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## Hong Kong

### Retail Foods

#### Highly Competitive Retail Sector Remains Stable

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**Report Highlights:**

In 2018, Hong Kong's retail food sector sales rose 4.2 percent to \$12.8 billion, a positive growth trend forecast to continue. Hong Kong is the fifth-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:**

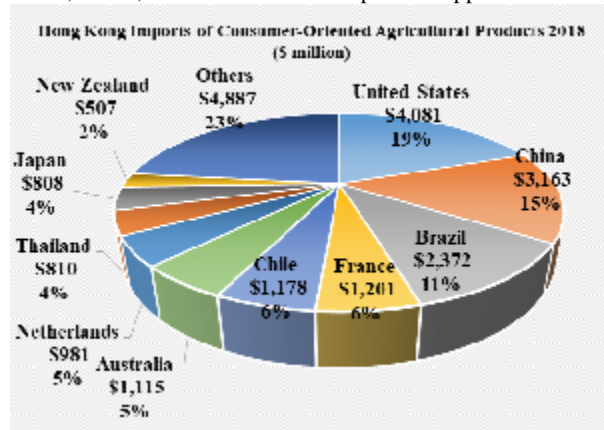
Hong Kong

## Executive Summary

Hong Kong has a population of 7.48 million and its per capita GDP was close to \$49,000 in 2018, 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 tastes. Due to limited arable land, around 95 percent of food in Hong Kong is imported. In 2018, Hong Kong's total imports of agricultural and related products reached \$28.6 billion.

## Imports of Consumer-Oriented Products

Hong Kong imports of Consumer-Oriented Agricultural Products reached \$21.1 billion in 2018, or 74 percent of overall agricultural imports. The more popular products imported were fish, beef, fresh fruit, dairy products, pork, wine and beer, poultry meat, tree nuts and vegetables. 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 \$416 million and \$2.24 billion respectively, representing 1.5 percent and 7.8 percent of overall agricultural imports.

## Food Retailing Industry

In 2018, Hong Kong's retail food sector sales rose 4.2 percent to \$12.8 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, U-Select, CitySuper, CR Vanguard, AEON, YATA, SOGO and APITA. Major convenience stores are 7-Eleven and Circle K.

There are more than 800 supermarkets, 1,300 convenience stores and over 100 traditional markets in Hong Kong, making food shopping very convenient. Online food sales were \$167 million in 2018. This new form of shopping is expected to expand as rents rise, more product varieties become available on e-commerce platforms, and consumer confidence and trust in online stores grows.

## Quick Facts CY 2018

### Imports of Consumer-Oriented Ag. Products

\$21.1 billion

### Top 10 Consumer-Oriented Ag. Imports

Fish, beef, fresh fruit, dairy products, pork, wine and beer, poultry meat, tree nuts, processed vegetables, and fresh vegetables

### Top Growth of Consumer-Oriented Ag. Imports

Processed vegetables, fresh fruit, dog and cat food, wine and beer, snack foods, condiment and sauces, eggs, non-alcoholic beverages, fresh vegetables, and fish

### Food Industry by Channels

#### Consumer-Oriented Ag. Products:

- Gross imports	\$21.1 billion
- Re-exports	\$9.3 billion
- Retained imports	\$11.8 billion
- Retail food sales	\$12.8 billion
- Restaurant receipts	\$15.3 billion

### Top 10 Retailers (by no. of stores)

Wellcome, ParknShop, DCH Food Mart, U-Select, CitySuper, CR Vanguard, AEON, YATA, SOGO and APITA

### GDP/Population

Population: 7.48 million

GDP: \$365 billion

GDP per capita: \$48,958

## Strengths/Weaknesses/Opportunities/Challenges

### Strengths

- Large and free market with affluent customers.
- U.S. products are perceived as high-quality.

### Weaknesses

- Cost of shipment from the U.S. is high.
- Order size of importers is small.

### Opportunities

- Hong Kong customers are open to new products.
- Hong Kong is a major trading hub for Asia.

### Threats

- 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. Currency in U.S. dollars unless otherwise stated.

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**SECTION I. MARKET SUMMARY**

Total exports of U.S. agricultural and related products to Hong Kong reached \$4.2 billion<sup>1</sup> in 2018, making Hong Kong the seventh-largest export market by value. For U.S. consumer-oriented exports, Hong Kong ranked fifth in 2018, with exports reaching \$3.8 billion<sup>2</sup>. Top categories for U.S. agricultural exports to Hong Kong include: tree nuts, beef, poultry meat, pork, fresh fruits, processed foods, seafood products, wine and beer, pet food and chocolate 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 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 HK1830](#).

