

## **The performance of Australian mangoes in Hong Kong.**

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### **Introduction**

As an integral component of an AusAID CARD project to improve the performance of the Vietnamese fruit industry, a five day visit to Hong Kong was undertaken to explore the market opportunities for Vietnamese fruit and to provide an international benchmark against which mango growers in Vietnam could potentially aspire.

In April 2002, discussions were held with Austrade after which detailed import statistics were collected from the Hong Kong Statistics Department. Personal interviews were then conducted with importers, wholesalers and retailers to gain a better understanding of the market dynamics and to identify competitor's relative strengths and weaknesses.

### **The Hong Kong market**

Previously leased by the British until July 1, 1997, Hong Kong is afforded a unique status by the Government of Mainland China. Administered as a special economic zone, Hong Kong is a bustling free market economy highly dependent on international trade.

Comprising of three distinct areas; the island of Hong Kong, Kowloon and the New Territories, Hong Kong occupies a total land area of just 1,024 square kilometres and yet it supports a population approaching 7 million. With less than 8% of the land area being utilised for the production of arable crops, Hong Kong must import the majority of food required to sustain the population. Consequently, almost 99% of the fresh fruit and vegetables required are imported.

Over 90% of the fresh fruit and vegetables imported are sold through one of four wholesale markets from which local retailers (hawkers, street vendors and green grocers) obtain their daily requirements. Currently, there are two wholesale fruit markets and two wholesale vegetable markets. From the four markets collectively, some 700 wholesalers operate, selling produce on behalf of a number of importers.

The fresh fruit and vegetable market in Hong Kong can be broadly divided into three segments. Even although Hong Kong has one of the highest standards of living in Asia, the retail market is still dominated by the traditional wet market. It is estimated that there are currently over 100 wet markets and over 4,000 hawkers and street vendors selling fresh fruit and vegetables. Collectively they account for over 80% of retail sales.

Nevertheless, as household incomes continue to grow, especially among the young professionals, greater convenience and the desire for a more comfortable, cleaner and hygienic environment is contributing to a significant expansion in supermarket sales. Although many of the supermarket chains are transforming their stores into superstores that incorporate wet market sections, the hypermarket concept has not been successful in Hong Kong.

Finally, there is the food service segment. Hong Kong is currently a market in transition towards a more service-orientated economy. As a result, the food service industry continues to expand. However, because of the relatively small volumes purchased and the large range of produce required, most hotels and restaurants continue to purchase from importers and distributors rather than to import themselves.

As Hong Kong is a free trade port, there are no duties or tariffs imposed on the imports of fresh fruit and vegetables. Nevertheless, imported fresh fruit and vegetables are subject to the control of various local food laws and regulations regarding the potential contamination of the produce by harmful substances such as chemical residues.

However, being a free and open market with no restrictions on imports, importers in Hong Kong are able to access fresh produce from anywhere in the world. Free market access makes it relatively easy to export fresh produce to Hong Kong, but it also means that Hong Kong is one of the most competitive markets in the world. Consequently, over the last five years, while the volume of imports continue to increase, the value of food imports have declined and over the last two years, average food prices have declined by 0.8-2.4% per annum.

### **The mango market in Hong Kong**

In 2001, almost 33,800 tonnes of mangoes were imported into Hong Kong. The Philippines was the major supplier of mangoes to the Hong Kong market by both volume (84%) and value (84%)(Table 1).

**Table 1. Imports of fresh mango into Hong Kong 1999-2001.  
Volume (kg) Value (\$HK 000)**

	1999		2000		2001	
	Quantity	Value	Quantity	Value	Quantity	Value
Philippines	24,854,677	202,812	27,262,815	216,292	28,537,723	229,219
Taiwan	4,672,113	26,252	2,082,125	11,499	2,627,197	14,671
Thailand	1,230,858	8,636	1,134,019	7,053	685,755	3,228
Australia	1,204,648	23,342	1,498,735	20,986	1,323,759	19,782
China	241,236	1,985	175,189	1,047	266,645	1,466
S. Africa	171,473	1,803	121,799	992	246,604	2,562
Chile	41,924	594	-	-	-	-
Singapore	28,052	273	29,713	228	22,370	244
India	27,857	526	24,211	293	32,976	571
Malaysia	21,060	608	-	-	41,092	224
S. America	20,963	269	-	-	-	-
Pakistan	6,930	87	4,471	81	10,222	139
Indonesia	1,004	15	1,227	27	612	10
Peru	-	-	20,963	190	-	-
Vietnam	-	-	19,945	91	-	-
Israel	-	-	24	1	-	-
TOTAL	32,522,795	267,202	32,375,236	258,779	33,795,067	272,118

Taiwan was the second largest supplier by volume (7.8%), but the third largest supplier by value (5.4%). Conversely, Australia was the third largest supplier by volume (3.9%) but the second largest supplier by value (7.3%).

