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Report Name: Retail Foods

Country: Hong Kong

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Report Highlights:

Despite a small population of 7.4 million people, Hong Kong is the seventh-largest export market for U.S. consumer-ready agricultural products. Hong Kong has always been an attractive market for innovative U.S. food and beverage products as well as a gateway to the region. Despite the adverse impact of COVID-19, in 2021, Hong Kong's retail food sales dropped only 5 percent to \$12 billion. The Hong Kong government has launched multiple stimulus measures to help residents and businesses cope with the challenges of the pandemic. As the pandemic situation improves, Hong Kong's economy is expected to pick up in the latter half of 2022.

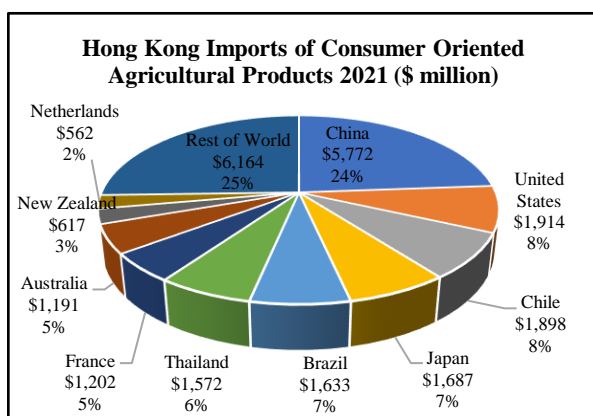
Market Fact Sheet: Hong Kong

Executive Summary

Hong Kong has a population of 7.4 million. In 2021, its per capita GDP was \$49,613, one of the highest in Asia. Hong Kong is a vibrant city and a major gateway to Asia. Consumers are sophisticated and enjoy cosmopolitan food and beverage. Due to limited arable land, around 95 percent of food in Hong Kong is imported. In 2021, Hong Kong's total imports of agricultural and related products grew 8 percent compared to 2020 and reached \$27.6 billion

Imports of Consumer-Oriented Agricultural Products

Hong Kong imports of consumer-oriented agricultural products grew 8 percent to \$24 billion in 2021, accounting for 88 percent of all agricultural imports. The top ten imports were fresh fruit, seafood, beef, wine, pork, prepared food, dairy products, poultry meat, non-alcoholic beverages, and bakery products. China, the United States, and Chile were the top three suppliers.



Food Processing Industry

Land is limited and extremely expensive in Hong Kong. Therefore, the local food processing sector is small. In 2021, global imports of bulk products dropped 8 percent to \$371 million and represented 1.3 percent of all agricultural imports. Imports of intermediate agricultural commodities grew 13 percent to \$2.4 billion, representing 8.6 percent of overall agricultural imports.

Food Retail Industry

In 2021, Hong Kong's retail food sales dropped slightly to \$12 billion. The Hong Kong food retail market is made up of supermarkets, convenience stores, and traditional markets. Supermarkets account for over 61 percent of retail food sales. There are over 690 supermarkets, 1,300 convenience stores, and nearly 100 traditional markets in Hong Kong, making food shopping very convenient. In 2021, online food sales grew 14 percent to \$447 million.

Food Service Industry

The Hong Kong HRI food service market is made up of hotels, restaurants, and institutions, with most food and beverage sales at restaurants. In 2021, Hong Kong's restaurant receipts grew 17 percent to \$11.9 billion. There are over 14,000 restaurants in Hong Kong.

Quick Facts CY 2021

Imports of Consumer-Oriented Ag. Products

\$24 billion (up 8 percent from CY 2020)

Top Growth of Consumer-Oriented Ag. Imports

Tea, fresh vegetables, fresh fruit, prepared food, eggs, condiments and sauces, processed vegetables, pet food, bakery products, and non-alcoholic beverages.

Food Industry by Channels

Consumer-Oriented Ag. Products:

- Gross imports \$24 billion
- Re-exports \$7.71 billion
- Retained imports \$16.2 billion
- Retail food sales \$12 billion
- Restaurant receipts \$11.9 billion

GDP/Population

Population: 7.4 million

GDP per capita: \$49,613

Strengths/Weaknesses/Opportunities/Challenges

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> - Large and free market with affluent customers. - U.S. products are perceived as high-quality. 	<ul style="list-style-type: none"> - Cost of shipment from the U.S. is high. - Hong Kong importers' order size tends to be smaller than other export destinations.
<i>Opportunities</i>	<i>Challenges</i>
<ul style="list-style-type: none"> - Hong Kong customers are open to new products. - Hong Kong is a major trading hub for Asia. 	<ul style="list-style-type: none"> - Keen competition from other food supplying countries. - A stronger U.S. dollar makes U.S. products less price competitive. - Inability to meet in-person with Hong Kong buyers.