Hong Kong recorded per capita GDP of nearly \$49,000<sup>3</sup> in 2018, one of the highest in Asia. However, food imports to Hong Kong are expected to grow at a slower pace in 2019 because of increasing uncertainties from the external environment. For the first four months of 2018, U.S. consumer-oriented exports to Hong Kong reached \$842 million, a drop of close to 30 percent. The Hong Kong economy expanded modestly by 0.6 percent in the first quarter of 2019 compared to a year earlier. The Hong Kong government has forecast the economy to grow 2-3 percent in 2019<sup>4</sup>.

**Food and Beverage Retail Sales in Hong Kong**

The Hong Kong food retail market is made up of supermarkets, convenience stores, and traditional markets.

**Table 1 – Food and Beverage Retail Sales in Hong Kong (\$ billion)<sup>5</sup>**

Channel	2014	2015	2016	2017	2018	Share (2018)	Growth (18 vs 17)
Supermarket/Dept. Stores	6.58	6.74	6.80	6.85	7.12	55.6%	+3.94%
Other outlets	4.89	5.18	5.26	5.43	5.68	44.4%	+4.6%
Total	11.47	11.92	12.06	12.28	12.8	100%	+4.2%

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

<sup>2</sup> -ditto-

<sup>3</sup> “Economic and Trade Information on Hong Kong”, Hong Kong Trade Development Council

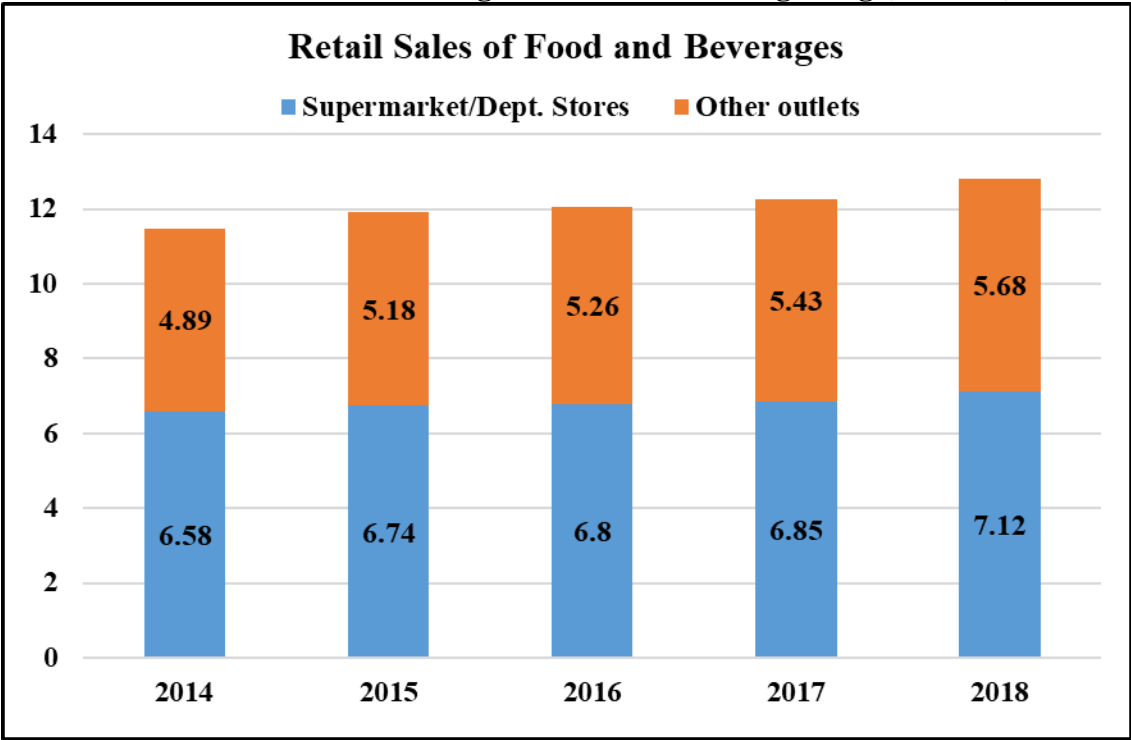
<sup>4</sup> Hong Kong Government - Economic situation in first quarter of 2019 and latest GDP and price forecasts for 2019

<sup>5</sup> Hong Kong Census and Statistics Department

“Supermarket/Department Stores” include 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 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 (\$ billion)<sup>6</sup>**



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 55.6 percent in 2018, and the trend is expected to continue.

