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GAIN Report

Global Agricultural Information Network

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Hong Kong

Retail Foods

Hong Kong Food Retail Industry

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Report Highlights:

In 2017, Hong Kong's retail food sector sales rose 1.82 percent to US\$12.28 billion, a positive growth trend forecast to continue, especially in segments where U.S. products have strong prospects, such as healthy, reliable, and high-quality foods.

Hong Kong is the fourth largest export market for U.S. consumer-oriented agricultural products, by value. With a dynamic food culture, sophisticated buyers, and world-class logistical infrastructure, Hong Kong is an attractive market for innovative U.S. food and beverage products as well as a gateway to the region.

Post:

Hong Kong

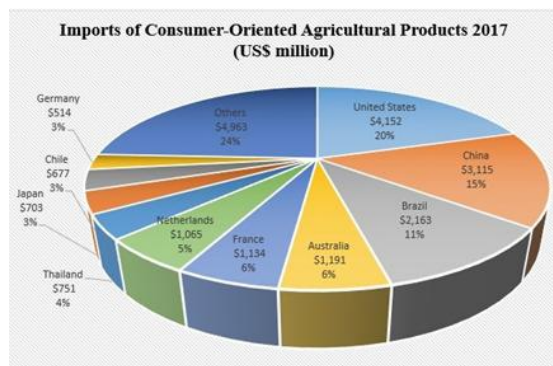
Market Fact Sheet: Hong Kong

Executive Summary

Hong Kong has a population of 7.39 million and its per capita GDP was over US\$46,000 in 2017, 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 tastes. Due to limited arable land, around 95 percent of food in Hong Kong is imported. In 2017, imports of agricultural and related products reached US\$27.6 billion.

Imports of Consumer-Oriented Agricultural Products

Hong Kong imports of Consumer-Oriented Agricultural Products reached US\$20.4 billion in 2017, or 74 percent of overall agricultural imports. The more popular products imported were beef, pork, poultry and eggs, fruits, tree nuts, dairy products, wines, and prepackaged products. The United States, China, and Brazil 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. Imports of bulk and intermediate agricultural commodities were US\$386 million and US\$2.3 billion respectively, representing 1.4 percent and 7.4 percent of overall agricultural imports.

Food Retailing Industry

In 2017, Hong Kong's retail food sector sales rose 1.82 percent to US\$12.28 billion. The Hong Kong food retail market is made up of supermarkets, convenience stores, and traditional markets. Supermarkets account for nearly 56 percent of retail food sales.

Major supermarkets include Wellcome, ParknShop, DCH Food Mart, Market Place by Jasons, U-Select, CR Vanguard, CitySuper, AEON, YATA, and SOGO. Major convenience stores are 7-Eleven, Circle K, and VanGo.

There are more than 800 supermarkets, 1,300 convenience stores and over 100 traditional markets in Hong Kong, making food shopping very convenient. On-line food sales were US\$118 million (2016). This new form of shopping is expected to grow as rents continue to rise, more product varieties become available on e-commerce platforms, and consumers growing confidence and trusting of online stores.

Quick Facts CY 2017

Imports of Consumer-Oriented Ag. Products

US\$20.4 billion

Top 10 Consumer-Oriented Ag. Imports

Fish, beef, fresh fruit, pork, dairy products, food preparations, poultry and eggs, wine and beer, tree nuts, and other meat products

Top Growth of Consumer-Oriented Ag. Imports

Dog and cat food, fruit and vegetable juices, fresh fruit, processed vegetables, wine and beer, food preparations, snack foods, pork, fresh vegetables, condiments and sauces

Food Industry by Channels

Consumer-Oriented Ag. Products:

- Gross imports US\$20.4 billion
- Food re-exports US\$9 billion
- Retained Imports US\$11.5 billion
- Retail food sales US\$12.28 billion
- Restaurant receipts US\$14.45 billion

Top 10 Retailers (by no. of stores)

Wellcome, ParknShop, DCH Food Mart, Market Place by Jasons, U-Select, CR Vanguard, CitySuper, AEON, YATA, and SOGO