Data and Information Sources: U.S. Census Bureau Trade Data, Trade Data Monitor, Euromonitor International, Hong Kong Census and Statistics Department, and Hong Kong Trade Development Council. Currency in U.S. dollars unless otherwise stated.

SECTION I. MARKET SUMMARY

Hong Kong is a dynamic export market for U.S. agricultural products. In 2021, total U.S. agricultural exports slowed for the fourth consecutive year to \$1.9 billion.¹ However, Hong Kong is the 15th largest market for U.S. food and agricultural exports. The city is the seventh largest destination for U.S. consumer-oriented exports, accounting for \$1.6 billion.² Top categories for U.S. agricultural exports to Hong Kong included beef, tree nuts, seafood, prepared food, fresh fruit, wine, poultry meat, eggs, processed vegetables, and pork.³

In addition to being a dynamic market, Hong Kong is also a trading hub where buyers make purchasing decisions for a vast range of consumer-oriented products that are transshipped to China and other parts of Asia. Most of Macau's food imports are purchased, consolidated, and shipped via Hong Kong.

Due to land constraints, local agricultural production in Hong Kong is minimal. As a market that imports 95 percent of its local food needs, Hong Kong welcomes foods from around the world. The city's import regime is autonomous, transparent, and predictable. Food and beverage products are imported to Hong Kong without tax or duty except for four commodities, namely liquors, tobacco, hydrocarbon oil, and methyl alcohol. For more information on Hong Kong food import regulations, please refer to [GAIN Report HK2022-0044](#).

In 2021, Hong Kong's GDP per capita rebounded 8 percent to \$49,613,⁴ still one of the highest GDP per capita in Asia. Despite the four-year decline in U.S. food exports to Hong Kong, last year's decline was the least severe drop since 2019. Hence, U.S. food exports to Hong Kong could recover in 2022, but this will greatly depend on the evolution of the pandemic and the relaxation of government quarantine requirements on international travelers and social distancing restrictions. U.S. food sales to Hong Kong will also depend on improvements to shipping logistics and prices. Major export items continue to be grocery products, meats, tree nuts, seafood, fresh fruit, wines, pet food, and eggs. In addition, demand for natural, plant-based, and organic food and beverages is also growing. In 2021, Hong Kong's economy grew 6.3 percent⁵ compared to the previous year. However, since late January 2022, the fifth wave of the pandemic has adversely affected Hong Kong's economic recovery. Considering the latest internal and external conditions as well as the stimulus effect of domestic fiscal measures, the real GDP growth forecast for 2022 is 1 – 2 percent.⁶

Food and Beverage Retail Sales in Hong Kong

Despite the adverse impact of COVID-19, Hong Kong's retail food sales dropped only 5 percent to \$12 billion in 2021. The Hong Kong food retail market is made up of supermarkets, convenience stores, and traditional markets.

¹ USDA/FAS Bico Reports, U.S. Census Bureau Trade Data

² USDA/FAS Bico Reports, U.S. Census Bureau Trade Data

³ USDA/FAS Bico Reports, U.S. Census Bureau Trade Data

⁴ "Economic and Trade Information on Hong Kong", Hong Kong Trade Development Council

⁵ "Economic and Trade Information on Hong Kong", Hong Kong Trade Development Council