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

<sup>6</sup> Hong Kong Census and Statistics Department

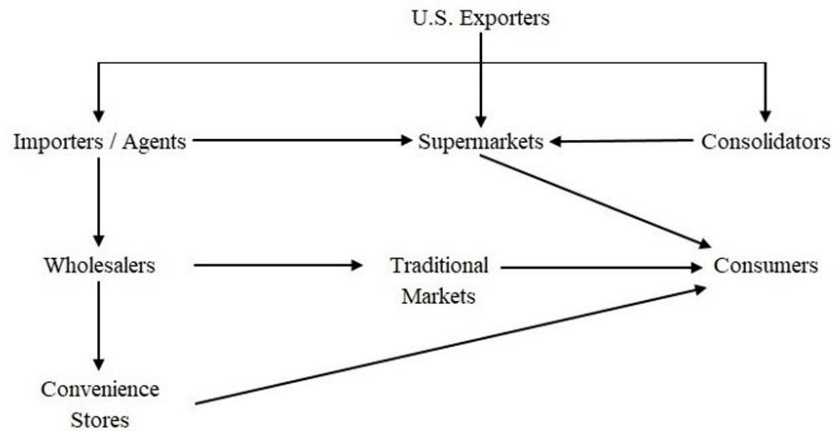
Advantages	Challenges
Hong Kong is one of the top markets in the world for food and beverages, processed, fresh, and frozen gourmet products. U.S. exports of consumer-oriented agricultural products to Hong Kong were \$3.8 billion, making it the fifth-largest market for the United States in 2018.	Transportation 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.	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 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 combined<sup>7</sup>. Both chains recently expanded their premium and upscale outlets as consumers continue to seek high-quality, imported gourmet products.

**Table 3 – Leading Supermarket Chains<sup>8</sup>**

Name of Retailer	No. of Outlets
<a href="#">Wellcome</a>	Over 320 (with different names and store formats)
<a href="#">ParknShop</a>	Over 270 (with different names and store formats)
<a href="#">DCH Food Mart</a>	Over 48 DCH Food Mart & DCH Food Mart Deluxe
<a href="#">U-Select</a>	46 shops
<a href="#">City' Super</a>	21 (6 on food)
<a href="#">CR Vanguard Shops</a>	17 shops
<a href="#">AEON Stores (HK) Ltd.</a>	9 department stores with supermarkets and 2 separate supermarkets
<a href="#">YATA</a>	3 department stores with supermarkets and 8 separate supermarkets
<a href="#">Sogo</a>	2
<a href="#">APITA (Uny)</a>	1

Recent expansion of health food, confectioners, and chain stores such as “[759](#)”, “[Kai Bo](#)”<sup>9</sup>, “[Best Mart 360](#)” and “[PrizeMart](#)” are increasing competition for supermarkets and convenience stores.

<sup>7</sup> Euromonitor International

<sup>8</sup> Websites of the retailers

<sup>9</sup> Website in Chinese only

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).

To source new products from the United States, supermarkets may import direct 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**

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 Kong<sup>10</sup>**

Retailer Name	No. of Outlets
<a href="#">7-Eleven</a>	Over 900
<a href="#">Circle K</a>	Over 360

**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**

There are more than 800 supermarkets<sup>11</sup>, 1,300 convenience stores<sup>12</sup> and over 100 traditional markets<sup>13</sup> in Hong Kong, making food shopping very convenient. Online food sales reached \$167 million<sup>14</sup> in 2018. Hong Kong consumers are information savvy, with nearly 100% smartphone users and 5.2 million Facebook users. Many food retailers and e-commerce platforms such as [HKTVMall](#) provide modern and alternative shopping experience to Hong Kong consumers. This new form of shopping is expected to expand as rents rise, more product varieties be available on e-commerce platforms, and consumers grow more confident in the quality and authenticity of products available online.

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<sup>10</sup> Websites of the retailers

<sup>11</sup> Euromonitor International

<sup>12</sup> - ditto -

<sup>13</sup> Hong Kong Food and Environmental Hygiene Department

<sup>14</sup> 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 from all origins reached \$21.1 billion.