GDP/Population

Population: 7.39 million
GDP: US\$341 billion
GDP per capita: US\$46,200

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 - Order size of importers is small
<i>Opportunities</i>	<i>Challenges</i>
<ul style="list-style-type: none"> - Hong Kong customers are open to new products - Hong Kong is major trading hub for Asia 	<ul style="list-style-type: none"> - Keen competition from other food supplying countries - Strengthening U.S. dollar will make U.S. products less price competitive

Data and Information Sources: U.S. Census Bureau Trade Data, Global Trade Atlas, Euromonitor International, Hong Kong Census and Statistics Department, Hong Kong Trade Development Council

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SECTION I. MARKET SUMMARY

Total exports of U.S. agricultural and related products to Hong Kong reached US\$4.4 billion¹ in 2017, making Hong Kong the sixth largest export market by value. For U.S. consumer-oriented exports, Hong Kong ranked fourth in 2017, with exports reaching US\$4 billion². Top categories for U.S. food exports to Hong Kong include: tree nuts, beef, poultry and eggs, pork, fresh fruits, seafood products, processed foods, wine and beer, pet food and dairy products.

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 which imports consist of around 95 percent of local food requirements, Hong Kong at large welcomes foods from around the world. The import regime is transparent. Food and beverage products are imported to Hong Kong without tax or duty with the exception of four commodities, namely liquors, tobacco, hydrocarbon oil, and methyl alcohol. For more information on Hong Kong food import regulations, please refer to [GAIN Report HK1751](#).

Hong Kong recorded per capita GDP of US\$46,200³ in 2017, one of the highest in Asia. With continued economic growth, the Hong Kong Government maintained its forecast for Hong Kong's real GDP growth at 3-4 percent⁴ in 2018. For the first four months of 2018, U.S. consumer-oriented exports to Hong Kong continued to grow at 16.5 percent compared with the same period in 2017.

Food and Beverage Retail Sales in Hong Kong

Total retail sales of food and beverages in Hong Kong reached US\$12.28 billion, representing growth of 1.82 percent compared to 2016, as shown in Table 1.

Table 1 – Food and Beverage Retail Sales in Hong Kong (US\$ billion)⁵

Channel	2013	2014	2015	2016	2017	Growth (17 vs 16)
Supermarket/Dept. Stores	6.16	6.58	6.74	6.80	6.85	+0.77%
Other outlets	4.59	4.89	5.18	5.26	5.43	+3.18%
Total	10.75	11.47	11.92	12.06	12.28	+1.82%

“Supermarket/Department Stores” includes sales of supermarkets, convenience stores, and food and beverage sections at department stores. They are the modern grocery outlets that provide consumers with convenient and high-quality options. In addition to groceries, these stores are offering 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

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

² - ditto -

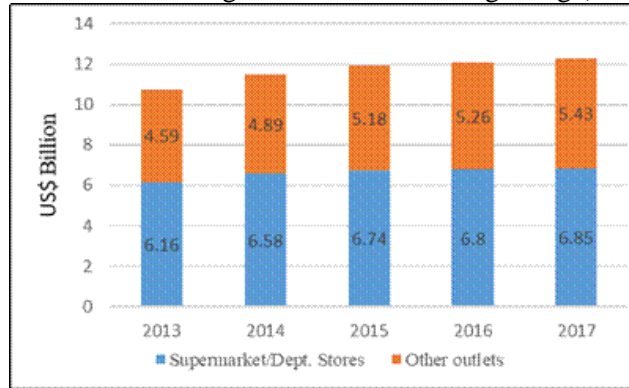
³ “Economic and Trade Information on Hong Kong”, Hong Kong Trade Development Council

⁴ - ditto -

⁵ Hong Kong Census and Statistics Department

stores due to proximities, established relationships, and perception that meat, fish, and produce in traditional shops are fresher.

Chart 1 – Food and Beverage Retail Sales in Hong Kong (US\$ billion)⁶



As reflected in Chart 1, supermarket sales have been taking market share from other outlets - from 44 percent of total retail sales in 1995 to 55.8 percent in 2017, and the trend is expected to continue.

