

MARKETING OF FRESH MARINE FISH IN HONG KONG

by

K.W. Chan and N.K. Lee
Agriculture and Fisheries Department
Hong Kong

Abstract

Marine fish is one of Hong Kong's most important primary products. The fishing fleet, consisting of 5 500 vessels, catches 92 percent of all fresh marine fish consumed and more than 150 species of commercial importance are caught. The majority of the demand remains in favour of fresh fish rather than frozen or other processed forms.

The wholesale marketing of marine fish is controlled by the Marine Fish (Marketing) Ordinance of the Laws of Hong Kong which prescribes that all marine fish must be sold through one of the seven wholesale fish markets operated by the Fish Marketing Organization. The Organization is a statutory corporation established under the said Ordinance and administered by the Director of Marketing (Director of Agriculture and Fisheries). It also provides processing and storage facilities for the industry.

Fish is classified as a restricted food under the Food Business By-Laws. The major outlets are confined to stalls in the public retail markets and to fresh provision shops. The management of public retail markets is the responsibility of the Urban Council and the Urban Services Department, whereas fresh provision shops are licensed by the Urban Council. Other less important retail channels are the supermarkets and hawkers. Retail outlets for fish are inadequate, the ratio of household to outlet being much higher than the planning standard. There is a need to improve retail facilities.

The marketing cost from producers/fishermen to consumers, which includes handling, wholesaling, transport and retailing services, is about 9.5 percent of the average retail price.

INTRODUCTION

Marine fish is one of Hong Kong's most important primary products and the bulk of the domestic requirement is caught by local fishermen. Although less than 2 percent of the working population is involved in fishing, the local fishing fleet, consisting of 5 500 vessels, is able to supply some 92 percent of all fresh marine fish eaten in the territory. Domestic demand at present favours fresh rather than frozen or other processed forms of fish, but it is possible that the future consumption pattern will show a gradual increase in processed fishery products. Table 1 shows the supply situation of fresh marine fish in Hong Kong from 1971 to 1976.

MARKET DEMAND

In 1976, the population of Hong Kong was 4.44 million, an increase of 9.8 percent compared with the population in 1971. According to the latest estimates, the real *per caput* GDP, which was HK.\$ 3610 (U.S.\$ 768) in 1971, has been growing at an average rate of 8.6 percent to HK.\$ 5 170 (U.S.\$ 1 100) in 1976. The total net supply of marine fish, however, increased by only 6.6 percent over the same period; thus, *per caput* consumption changed little (22.96 kg in 1971 and 22.27 kg in 1976). The present slow growth rate of supply in terms of total catch shows that the major marine resource which is at present exploited, namely the demersal fishery, has almost reached its economic sustainable yield. Based on the long-term projections of supply and demand, the estimated per caput consumption of marine fish will increase to 25.6 kg and 28.1 kg in 1981 and 1991, respectively, representing an estimated total demand of 124 500 and 165 400 tonnes. Future demand at this level calls for an increase in production by the development of new demersal grounds or an expanded pelagic fishery, and the planning and development of necessary marketing facilities.

Table 1

Supply situation of fresh marine fish, 1971-76
(tonnes)

Year	Local production	Imports	Exports	Re-exports	Total net supply	Local production as percent of total net supply
1971	86 206	7 452	578	220	92 860	92.2
1972	91 484	7 426	671	318	97 921	92.7
1973	88 004	11 490	2 283	2 196	95 015	90.2
1974	95 071	9 787	1 524	1 286	102 048	91.7
1975	94 904	9 809	3 350	1 541	99 822	91.7
1976	96 847	9 254	5 420	1 734	98 947	92.4

WHOLESALE SYSTEM

The wholesale marketing of marine fish is the primary responsibility of the Fish Marketing Organization (FMO), which is administered by the Agriculture and Fisheries Department. The Organization, established by authority of the Marine Fish (Marketing) Ordinance of the Laws of Hong Kong, is a statutory corporation vested in the Director of Marketing (Director of Agriculture and Fisheries) and its primary functions are to establish, manage and operate wholesale fish markets and other ancillary establishments. The Ordinance provides for the control of the landing, wholesale marketing, importing and exporting of marine fish. In essence, the legislation prescribes that the wholesale marketing of marine fish must be conducted in FMO fish markets and that marine fish may not be transported within the territory of Hong Kong except in accordance with a permit issued by the Director of Marketing. The definition of 'marine fish' in the Ordinance specifically excludes all crustaceans, molluscs and live fish. The FMO operates seven wholesale fish markets, strategically sited for the convenience of the fish buyers and fishing fleet. The services provided at each of these wholesale markets include: unloading, sorting, weighing, sales, deliveries to retail outlets and documentation. The main source of revenue for the Organization is a 6 percent commission on the proceeds of market sales.