⁶ "Hong Kong Economy", Hong Kong Government

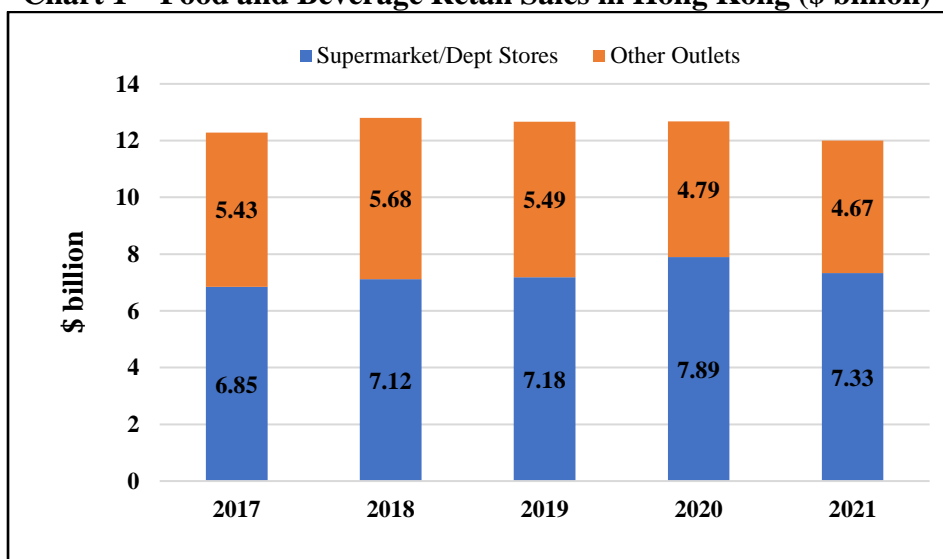
Table 1 – Food and Beverage Retail Sales in Hong Kong (\$ billion)⁷

Channel	2017	2018	2019	2020	2021	Share (2021)	Growth (2021 vs 2020)
Supermarket/Dept. Stores	6.85	7.12	7.18	7.89	7.33	61%	-7%
Other outlets	5.43	5.68	5.49	4.79	4.67	39%	-3%
Total	12.28	12.8	12.67	12.68	12	100%	-5%

“Supermarket/Department Stores” include sales of supermarkets, convenience stores, and food and beverage sections at department stores. These are the modern grocery outlets that provide consumers with convenient and high-quality options. In addition to groceries, these stores offer a more comprehensive shopping experience with increased items of fresh food, bread and pastry, organic options, and hot takeout meals.

“Other outlets” refers to the traditional markets, also called wet markets, mom-and-pop stores, bakeries, fresh fruits stalls, etc. These outlets are usually smaller in scale and U.S. food exporters probably need to work with local importers/agents to place products in this sector of the market. Some Hong Kong consumers prefer these stores due to proximity, established relationships, and perception that meat, fish, and produce in traditional shops are fresher.

Chart 1 – Food and Beverage Retail Sales in Hong Kong (\$ billion)⁸



There are over 690 supermarkets,⁹ 1,300 convenience stores,¹⁰ and close to 100 traditional markets¹¹ in Hong Kong, making food shopping very convenient. Traditionally, Hong Kong consumers shop daily because of they prefer fresh food. Much of the shopping is still done in traditional markets including street markets and locally owned shops. Overall, street market sales trend toward fresh foods while

⁷ Hong Kong Census and Statistics Department

⁸ Hong Kong Census and Statistics Department

⁹ “Supermarkets in Hong Kong, China”, Euromonitor International

¹⁰ “Convenience Stores in Hong Kong, China”, Euromonitor International

¹¹ Hong Kong Food and Environmental Hygiene Department

supermarkets dominate in processed, chilled and frozen, high value-added, and canned food products. In recent years, the competition between street markets and supermarkets has intensified in recent years.

Although the number of supermarket outlets is expected to remain stable, the market share for supermarket sales is expected to continue to increase in the future at the expense of traditional street markets which have lost in-person sales, especially from the more hygiene-conscious customers under the COVID-19 pandemic. In addition, as a result of the pandemic, canned, chilled and frozen food products typically available in supermarkets fared well among local consumers. The supermarkets' share in terms of total retail sales rose from 44 percent of total sales in 1995 to 61 percent in 2021.

Online shopping continues to grow, especially under COVID-19. In 2021, food and drink e-commerce reached \$447 million, an increase of 14 percent compared to 2020, and it is estimated to reach \$733 million by 2026.¹² Prepackaged and shelf stable products sold well online. In addition, sales of fresh and frozen food grew as online shops improved their cold chain and storages for more perishable items.