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 US\$4 billion, consolidating its position as the fourth largest market for the United States in 2017.	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 transhipped 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.	Strengthening U.S. dollar will make U.S. products less price competitive.
Hong Kong is a quality and trend-driven market so price is not always the most important factor for food and beverage purchases.	Hong Kong labeling requirements and residue standards can impact trade.

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

⁶ Hong Kong Census and Statistics Department

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 grocery chains, Wellcome and ParknShop, dominate the supermarket category with nearly 70 percent market share combined⁷. Both chains recently expanded their premium and upscale outlets as consumers continue to seek high-quality, imported gourmet products.

Table 3 – Leading Supermarket Chains⁸

Name of Retailer	No. of Outlets
Wellcome	Over 280
ParknShop	Over 270 (with different names and store formats)
DCH Food Mart	Over 50 DCH Food Mart & DCH Food Mart Deluxe
Market Place by Jasons	43
U-Select	37 shops
CR Vanguard Shops	34 shops
City'Super	20
AEON Stores (HK) Ltd.	9 department stores with supermarkets and 2 separate supermarkets
YATA	3 department stores with supermarkets and 8 separate supermarkets
Sogo	2
Oliver's The Delicatessen	1
APITA (Uny)	1

⁷ Euromonitor International

⁸ Websites of the retailers

Recent expansion of health food, confectioners, and chain stores such as “759”, “Kai Bo⁹”, “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 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).

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

B. Convenience Stores

Convenience stores, such as 7-Eleven and Circle K are very popular in Hong Kong with more than 1,300 outlets that offer drinks and snacks and some hot food options.

Table 4 – Profiles of Leading Convenience Stores in Hong Kong¹⁰

Retailer Name	No. of Outlets
7-Eleven	Over 900
Circle K	Over 350
VanGO ¹¹	69

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 primarily 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

There are more than 800 supermarkets¹², 1,300 convenience stores¹³ and over 100 traditional markets¹⁴ in Hong Kong, making food shopping very convenient. On-line food sales were only US\$118 million¹⁵ in 2016. Hong Kong consumers are information savvy, with 96% smartphone users and 4.4 million Facebook users. Many food retailers and e-commerce platforms such as [HKTV Mall](#) provide modern and alternative shopping experience to Hong Kong consumers. This new form of shopping is expected to grow as rents continue to rise, more product varieties on e-commerce platforms, and more confidence among consumers.

⁹ Website in Chinese only

¹⁰ Websites of the retailers

¹¹ Information on Facebook in Chinese only

¹² Euromonitor International

¹³ - ditto -

¹⁴ Hong Kong Food and Environmental Hygiene Department

¹⁵ Euromonitor International

SECTION III. COMPETITION

Due to land constraints, Hong Kong produces a minimal amount of its food requirements, depending on global sources to meet about 95 percent of its needs. Hong Kong imports of Consumer-Oriented Agricultural Products reached US\$20.4 billion.

Table 5 – Hong Kong Imports of Consumer-Oriented Ag. Products (2013-2017)¹⁶

	(in US\$ million)	2013	2014	2015	2016	2017	Growth 17 v 16	Re- exports vs Gross Imports	Share of World
World	Gross Imports	17,068	19,600	18,006	19,755	20,427	3%		100%
	Re-exports	4,907	5,780	6,497	7,933	8,967	13%	44%	100%
	Retained Imports	12,161	13,819	11,509	11,822	11,460	-3%		100%
United States	Gross Imports	3,737	3,894	3,616	3,920	4,152	6%		20%
	Re-exports	1,188	1,152	1,166	1,697	1,757	4%	42%	20%
	Retained Imports	2,549	2,742	2,450	2,223	2,395	8%		21%
China	Gross Imports	2,397	2,706	2,736	2,912	3,115	7%		15%
	Re-exports	461	438	392	439	609	39%	20%	7%
	Retained Imports	1,936	2,269	2,344	2,473	2,505	1%		22%
Brazil	Gross Imports	2,202	2,492	1,713	1,986	2,163	9%		11%
	Re-exports	654	943	1,128	996	628	-37%	29%	7%
	Retained Imports	1,548	1,549	584	990	1,535	55%		13%
Australia	Gross Imports	679	826	881	1,165	1,191	2%		6%
	Re-exports	96	207	314	507	540	7%	45%	6%
	Retained Imports	583	619	568	658	651	-1%		6%
France	Gross Imports	811	794	1,045	1,180	1,134	-4%		6%
	Re-exports	198	232	422	484	644	33%	57%	7%
	Retained Imports	613	562	623	696	489	-30%		4%