Fishermen land their catch, on ice, directly at any of the seven wholesale markets, where the FMO provides labour and mechanized off-loading facilities. Fish species in Hong Kong are numerous and, on arrival at a market, the fish are normally sorted before weighing and subsequent sale. Fish are rarely sorted at sea although the FMO has, for some time, actively encouraged fishermen to do so, since the time involved in sorting at the market is quite considerable. An area of the market is specially set aside and enclosed for this purpose and is under close supervision by the FMO, irrespective of whether the sorters are fishermen, buyers or staff employed by the Organization. The fish are sorted into heavy-duty plastic containers which are provided for the FMO. Each container constitutes a 'lot' of sorted fish for sale.

Prior to sale, each lot is weighed and the seller is given a receipt. This receipt has a lot number which must be produced when he collects the proceeds of the sale. A sales voucher is also made out at weighing for each lot. Then the lots are laid out on the sales floor in the sequence in which they were weighed. Sale is usually by auction conducted by an Auctioneer of the FMO. The highest bidder indicates his acceptance of the sale by stamping his copy of the sales voucher. This is held by the auction clerk who also inserts the unit price of the fish sold on the voucher. A copy of the sales voucher, which also includes transport, is then given to the buyer.

On completion of a sale, the buyer transfers his fish from the Organization's container to his own basket or fish tub. Transport to the buyer's place of business is provided by the FMO for markets in the urban areas.

However, as many buyers are also retailers, they are anxious to leave the market early and often find it more convenient to use their own vehicles or hired lorries. As Hong Kong is small, delivery of fish to the retail markets is relatively short and the fresh/chilled fish reaches the consumer within a few hours of being unloaded.

The completed sales vouchers are the basis for debiting buyers' accounts and paying sellers. Prior to a seller receiving payment, however, the vouchers are passed to the market credit section. At this section, deductions are made from proceeds of the sale for loan repayments, cooperative society dues, etc., and a receipt is made out for each deduction. The seller thus receives the proceeds of sale less any deductions, but is given receipts for the various deductions in addition to a copy of each voucher together with a summary showing the number of vouchers involved, the gross value market commission and the net proceeds of the sale. On payment of their purchases, buyers also receive a copy of the voucher. Copy of the voucher is retained by the FMO for accounting and statistical purposes. On completion of daily transactions at all wholesale fish markets, market accounts are verified and closed. A record of transactions is forwarded daily to the FMO's central Accounts Section for endorsement.

Fish buyers who wish to buy in the wholesale markets are required to register with the FMO. On registration, each buyer is issued an individual stamp which is used to endorse the sales voucher on completion of a transaction. He is registered to purchase at one specific market. Although buyers are generally retailers, exporters and fish processors are also registered to purchase fish. There are some 2,200 registered fish buyers, about half of whom are actively engaged in daily transactions at the wholesale markets. Purchases are made against a deposit made with the FMO, and a credit balance is maintained by buyers who clear their debit notes daily.

RETAILING SYSTEMS

Retail marketing of fish (and other fresh food commodities) is controlled by the Urban Council and the Urban Services Department of the Hong Kong Government. Fish and meat are restricted foods in terms of the Food Business By-Laws under the Public Health and Urban Services Ordinance, Chapter 132 of the Laws of Hong Kong. Fish are retailed through the following outlets: public retail markets, fresh provision shops, supermarkets and by hawkers.

Public retail markets, to accommodate fish, poultry and meat stalls and mini stalls for fruits and vegetables, are built from public funds. There are 41 public retail markets in the urban areas under the control of the Urban Services Department. These markets provide a total of 1,200 retail outlets for fish; about 40 percent have refrigerators.

In addition to public retail markets, there are some 5,300 fresh provision shops licensed by the Urban Services Department. These shops are accommodated mainly in tenement buildings in residential areas and provide a total of 1,850 fish retail outlets.

Two decades ago there were only six supermarkets selling frozen and canned foods in Hong Kong; 90 percent of the customers were expatriates from Europe and other areas. By the end of 1976, the number of supermarkets had risen to 94 (mostly developed in the 1970s) and the clientele was 90 percent Chinese. However, as they are selling mainly packaged and processed foods, supermarkets are so far relatively unimportant retail outlets for fresh fish.