Irrespective, prices in the market are very much dependent on the quantities of fruit available, the market demand and the quality of the fruit available. Generally, there is a perception that the market is currently over supplied. Such is entirely understandable, for during March to May, more than 53% of the mangoes are imported (Table 2).

**Table 2. Mango imports by month  
(V/v is the average price (\$HK) per kg)**

	2000		2001	
	Tonnes	V/v	Tonnes	V/v
January	2,190,836	9.97	1,597,492	11.87
February	2,413,061	8.47	2,537,831	9.15
March	4,136,437	7.89	5,820,512	7.61
April	5,773,092	7.21	4,956,638	7.54
May	7,482,136	6.92	7,519,042	7.69
June	2,455,795	7.51	2,164,883	6.82
July	1,842,149	7.67	2,780,604	7.19
August	1,512,308	8.05	1,594,634	7.40
September	1,336,511	8.56	1,378,745	7.82
October	1,254,399	9.83	1,308,234	8.54
November	1,094,382	10.45	1,009,208	10.52
December	984,442	11.27	1,209,404	9.84
<b>TOTAL</b>	<b>32,475,548</b>	<b>7.99</b>	<b>33,877,227</b>	<b>8.05</b>

As the quantity of fruit available in the market increases, prices generally decline, although it is apparent that in May 2001, average prices actually increased as the quantity of fruit available increased.

A closer examination of the import statistics reveal that during May 2001, the quantity of fruit arriving from Thailand declined by almost 415 tonnes with a corresponding increase in over 395 tonnes from The Philippines. Since the average price of the Filipino fruit is significantly higher than that from Thailand, average prices in May 2001 increased, despite the increased quantity of fruit consigned to the market (Table 3).

Overall, fruit from Australia commands the highest average price as the quantity of fruit consigned to the market from India amounts to just two containers (30 tonnes) and Indonesia consigned just 600 kg to the market.

Nevertheless, over the last three years, prices have generally declined. Australia has perhaps experienced the most significant reduction in average prices, due not so much to any increase in supply, but more simply to the need to reduce prices in order to maintain international competitiveness.

Imports from Taiwan are perhaps experiencing the most significant reduction in volume. While China currently shows only a modest increase, there was evidence to suggest that imports from Hainan Island will soon increase as new plantings come into production. The high costs of production in Taiwan have forced many producers to relocate to Hainan Island. With a shipping time of only two days, the fruit quality from Hainan Island is also expected to be significantly better than that currently available from Taiwan.

**Table 3. Value by Volume index for fresh mango imports (\$HK per kg)**

	Value by volume index		
	1999	2000	2001
The Philippines	8.16	7.93	8.03
Taiwan	5.62	5.52	5.58
Australia	19.38	14.00	14.94
Thailand	7.02	6.22	4.70
China	8.23	5.98	5.50
South Africa	10.51	8.15	10.39
Singapore	9.73	7.67	10.91
Pakistan	12.55	18.12	13.60
Indonesia	14.94	22.00	16.34
India	18.88	12.10	17.32
Vietnam	-	4.56	-
AVERAGE	8.22	7.99	8.05

While prices are generally at their highest from November to February, it was suggested that this did not necessarily indicate any great opportunity for further expansion. The consumer demand for mangoes (and most tropical fruit) during winter was reported to be significantly lower. Even for the Chinese New Year, which generally occurs in January, while the demand increased for temperate fruits such as apples, oranges, grapes and stone fruit, the demand did not increase for mangoes.

Quality fruit will always command a premium price in the market. Currently, Australia provides the majority of the premium quality fruit. In comparison with the market leader (The Philippines), Australian fruit achieves a price premium exceeding 85% (Table 4).

**Table 4. Volume by value by month for the major suppliers of mango. 2001.**

	HKD per kg			
	Taiwan	Philippines	Thailand	Australia
January	-	9.76	-	15.74
February	-	8.83	8.14	12.94
March	-	7.69	5.11	12.11
April	-	7.64	3.77	-
May	9.00	7.83	4.06	-

June	5.36	7.72	4.00	-
July	5.64	8.32	4.75	-
August	5.85	8.07	9.63	-
September	5.64	8.13	7.32	-
October	8.00	8.25	5.60	20.05
November	-	9.37	3.09	16.98
December	-	8.49	8.14	13.58
AVERAGE	5.58	8.03	4.71	14.94

The unique red skin of the dominant variety (Kensington Pride) and large fruit size provides a tangible means of differentiating the Australian fruit in the market. However, importers also commented that fruit from Australia was very sweet and very juicy. Furthermore, despite a retail price of between \$HK 9.90-16.00 per piece, there was a good consumer demand.