Outlook for 2022

Since early 2020, COVID-19 has adversely affected the Hong Kong economy, especially the food service sector as international travel continues to be restricted. Hong Kong's economy rebounded to 6.3 percent in 2021 as the local pandemic situation improved. However, in January 2022, the fifth and deadliest wave of the pandemic led the government to reintroduce restrictions on gatherings and dining. As a result, Hong Kong's real GDP contracted 4 percent in the first quarter of 2022.¹³ For the same period, restaurant receipts dropped 23 percent to \$1.94 billion compared to the same period in 2021.¹⁴ For the first four months of 2022, Hong Kong imports of consumer-oriented agricultural products dropped 16 percent to \$7.3 billion compared to the same period in 2021.¹⁵

Despite the pandemic, Hong Kong's food retail sales remained relatively stable. In 2021, Hong Kong's retail food sector sales slowed only 5 percent to \$12 billion. The slowdown was mainly due to improvement in local pandemic situation which led to a recovery in restaurant activity. In 2022, it is expected that food retail sales will remain stable, and e-shopping will become more popular as the pandemic keeps affecting Hong Kong. For the first four months of 2022, food retail sales were \$4.17 billion, a rise of 3 percent over the same period in 2021.¹⁶

As the pandemic situation began to stabilize in late April, the Hong Kong government started to gradually relax some of the COVID-19 restrictions. The Hong Kong government has also implemented multiple measures to support businesses and individuals as the pandemic continues to severely damage the global economy. As of June 15, 2022, the total relief provided by the Hong Kong Government has reached \$50 billion,¹⁷ and Hong Kong's economy is expected to pick up in the latter half of 2022 as the pandemic situation improves.

¹² "Food and Drink E-Commerce in Hong Kong, China", Euromonitor International

¹³ "Hong Kong Economy", Hong Kong Government

¹⁴ Hong Kong Census and Statistics Department

¹⁵ Trade Data Monitor

¹⁶ Hong Kong Census and Statistics Department

¹⁷ Anti-epidemic Fund, Hong Kong SAR Government

Table 2 – Major Advantages and Challenges in the Hong Kong Market

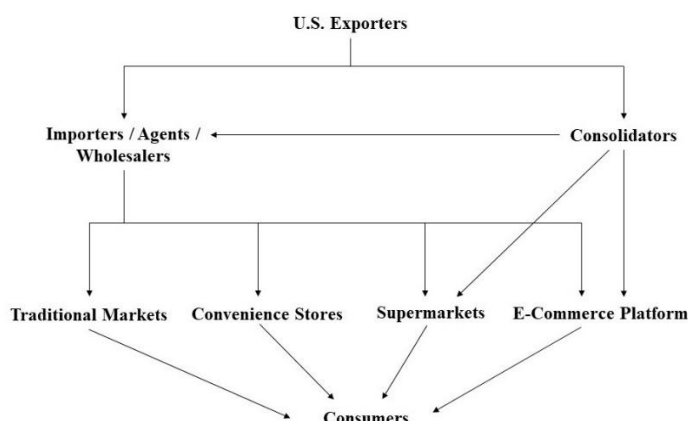
Advantages	Challenges
Hong Kong is one of the top markets in the world for food and beverages, processed, fresh, and frozen gourmet products. U.S. exports of consumer-oriented agricultural products to Hong Kong were \$1.6 billion, making it the seventh-largest market for the United States in 2021.	Transportation time and costs, combined with seasonality determining product availability (e.g. fresh produce) associated with importing U.S. food and beverage products to Hong Kong can make them less competitive than products available from regional suppliers such as China, Australia, and New Zealand.
Hong Kong is a major trading hub where buyers make purchasing decisions for a vast range of consumer-oriented products that are transshipped to China and other parts of Asia.	The importance of Hong Kong as a transshipment point and buying center for regional markets is not widely known to U.S. exporters.
U.S. food products enjoy an excellent reputation among Hong Kong consumers, as they are renowned as high-quality and safe.	Hong Kong labeling requirements and residue standards can impact trade.
Hong Kong is a quality and trend-driven market, so price is not always the most important factor for food and beverage purchases.	Competition in the Hong Kong market is keen, a stronger U.S. dollar will continue to lessen the competitiveness of U.S. foods.
	Ongoing disruptions on shipping logistics (including limited air cargo space due to reduced flights).

SECTION II. ROAD MAP FOR MARKET ENTRY

New-to-market exporters may consider several approaches to enter the Hong Kong retail market:

- Establishing a representative office in Hong Kong: A good method to build trade relationships and implement marketing programs, but operating expenses can be high.
- Working with a U.S. trading company: Some companies serve U.S. exporters and Hong Kong importers so both sides can benefit from expanded options and cost-effective shipping.
- Developing a relationship with a Hong Kong agent: Well-established companies have extensive distribution networks to supermarkets, other retail outlets, and many also cover non-retail sectors. Hong Kong agents very often request exclusive sales rights. This is common in Hong Kong due to the small geographical size.
- Exporting direct to supermarkets: Branded products that sell direct to supermarkets may be required to provide exclusive rights for the products in Hong Kong. In this case, expensive slotting fees may be waived. For non-branded and large turnover products, supermarkets tend to buy direct from overseas exporters for cost savings.

