

**Required Report:** Required - Public Distribution

**Date:** June 26,2020

**Report Number:** HK2020-0034

## **Report Name:** Retail Foods

**Country:** Hong Kong

**Post:** Hong Kong

**Report Category:** Retail Foods

**Prepared By:** Chris Li

**Approved By:** Alicia Hernandez

### **Report Highlights:**

Hong Kong is the sixth-largest export market for U.S. consumer-oriented agricultural products by value. Hong Kong is an attractive market for innovative U.S. food and beverage products as well as a gateway to the region. In 2019, Hong Kong's retail food sector sales dropped only slightly by one percent to \$12.7 billion, and the stable trend is expected to continue. The Hong Kong Government has launched multiple stimulus measures to help local residents and businesses cope with the COVID-19 adversity, and Hong Kong's economy is expected to pick up in the latter half of 2020 when the coronavirus situation improves.

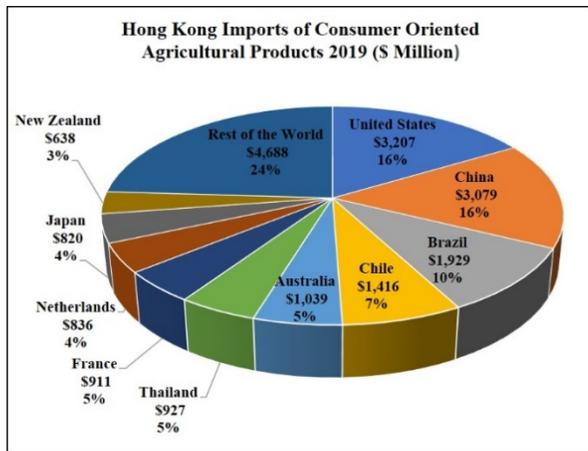
# Market Fact Sheet: Hong Kong

## Executive Summary

Hong Kong has a population of 7.5 million and its per capita GDP was close to \$49,000 in 2019, 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 2019, Hong Kong's total imports of agricultural and related products reached \$26.7 billion.

## Imports of Consumer-Oriented Agricultural Products Summary

Hong Kong imports of Consumer-Oriented Agricultural Products reached \$19.5 billion in 2019, or 73 percent of overall agricultural imports. The more popular products imported were fresh fruits, seafood products, beef, dairy products, prepared food, pork, poultry meat, wine and beer, tree nuts, and distilled spirits. 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 \$433 million and \$2.39 billion respectively, representing 1.6 percent and 8.9 percent of overall agricultural imports.

## Food Retailing Industry

In 2019, Hong Kong's retail food sector sales dropped one percent to \$12.7 billion. The Hong Kong food retail market is made up of supermarkets, convenience stores, and traditional markets. Supermarkets account for nearly 57 percent of retail food sales.

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

There are more than 800 supermarkets, 1,300 convenience stores, and nearly 100 traditional markets in Hong Kong, making food shopping very convenient. Online food sales were \$244 million in 2019. 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 2019

### Imports of Consumer-Oriented Ag. Products

\$19.5 billion

### Top 10 Consumer-Oriented Ag. Imports

Fresh fruits, seafood products, beef, dairy products, prepared food, pork, poultry meat, wine and beer, tree nuts, and distilled spirits

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

Tea, spices, fresh fruit, pet food, coffee, fresh vegetables, prepared food, distilled spirits, condiments and sauces, and beef

### Food Industry by Channels

Consumer-Oriented Ag. Products:

- Gross imports \$19.5 billion
- Re-exports \$7.9 billion
- Retained imports \$11.6 billion
- Retail food sales \$12.7 billion
- Restaurant receipts \$14.4 billion

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

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

### GDP/Population

Population: 7.5 million  
 GDP: \$367 billion  
 GDP per capita: \$48,938

## Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Large and free market with affluent customers.</li> <li>- U.S. products are perceived as high-quality.</li> </ul>	<ul style="list-style-type: none"> <li>- Cost of shipment from the U.S. is high.</li> <li>- Order size of importers is small.</li> </ul>
Opportunities	Challenges
<ul style="list-style-type: none"> <li>- Hong Kong customers are open to new products.</li> <li>- Hong Kong is a major trading hub for Asia.</li> </ul>	<ul style="list-style-type: none"> <li>- Keen competition from other food supplying countries.</li> <li>- Strengthening U.S. dollar will make U.S. products less price competitive.</li> </ul>

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

### Contact:

U.S. Agricultural Trade Office  
 18<sup>th</sup> Floor, St. John's Building  
 33 Garden Road  
 Central, Hong Kong  
 Email: [atohongkong@fas.usda.gov](mailto:atohongkong@fas.usda.gov)

## SECTION I. MARKET SUMMARY

Total exports of U.S. agricultural and related products to Hong Kong reached \$3.2 billion<sup>1</sup> in 2019, making Hong Kong the ninth-largest U.S. export market by value. For U.S. consumer-oriented exports, Hong Kong ranked sixth in 2019, with exports reaching \$2.9 billion<sup>2</sup>. Top categories for U.S. agricultural exports to Hong Kong include: beef, tree nuts, poultry meat, fresh fruit, prepared food, pork, seafood products, wine and beer, meat products, and pet food<sup>3</sup>.