Nevertheless, only a small segment of the market is prepared to pay this much to purchase fruit. The average in-store prices for small fruit is \$HK1.60-2.80 per piece and between \$HK 4.00-7.00 for medium sized fruit. The majority of this fruit is sourced from the Philippines.

Importers prefer the Filipino mango because the fruit is very sweet; the fruit has a good aroma; the quality is consistent; fruit is available all year round; shipments are regular; fruit exporters are experienced; and, the fruit is cheap.

Currently, the wholesale price of Filipino mangoes ranges from \$HK62-105 per carton (10 kg). Small fruit (52 pieces) was available for \$HK 62, medium fruit (44-48 pieces) for \$HK 72, large fruit (36-38 pieces) for \$HK 82 and extra large fruit (32 pieces) for \$HK 105 per carton.

An examination of fruit in the Western wholesale market and the Yau Ma Tei fruit market suggested that the quality was consistently good. In the peak season (March-May), up to 100 containers were being received two to three times per week. The fruit generally arrived in a mature green stage, which, in the absence of any refrigerated storage, would ripen within one to two days. If there was a more immediate demand for ripe fruit, traders would cover the carton in newspaper to accelerate the ripening process.

One of the major reasons for the consistency of quality observed was suggested to arise from the nature of the firms handling the Filipino fruit. The Filipino fruit was consigned to the market by a small number of large agribusiness corporations who either grew the fruit themselves or were responsible for sourcing the fruit from the growers, grading and packing the fruit to a consistent standard. Over many years, these corporations had each established a loyal customer base and in many instances, had established agreements of exclusivity with preferred importers. In turn, these importers would supply the various wholesalers in the market. For the smaller wholesalers, since they were often unable to purchase a whole container, three or more might collaborate to purchase and share the contents of one container.

Conversely, while both the volume and value of Filipino mangoes continues to increase, Thailand is experiencing a significant erosion in market share. Over the last twelve months, Thai imports have decreased by almost 40% while simultaneously experiencing a 24% reduction in average prices. Currently, the wholesale prices for Thai fruit ranged from \$HK 40 per carton for the large fruit (L), \$HK 43 for the extra large (XL) and \$HK 45 for the jumbo fruit (XXL).

However, unlike the product from The Philippines that was carefully packed in a carton comprised of two compartments, the Thai fruit was simply tumble-packed in the carton. Although some individual pieces of fruit were encased in a protective net, the quality of the fruit was highly variable with evidence of some fruit being rotten on arrival. The problem of variable quality was confirmed in discussions with importers, wholesalers and retailers who suggested that part of the problem was due to the smaller volume of fruit consigned to the market and the need to share container space with other fruit crops such as longan.

In order to remain competitive, it was suggested that Australian fruit exporters need to maintain a continuous supply of high quality fruit, to consolidate, develop a strong reliable brand and continue to offer a world competitive price. The benefits of consolidation were expected to result in an improved bargaining position, various cost efficiencies and provide greater opportunities to support wholesalers and retailers to build and maintain a strong reliable brand. Developing a good reputation in the market is also expected to reduce the sensitivity of the product to variations in market price and to insulate suppliers from potential competitors.

While not all the fruit consigned to Hong Kong is consumed in Hong Kong, there is evidence to suggest that the quantities of mangoes passing through Hong Kong en route to China has diminished significantly (Table 5).

**Table . Re-exports of fresh mangoes from Hong Kong. 1999-2001.  
(kg, \$HK ,000)**

	1999		2000		2001	
	Quantity	Value	Quantity	Value	Quantity	Value
China	4,244,423	29,029	2,239,229	18,385	1,179,242	7,993
Macau	147,264	746	109,736	479	32,930	161
Singapore	2,400	162	-	-	-	-
Canada	1,120	40	3,223	53	3,896	104
UK	884	95	964	104	657	68
Taiwan	-	-	-	-	6	-
Thailand	-	-	-	-	11,856	39
Korea	-	-	-	-	1,487	21
USA	-	-	2,250	47	-	-
N. Korea	-	-	-	-	294	8
<b>TOTAL</b>	<b>4,396,091</b>	<b>30,072</b>	<b>2,355,402</b>	<b>19,067</b>	<b>1,230,368</b>	<b>8,394</b>

Nevertheless, despite the recent entry of China into the WTO, imports through Hong Kong are likely to continue for some time because the long-term trading relationships that have been established between traders will significantly reduce the risks of non payment should foreign importers choose to go direct.

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**Attachments:**

Image 34: Western fruit wholesale market

Images 43 and 48: Filipino mangoes

Image 50: Thai fruit

Image 53: Yau Ma Tei fruit wholesale market