As mentioned above, fresh fish is classified as a restricted food and retail sales are confined in market stalls, fresh provision shops and supermarkets. In practice, however, a certain amount of fresh marine fish is sold by street traders at, for example, fishing ports, where fisherfolk of small vessels come ashore to sell a small catch, or in areas where there is a shortage of legal retail outlets. The total amount thus handled is not significant.

COSTS OF MARKETING

For an average species costing HK.\$ 8.5/kg (U.S.\$1.81/kg) at retail markets, marketing costs from producers to final consumers amount to HK.\$ 0.8/kg (U.S.\$ 0.17/kg), or about 9.5 percent of the average retail price. Marketing services along the normal distribution network include: fishermen's agent, wholesale marketing facilities, and costs for the fish buyers, many of whom are retailers. The 6 percent commission deducted from the gross wholesale value of fish constitutes the major source of revenue for the FMO. In return, the various wholesale facilities and services provided by the Organization have been described earlier. It should be noted that the FMO is operated on a non-profit basis. Surplus funds are ploughed back into the industry mainly in the form of improved marketing facilities, cheap credit to fishermen, and education for fishermen's children.

Fishermen's agent

An agent has an obligation to the fisherman, whom he represents, to sell at the best price. For this and other services, an agent generally charges 2 percent of the gross wholesale value of fish. This commission also covers the possible loss due to the difference between the fisherman's reserve price, which may attract no buyers, and the subsequent sale at a reduced price.

Fish buyer/retailer

Most of the fish buyers at the wholesale markets are retailers themselves, operating one or two fish stalls in the retail outlets. The retailer has first to attract the customer and then to sell the highly perishable stock as quickly as possible. This means keeping prices in line with those of competitors, and of competing foodstuffs, and maintaining as much stability as possible in the pricing (and quality) of particular species. Within these constraints, he must aim to make an adequate net profit. It is estimated that the average retail mark-up for fresh marine fish is about 35 percent above that of the wholesale value. Given this gross margin, the retailer has expenses for transport, labour, rent, water and power, packing materials and other equipment. Figure 1 shows the distribution network for fresh marine fish with estimated costs of marketing at the different levels of distribution.

	Receipt/Payments	Marketing Costs
<i>Fishermen's Receipts</i> (net proceeds)	5.79	
<i>Fishermen's Agents' Receipts</i> (2% of the gross wholesale value of fish)	0.13	(0.13)
<i>FMO Wholesale Markets Receipts</i> (6% of the gross wholesale value of fish)	0.38	(0.38)
<i>Registered Buyers' Payments</i> (wholesale value of fish)	----- 6.30 -----	
<i>Buyer/Retailer Receipts</i> (gross margin) (plus 35% mark-up)	----- 2.20 -----	
(less retailing costs)		
transport		(0.02)
labour		(0.12)

rent			(0.09)
water and power			(0.02)
packing materials and other equipment			(0.04)
	-----	Total Marketing	-----
<i>Consumer payments</i>	0.85	Costs	0.80
(retail value of fish)			

Figure 1 Distribution network for fresh marine fish and estimated marketing costs (HK.\$/kg).

MARKETING DEVELOPMENTS

Wholesale facilities for the marketing of marine fish are adequate. However, in view of town planning requirements, some of the existing markets will have to be reprovioned and working plans are accordingly drafted to cope with the projected increased volume of throughput. In some of these wholesale markets provision is also made to include facilities to meet future demands, such as fish processing and the handling of both capture and culture marine fish in live condition. Action has been taken to build a new market in a high density area to close the time-distance gap between the existing wholesale markets and retail outlets. Operational procedures within the wholesale markets are under constant review with a view to achieving increased efficiency at lowest possible cost.

A number of public retail markets are old and too small, half of them being pre-war buildings; they are incapable of meeting present and future requirements. This results in undesirable street-trading on the peripheral areas of most of these markets. There is therefore an obvious need for quick action to improve the retail system by redevelopment of old markets in built-up areas and the construction of new ones in the new town areas. The Urban Council and Urban Services Department have drawn up development plans. For the retail marketing of fish, the planning standard is 9.5 fish stalls per 10 000-30 000 persons, depending on long-term land requirements for retail markets and the point at which a market should be built.