Market Structure



- U.S. exporters intending to sell to retail outlets can utilize one of the above channels. Some supermarkets source through U.S. consolidators as well as local agents and importers.

A. Supermarket

Two major retail groups [A.S. Watson Group](#) and [DFI Retail Group](#), dominate the supermarket category with over 90 percent market share combined.¹⁸

Table 3 – Leading Supermarket Chains¹⁹

Name of Retailer	No. of Outlets
Wellcome (DFI Retail Group)	Over 280 (with different names and store formats)
ParknShop (A.S. Watson Group)	Over 270 (with different names and store formats)
U-Select	83 shops
DCH Food Mart	53 DCH Food Marts
YATA	3 department stores with supermarkets and 9 separate supermarkets
AEON Stores (HK) Ltd.	10 department stores with supermarkets and 2 separate supermarkets
City'Super	4 stores
APITA (Uny)	4 stores

Expansion of health food, confectioners, and chain stores such as “[759](#)”, “[Kai Bo](#)²⁰”, “[Best Mart 360](#)” and “[PrizeMart](#)” are increasing competition for supermarkets and convenience stores.

Many Hong Kong supermarkets charge slotting fees for new products’ placement, as well as other terms, such as promotion discounts, back-end income (flat rebate per year that a supplier

¹⁸ “Supermarkets in Hong Kong, China”, Euromonitor International

¹⁹ Websites of the retailers

²⁰ Website in Chinese only

pays to the retail chain based on the annual turnover), D.A. (Distribution Allowance - the fee that the supermarkets charge for distributing the products from its warehouse to its many branch stores), and incentive rebates (a percentage of turnover rebated to the supermarkets when sales exceed an agreed amount).

To source new products from the United States, supermarkets may import directly from a U.S. supplier or may use consolidators, depending on the product and minimum order quantity. Most major supermarkets like ParknShop and Wellcome offer online grocery shopping platforms that are increasingly appealing to busy Hong Kong shoppers with discounts and delivery services.

B. Convenience Stores

There are more than 1,300 convenience stores in Hong Kong offering drinks, snacks, and some hot food options.

Table 4 – Profiles of Leading Convenience Stores in Hong Kong²¹

Retailer Name	No. of Outlets
7-Eleven	1,013
Circle K	349
VanGo	26

C. Traditional Markets – Wet Markets and Independent Grocery Stores

Traditional markets include wet markets and mom-and-pop shops. They are widespread throughout Hong Kong. They are favored for daily, neighborhood shopping especially amongst an older consumer base. Due to size restrictions, many of these stores work with importers to buy smaller batches.

D. Online Shopping of Foods and Beverages

Online shopping continues to grow, especially under COVID-19. In 2021, food and drink e-commerce reached \$447 million, an increase of 14 percent over 2020.²² Hong Kong consumers are information savvy, with nearly 100 percent smartphone users and high social media participation rate at 83 percent. Many food retailers and e-commerce platforms such as [HKTV Mall](#) provide modern and alternative shopping experience to Hong Kong consumers. This method of shopping is expected to expand as more product varieties be available on e-commerce platforms, and consumers grow more confident in the quality and authenticity of products available online.

²¹ “Convenience Stores in Hong Kong, China”, Euromonitor International

²² “Food and Drink E-Commerce in Hong Kong, China”, Euromonitor International

SECTION III. COMPETITION

Due to land constraints, Hong Kong produces a minimal amount of food, and depends on global sources to meet about 95 percent of its needs. Hong Kong imports of consumer-oriented agricultural products²³ from all origins grew 8 percent to \$24 billion in 2021.