Table 6 – Top 10 Hong Kong Imports of Consumer-Oriented Agricultural Products and Competition¹⁷

Product Category			Major Supply Sources ¹⁸
Fish Products			1. China – 32%
Gross Imports	US\$3.58 billion	374,844 MT	2. Japan – 13%
Retained Imports	US\$2.95 billion	287,016 MT	4. United States – 4%
Beef and Beef Products			1. Brazil – 44%
Gross Imports	US\$3 billion	742,816 MT	2. United States – 27%
Retained Imports	US\$2.87 billion	679,505 MT	3. Australia – 5%
Fresh Fruit			1. Chile – 24%
Gross Imports	US\$2.63 billion	1,692,429 MT	2. Thailand – 17%
Retained Imports	US\$1.06 billion	649,199 MT	3. United States – 15%
Pork and Pork Products			1. United States – 19%
Gross Imports	US\$2.38 billion	972,489 MT	2. China – 17%
Retained Imports	US\$568 million	281,949 MT	3. Brazil – 16%
Dairy Products			1. Netherlands – 41%
Gross Imports	US\$1.75 billion	302,433 MT	2. New Zealand – 16%
Retained Imports	US\$803 million	222,924 MT	6. United States – 4%
Food Preparations and Misc. Beverages			1. China – 27%
Gross Imports	US\$1.7 billion	407,631 MT	2. United States – 14%

¹⁶ Calculations based on Global Trade Atlas data

¹⁷ - ditto -

¹⁸ Ranking and market share by gross import value in 2017

Retained Imports	US\$912 million	308,172 MT	3. Japan – 12%
Poultry Meat and Products			
Gross Imports	US\$1.71 billion	947,476 MT	1. United States – 28%
Retained Imports	US\$557 million	282,405 MT	2. China – 27%
Wine and Beer			
Gross Imports	US\$1.7 billion	231 million liters	3. Brazil – 24%
Retained Imports	US\$1.1 billion	176 million liters	1. France – 54%
Tree Nuts			
Gross Imports	US\$1.59 billion	292,840 MT	2. Australia – 17%
Retained Imports	US\$859 million	98,976 MT	4. United States – 5%
Meat NESOI			
Gross Imports	US\$499 million	75,695 MT	1. United States – 72%
Retained Imports	US\$458 million	69,884 MT	2. Iran – 9%
			3. South Africa – 7%
			1. Indonesia – 43%
			2. China – 15%
			5. United States – 7%

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Table 7 – Best Growths of Hong Kong’s Imports of Consumer-Oriented Agricultural Products¹⁹

Category	2013 (US\$ million)	2017 (US\$ million)	Average Annual Growth
Dog & Cat Food	89	140	12.04%
Fruit & Vegetable Juices	47	73	11.91%
Fresh Fruit	1,716	2,635	11.32%
Processed Vegetables	258	377	9.94%
Wine & Beer	1,184	1,699	9.45%
Food Preps. & Misc. Bev	1,237	1,719	8.58%
Snack Foods NESOI	291	354	5.04%
Pork & Pork Products	1,996	2,388	4.58%
Fresh Vegetables	392	469	4.57%
Condiments & Sauces	246	289	4.11%

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Post Contact

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[Other Hong Kong Government / Semi-Government Contacts](#)

¹⁹ Global Trade Atlas

