

Natural Products Expo, June 27-29, 2007 Hong Kong
Trip report

David Gagnon, Chief Operating Officer of the Organic Trade Association, attended the Natural Products Expo Hong Kong on 27-28, in Hong Kong on behalf of the Organic Trade Association. OTA participated in the trade show conference, in a retail tour and hosted a US Organic Market Update (with a focus on new and upcoming organic products and US organic product trends) seminar for the Hong Kong audience. The population of Hong Kong is 6 million. As of 2006 the average household income was \$15,360 US according to a recent CNN report. Hong Kong is the ninth largest market for packaged food product exports for the US.

The trade show was at the Hong Kong convention center. Mr. Gagnon noted a limited number of booths with some organic from the US and other countries. Attendance was light but some exhibitors reported strong interest for particular brands. We will try to learn more in the coming months. FAS Hong Kong reports a strong developing interest in organic foods but with very limited agricultural land there is very little local organic production. The Hong Kong Organic Resource Centre, Sharon Chan Chung Hiu, the Centre's Executive Director reports that they have certified 25 local farms and one processor based on IFOAM standards.

During a two hour tour of stores in the greater Hong Kong area, one retailer, "ThreeSixty 360" was selected with organic offerings. Mr. Gagnon observed a large variety of organic foods in this market including fresh organic meats from Australia, hundreds of finished products from the US, fresh produce from the US, and a fairly wide assortment of fresh organic deli products. The store has the look and feel of a Whole Foods or Wild Oats marketplace. Much of the signage was in English. Interestingly, the store was located on the third floor of the "Landmark" building in a high end district. The manager of the market, Bruce Simon (brucesimon@ThreeSixtyhk.com) was very helpful. There were several "organic " restaurants observed throughout Hong Kong and with 50-60 Green Dot Dot convenience stores with natural and organic offerings located in Hong Kong and in mainland China.

OTA also had the opportunity to meet extensively with the US Consulate General of the Agricultural Trade Office, Phil Schull and Deputy Director David Wolf to discuss opportunities for organic trade in Hong Kong as well as a labeling proposal that threatens US exporters and other country's exporters doing business in this market. It is predicted that thousands of products (non-organic and organic) will be eliminated from this market if the proposal is implemented. The proposed regulation would impose a unique, rigid labeling scheme which no country in the world is currently in compliance. According to a recently released USDA FAS Gain report dated 6/22/2007 entitled "Hong Kong Nutrition Labeling Proposal Threatens Packaged Food Exports to Ninth Largest US Market " nearly every product would require thousands of dollars in initial or recurring costs, including nutritional analysis, new label/stickering, and administrative oversight. This would be particularly disruptive to the developing US organic market as the new rule would present a significant financial and logistical barrier to entry. For a complete description of this proposal please review GAIN Report number HK7011 on the FAS website or contact Dave Gagnon at 413-774-7511 ext for a faxed copy. This is an issue that the USDA Hong Kong office is working on diligently and may be evolving.

Our recommendation is to focus on this regulatory issue and work closely with FAS in Hong Kong to provide impact analysis when and if required. Regarding marketing, we recommend continuing OTA participation in at least one marketing activity to keep up our presence in the market and show support for companies currently selling in to the market.

Special thanks to: US Consulate General of the Agricultural Trade Office, Phil Schull and Deputy Director David Wolf in Hong Kong for making all the arrangements for the organic industry's participation in the educational seminar, the pre-show briefing, and the organic store tour.

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