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 transhipped 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 HK2019-0074](#).

Hong Kong recorded per capita GDP of nearly \$49,000<sup>4</sup> in 2019, one of the highest in Asia. However, food imports to Hong Kong are expected to grow at a slower pace in 2020 because of the coronavirus pandemic and increasing uncertainties from the external environment. For the first four months of 2020, U.S. consumer-oriented exports to Hong Kong reached \$607 million, a drop of 28 percent<sup>5</sup>. Hong Kong's economy contracted sharply by 8.9 percent in the first quarter of 2020. Considering the slowdown in global economic growth and the threat of novel coronavirus infection, the Hong Kong government forecasts Hong Kong's economy to grow by -4 percent to -7 percent in 2020<sup>6</sup>.

### Food and Beverage Retail Sales in Hong Kong

Despite the uncertain external environment and social movements in the second half of 2019, Hong Kong's food retail sales only dropped slightly by one percent to \$12.7 billion.

**Table 1 – Food and Beverage Retail Sales in Hong Kong (\$ billion)<sup>7</sup>**

Channel	2015	2016	2017	2018	2019	Share (2019)	Growth (19 vs 18)
Supermarket/Dept. Stores	6.74	6.80	6.85	7.12	7.18	57%	+0.85%
Other outlets	5.18	5.26	5.43	5.68	5.49	43%	-3.36%
Total	11.92	12.06	12.28	12.8	12.7	100%	-1.02%

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

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

<sup>2</sup> -ditto-

<sup>3</sup> -ditto-

<sup>4</sup> "Economic and Trade Information on Hong Kong", Hong Kong Trade Development Council

<sup>5</sup> USDA/FAS Bico Reports, U.S. Census Bureau Trade Data

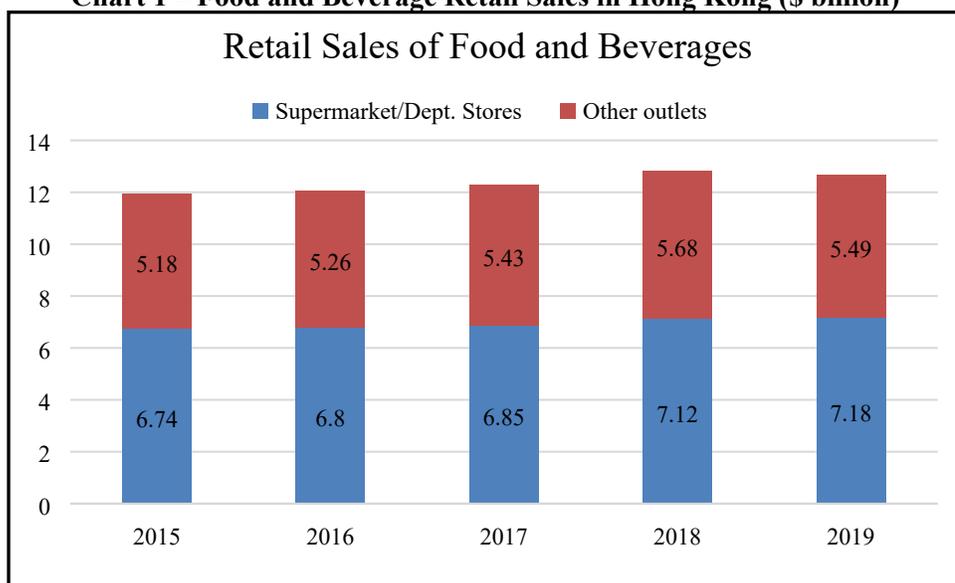
<sup>6</sup> "Economic and Trade Information on Hong Kong", Hong Kong Trade Development Council

<sup>7</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 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 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>8</sup>**



There are more than 800 supermarkets<sup>9</sup>, 1,300 convenience stores<sup>10</sup>, and close to 100 traditional markets<sup>11</sup> in Hong Kong, making food shopping very convenient.

Traditionally, Hong Kong consumers shop daily because of a preference for 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 supermarkets dominate in processed, chilled and frozen, high-value added, and canned food products. 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 in the future at the expense of traditional street markets. The supermarket’s share in terms of total retail sales rose from 44 percent of total sales in 1995 to 57 percent in 2019.