Table 5 – Hong Kong Imports of Consumer-Oriented Ag. Products (2017-2021)²⁴

Partner	Calendar Year (Value: \$ million)					Share 2021	Growth 2021 v 2020	Growth 2021 v 2017
	2017	2018	2019	2020	2021			
China	5,101	5,179	4,986	5,054	5,772	24%	14%	13%
United States	4,359	4,303	3,383	2,162	1,914	8%	-11%	-56%
Chile	698	1,205	1,436	1,287	1,898	8%	48%	172%
Japan	1,205	1,383	1,350	1,462	1,687	7%	15%	40%
Brazil	2,234	2,475	1,998	1,977	1,633	7%	-17%	-27%
Thailand	1,012	1,117	1,223	1,534	1,572	6%	2%	55%
France	1,438	1,540	1,179	991	1,202	5%	21%	-16%
Australia	1,326	1,228	1,146	1,013	1,191	5%	18%	-10%
New Zealand	481	541	672	541	617	3%	14%	28%
Netherlands	1,082	999	854	620	562	2%	-9%	-48%
Total of Top 10 Partners	18,937	19,970	18,226	16,640	18,049	75%	8%	-5%
Total of Rest of the World	6,859	6,917	6,528	5,843	6,164	25%	5%	-10%
World	25,796	26,887	24,754	22,483	24,213	100%	8%	-6%

Table 6 – Top 10 Hong Kong Imports of Consumer-Oriented Agricultural Products and Competition²⁵

Product Category				Major Supply Sources ²⁶
Fresh Fruit				1. Chile – 42%
Gross Imports	\$4.49 billion	1,841,097 MT		2. Thailand – 20%
Retained Imports	\$16 billion	669,589 MT		5. United States – 5%
Seafood				1. China – 35%
Gross Imports	\$3.59 billion	369,052 MT		2. Japan – 14%
Retained Imports	\$3.15 billion	319,679 MT		7. United States – 3%
Beef and Beef Products				1. Brazil – 39%
Gross Imports	\$2.67 billion	719,694 MT		2. United States – 20%
Retained Imports	\$2.47 billion	688,306 MT		3. Australia – 6%
Wine and Related Products				1. France – 57%
Gross Imports	\$1.47 billion	56 million liters		2. Australia – 17%
Retained Imports	\$1.23 billion	44 million liters		5. United States – 3%
Pork and Pork Products				1. Brazil – 26%
Gross Imports	\$1.43 billion	516,774 MT		2. China – 18%
Retained Imports	\$1.33 billion	477,276 MT		8. United States – 3%
Soup and Other Prepared Food				1. United States – 22%
Gross Imports	\$1.37 billion	146,454 MT		2. China – 17%
Retained Imports	\$450 million	113,985 MT		3. Japan – 13%
Dairy Products				1. New Zealand – 27%
Gross Imports	\$1.29 billion	261,311 MT		2. Netherlands – 22%
Retained Imports	\$692 million	208,498 MT		9. United States – 3%

²³ Consumer Oriented Agricultural Products (excl. tobacco, incl. rice and seafood)

²⁴ Calculations based on Trade Data Monitor data

²⁵ Calculations based on Trade Data Monitor data

²⁶ Ranking and market share by gross import value in 2021

Poultry Meat and Products			1. China – 62%
Gross Imports	\$1.01 billion	387,206 MT	2. Brazil – 17%
Retained Imports	\$936 million	333,328 MT	4. United States – 3%
Non-Alcoholic Beverages			1. China – 77%
Gross Imports	\$952 million	348 million liters	2. Japan – 5%
Retained Imports	\$833 million	234 million liters	7. United States – 1%
Bakery Products			1. China – 37%
Gross Imports	\$902 million	307,772 MT	2. Japan – 23%
Retained Imports	\$358 million	228,839 MT	10. United States – 2%

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Table 7 – Best Growths of Hong Kong’s Imports of Consumer-Oriented Agricultural Products²⁷

Category	(Value: \$ million)		Average Annual Growth
	2017	2021	
Tea	134	278	19.97%
Fresh Vegetable	469	812	14.72%
Fresh Fruit	2,635	4,492	14.27%
Prepared Food	976	1,374	8.94%
Eggs	202	277	8.18%
Condiments & Sauces	289	380	7.07%
Processed Vegetables	411	498	4.93%
Pet Food	140	152	2.01%
Bakery Goods	861	902	1.18%
Non-Alcoholic Beverages	922	952	0.80%

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Post Contact

Agricultural Trade Office, Consulate General of the United States, Hong Kong and Macau
18th Floor, St. John’s Building
33 Garden Road, Central, Hong Kong

Tel: (852)-2841-2350

Fax: (852)-2845-0943

Email: Atohongkong@usda.gov

Website: <http://www.usconsulate.org.hk>

<http://www.atohongkong.com.hk>

Other Hong Kong Government / Semi-Government Contacts

Please refer to [GAIN Report HK2022-0044](#).

Attachments:

No Attachments

²⁷ Calculations based on Trade Data Monitor data