comfortable for overseas investors,” Suminaka said.

Because of its efficiency and free flow of information, Suminaka said Hong Kong is also an ideal place to collect market information and do research about Mainland China. The company plans to expand into the Mainland and neighbouring countries in Asia with high purchasing power.

“Hong Kong has the potential to manage a regional trading and distribution network. It is a platform for us to increase our international awareness. If we succeed in Hong Kong, we can succeed in other places as well,” he added.

One-stop Services for New Investors

With ongoing support from Osaka to Hong Kong, Suminaka said the company could not have started this business without InvestHK's help. “InvestHK offers very helpful and transparent services for new companies like ours. Its staff helped us through the official procedures to get the necessary licenses and met with us regularly,” he said.



Kubota Rice Industry (H.K.) Co Ltd

- Its headquarters, Kubota Corporation in Osaka, is a leading manufacturer and distributor of agricultural machines since 1890
- Supplies freshly milled rice in Hong Kong to wholesalers and supermarkets
- Also operates an online shop

www.kubota-rice.com.hk

Approximate Monthly Office Rental Costs (HK\$)

Districts (central business districts)	Rental (net effective)
Central/Admiralty	\$130.4/sq. ft.
Wan Chai/ Causeway Bay	\$73.3/sq. ft.
Island East	\$52.5/sq. ft.
Tsim Sha Tsui	\$60.3/sq. ft.
Kowloon East	\$35/sq. ft.

Source: Colliers International, Q1 2018

Average Monthly Salaries for Trading Staff (HK\$)

Title	Average Salary
Sales Manager	\$15,000-30,000 + commissions
Sales Executive	\$8,000-15,000 + commissions
Logistic Manager	\$20,000-45,000
Shipping Officer	\$12,000-18,000
Purchaser	\$11,000-17,000

Source: February 2018, Jobmarket

Relevant Organisations in Hong Kong

Food and Environmental Hygiene Department

44/F, Queensway Government Offices,
66 Queensway, Hong Kong
Tel: (852) 2868 0000
Fax: (852) 2869 0169
Email: enquiries@fehd.gov.hk
www.fehd.gov.hk

The Hong Kong Food Drink and Grocery Association

GPO Box 8689, Hong Kong
Tel: (852) 2923 8419
Fax: (852) 2576 1559
Email: zumi.hui@sanmiguel.com.hk
www.fdga.org.hk

The Hong Kong Food Council

Flat A, 1/F, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon, Hong Kong
Tel: (852) 3925 6808
Fax: (852) 2537 6864
Email: info@hkfc.org.hk
www.hkfc.org.hk

Major F&B Events in Hong Kong

Event	Month	Website
Gourmet Asia	May	https://gourmetasia.com/
HOFEX	Every two years in May	www.hofex.com
Hong Kong Food Expo	August	www.hktdc.com/fair/hkfoodexpo-en
Hong Kong International Tea Fair	August	www.hktdc.com/fair/hkteafair-en
Natural & Organic Products Asia	August	www.naturalproducts.com.hk
Restaurant & Bar Hong Kong	September	www.restaurantandbarhk.com
Seafood Expo Asia	September	www.seafoodexpo.com/asia
Asia Fruit Logistica	September	www.asiafruitlogistica.com
Hong Kong Wine and Dine Festival	October	www.discoverhongkong.com
Beertopia	October	https://beertopiahk.com
Hong Kong Food Festival	December	www.food-expo.com.hk

For more information, please contact:

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