<sup>8</sup> Hong Kong Census and Statistics Department

<sup>9</sup> “Supermarkets in Hong Kong, China”, Euromonitor International

<sup>10</sup> “Convenience Stores in Hong Kong, China”, Euromonitor International

<sup>11</sup> Hong Kong Food and Environmental Hygiene Department

Online shopping continues to grow as consumers avoid going out due to social movements during the second half of 2019, and the coronavirus epidemic since early 2020. In 2019, food and drink e-commerce reached \$244 million, an increase of 14 percent over the previous year, and it is estimated to reach \$440 million<sup>12</sup> by 2024.

### Outlook for 2020

The uncertain external environment and social movements in the second half of 2019 have significantly affected retail sales<sup>13</sup>, and the COVID-19 outbreak has further aggravated the situation. However, food supply to Hong Kong has been stable<sup>14</sup> and likewise for food retail sales, especially those on necessities. For the first four months of 2020, food retail sales reached \$4.34 billion, a slight increase of 0.47 percent over the same period in 2019<sup>15</sup>.

The Hong Kong government has implemented multiple measures to support businesses and individuals as the pandemic continues to severely damage the global economy. The total relief provided by the Hong Kong Government has reached HK\$290 billion (\$37 billion)<sup>16</sup>, and Hong Kong’s economy is expected to pick up in the latter half of 2020 when the coronavirus situation improves.

**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 \$2.9 billion, making it the sixth-largest market for the United States in 2019.	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.	

<sup>12</sup> “Food and Drink E-Commerce in Hong Kong, China”, Euromonitor International

<sup>13</sup> [ATO GAIN Report HK2019-0068](#)

<sup>14</sup> [ATO GAIN Report HK2020-0025](#)

<sup>15</sup> Hong Kong Census and Statistics Department

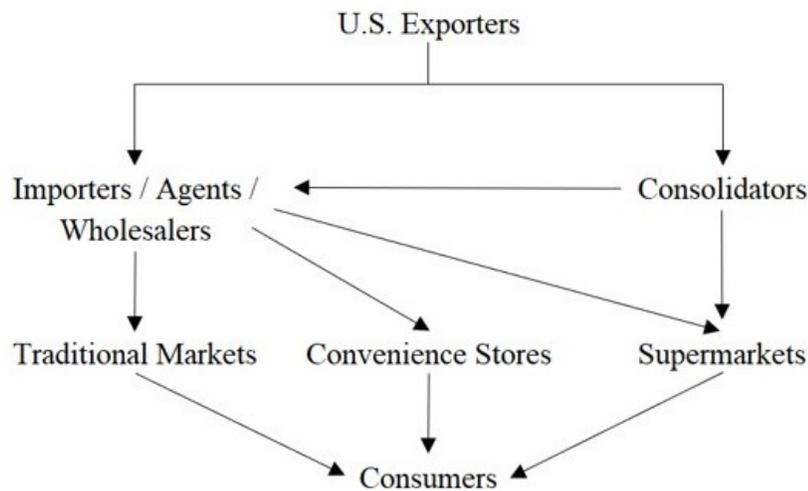
<sup>16</sup> “Hong Kong Tax Alert – Issue 7, April 2020”, KPMG

## 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 over 60 percent market share combined<sup>17</sup>. Both chains recently expanded their premium and upscale outlets as consumers continue to seek high-quality, imported gourmet products.

<sup>17</sup> “Supermarkets in Hong Kong, China”, Euromonitor International

**Table 3 – Leading Supermarket Chains<sup>18</sup>**

Name of Retailer	No. of Outlets
<a href="#">Wellcome</a>	Over 280 (with different names and store formats)
<a href="#">ParknShop</a>	Over 260 (with different names and store formats)
<a href="#">U-Select</a>	58 shops
<a href="#">DCH Food Mart</a>	49 DCH Food Marts
<a href="#">YATA</a>	3 department stores with supermarkets and 9 separate supermarkets
<a href="#">AEON Stores (HK) Ltd.</a>	9 department stores with supermarkets and 2 separate supermarkets
<a href="#">CR Vanguard Shops</a>	6 shops
<a href="#">City’Super</a>	4 stores
<a href="#">APITA (Uny)</a>	3
<a href="#">Sogo</a>	2

Recent expansion of health food, confectioners, and chain stores such as “[759](#)”, “[Kai Bo](#)<sup>19</sup>”, “[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).

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>20</sup>**

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

<sup>18</sup> Websites of the retailers

<sup>19</sup> Website in Chinese only

<sup>20</sup> Websites of the retailers

### 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 food sales reached \$244 million<sup>21</sup> in 2019. 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 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.