**Table 5 – Hong Kong Imports of Consumer-Oriented Ag. Products (2014-2018)<sup>15</sup>**

	(in \$ million)	2014	2015	2016	2017	2018	Growth 18 v 17	Re-exports vs Gross Imports	Share of World
World	Gross Imports	19,600	18,006	19,755	20,427	21,103	3%	44%	100%
	Re-exports	5,780	6,497	7,933	8,967	9,328	4%		100%
	Retained Imports	13,819	11,509	11,822	11,460	11,775	3%		100%
United States	Gross Imports	3,894	3,616	3,920	4,152	4,081	-2%	41%	19%
	Re-exports	1,152	1,166	1,697	1,757	1,681	-4%		18%
	Retained Imports	2,742	2,450	2,223	2,395	2,400	0%		20%
China	Gross Imports	2,706	2,736	2,912	3,115	3,163	2%	19%	15%
	Re-exports	438	392	439	609	592	-3%		6%
	Retained Imports	2,269	2,344	2,473	2,505	2,571	3%		22%
Brazil	Gross Imports	2,492	1,713	1,986	2,163	2,372	10%	35%	11%
	Re-exports	943	1,128	996	628	834	33%		9%
	Retained Imports	1,549	584	990	1,535	1,538	0%		13%
France	Gross Imports	794	1,045	1,180	1,134	1,201	6%	38%	6%
	Re-exports	232	422	484	644	452	-30%		5%
	Retained Imports	562	623	696	489	749	53%		6%
Chile	Gross Imports	474	489	791	677	1,178	74%	83%	6%
	Re-exports	293	365	625	526	976	85%		10%
	Retained Imports	181	124	166	150	202	34%		2%

**Table 6 – Top 10 Hong Kong Imports of Consumer-Oriented Agricultural Products and Competition<sup>16</sup>**

Product Category	Major Supply Sources <sup>17</sup>
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<sup>15</sup> Calculations based on Global Trade Atlas data

<sup>16</sup> Calculations based on Global Trade Atlas data



<b>Fish Products</b> Gross Imports \$3.81 billion 374,491 MT Retained Imports \$3.18 billion 296,357 MT	1. China – 29% 2. Japan – 14% 4. United States – 5%
<b>Beef and Beef Products</b> Gross Imports \$3.5 billion 816,755 MT Retained Imports \$2.95 billion 613,335 MT	1. Brazil – 46% 2. United States – 29% 3. Australia – 5%
<b>Fresh Fruit</b> Gross Imports \$3.16 billion 1,777,872 MT Retained Imports \$1.19 billion 689,916 MT	1. Chile – 36% 2. Thailand – 15% 3. United States – 11%
<b>Dairy Products</b> Gross Imports \$1.99 billion 317,082 MT Retained Imports \$664 million 224,010 MT	1. Netherlands – 37% 2. New Zealand – 16% 8. United States – 3%
<b>Pork and Pork Products</b> Gross Imports \$1.9 billion 760,091 MT Retained Imports \$912 million 356,293 MT	1. China – 21% 2. Brazil – 20% 3. United States – 18%
<b>Wine and Beer</b> Gross Imports \$1.71 billion 221 million liters Retained Imports \$1.24 billion 173 million liters	1. France – 58% 2. Australia – 12% 4. United States – 4%
<b>Poultry Meat and Products</b> Gross Imports \$1.6 billion 853,241 MT Retained Imports \$578 million 240,244 MT	1. United States – 28% 2. China – 28% 3. Brazil – 23%
<b>Tree Nuts</b> Gross Imports \$1.3 billion 244,455 MT Retained Imports \$497 million 52,849 MT	1. United States – 80% 2. South Africa – 5% 3. Thailand – 7%
<b>Processed Vegetables</b> Gross Imports \$507 million 194,779 MT Retained Imports \$369 million 146,621 MT	1. China – 62% 2. United States – 16% 3. Japan – 5%
<b>Fresh Vegetables</b> Gross Imports \$448 million 828,907 MT Retained Imports \$439 million 823,106 MT	1. China – 76% 2. United States – 5% 3. Australia – 4%

#### **SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES**

**Table 7 – Best Growths of Hong Kong’s Imports of Consumer-Oriented Agricultural Products<sup>18</sup>**

<sup>17</sup> Ranking and market share by gross import value in 2018

<sup>18</sup> Global Trade Atlas

Category	2014 (\$ million)	2018 (\$ million)	Average Annual Growth
Processed Vegetables	338	507	10.68%
Fresh Fruit	2,186	3,161	9.66%
Dog & Cat Food	95	134	8.96%
Wine & Beer	1,244	1,714	8.34%
Snack Food	292	378	6.64%
Condiments & Sauces	252	294	3.93%
Eggs & Products	221	239	1.99%
Non-Alcoholic Beverages	240	255	1.49%
Fresh Vegetables	428	448	1.15%
Fish Products	3,646	3,812	1.12%

#### ***SECTION V. KEY CONTACTS AND FURTHER INFORMATION***

##### Post Contact

Agricultural Trade Office, Consulate General of the United States, Hong Kong and Macau

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#### **Other Hong Kong Government / Semi-Government Contacts**