## 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 \$19.5 billion in 2019.

**Table 5 – Hong Kong Imports of Consumer-Oriented Ag. Products (2015-2019)<sup>22</sup>**

Partner	Calendar Year (Value: \$ Million)					Growth 19 v 18	Share 2019
	2015	2016	2017	2018	2019		
United States	3,616	3,920	4,152	4,081	3,207	-21%	16%
China	2,736	2,912	3,115	3,163	3,079	-3%	16%
Brazil	1,713	1,986	2,163	2,372	1,929	-19%	10%
Chile	489	791	677	1,178	1,416	20%	7%
Australia	881	1,165	1,191	1,115	1,039	-7%	5%
Thailand	752	797	751	810	927	14%	5%
France	1,045	1,180	1,134	1,201	911	-24%	5%
Netherlands	1,251	1,207	1,065	981	836	-15%	4%
Japan	585	701	703	808	820	1%	4%
New Zealand	329	347	441	507	638	26%	3%
Total of Top 10 Partners	13,396	15,005	15,391	16,217	14,801	-9%	76%
Total of Rest of the World	4,610	4,750	5,036	4,887	4,688	-4%	24%
World	18,006	19,755	20,427	21,103	19,490	-8%	100%

<sup>21</sup> “Food and Drink E-Commerce in Hong Kong, China”, Euromonitor International

<sup>22</sup> Calculations based on Trade Data Monitor data

**Table 6 – Top 10 Hong Kong Imports of  
Consumer-Oriented Agricultural Products and Competition<sup>23</sup>**

<b>Product Category</b>			<b>Major Supply Sources<sup>24</sup></b>
<b>Fresh Fruit</b>			1. Chile – 38% 2. Thailand – 16% 4. United States – 7%
Gross Imports	\$3.65 billion	1,941,538 MT	
Retained Imports	\$1.25 billion	673,935 MT	
<b>Fish Products</b>			1. China – 30% 2. Japan – 15% 5. United States – 4%
Gross Imports	\$3.42 billion	350,269 MT	
Retained Imports	\$2.82 billion	281,745 MT	
<b>Beef and Beef Products</b>			1. Brazil – 44% 2. United States – 28% 3. Australia – 5%
Gross Imports	\$2.9 billion	706,544 MT	
Retained Imports	\$2.3 billion	466,006 MT	
<b>Dairy Products</b>			1. Netherlands – 30% 2. New Zealand – 21% 8. United States – 3%
Gross Imports	\$1.99 billion	307,388 MT	
Retained Imports	\$831 million	228,715 MT	
<b>Prepared Food</b>			1. China – 27% 2. Japan – 13% 3. United States – 12%
Gross Imports	\$1.84 billion	410,643 MT	
Retained Imports	\$883 million	305,864 MT	
<b>Pork and Pork Products</b>			1. Brazil – 23% 2. China – 20% 3. United States – 13%
Gross Imports	\$1.48 billion	643,132 MT	
Retained Imports	\$1.24 billion	503,024 MT	
<b>Poultry Meat and Products</b>			1. China – 33% 2. United States – 24% 3. Brazil – 21%
Gross Imports	\$1.5 billion	797,906 MT	
Retained Imports	\$1 billion	473,947 MT	
<b>Wine and Beer</b>			1. France – 55% 2. Australia – 9% 4. United States – 6%
Gross Imports	\$1.3 billion	198 million liters	
Retained Imports	\$1.1 billion	153 million liters	
<b>Tree Nuts</b>			1. United States – 79% 2. South Africa – 5% 3. China – 4%
Gross Imports	\$993 million	187,865 MT	
Retained Imports	\$273 million	20,999 MT	
<b>Distilled Spirits</b>			1. China – 38% 2. France – 37% 4. United States – 2%
Gross Imports	\$600 million	20 million liters	
Retained Imports	\$94 million	13 million liters	

<sup>23</sup> Calculations based on Trade Data Monitor data

<sup>24</sup> Ranking and market share by gross import value in 2019

## SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

**Table 7 – Best Growths of Hong Kong’s Imports of Consumer-Oriented Agricultural Products<sup>25</sup>**

Category	(Value: \$ Million)		Average Annual Growth
	2015	2019	
Tea	85	221	26.99%
Spices	26	63	25.11%
Fresh Fruit	2,201	3,650	13.47%
Dog and Cat Food	95	139	9.97%
Coffee	91	118	6.60%
Fresh Vegetables	415	532	6.44%
Prepared Food	1,494	1,842	5.37%
Distilled Spirits	492	600	5.13%
Condiments and Sauces	255	305	4.59%
Beef	2,500	2,895	3.74%

## SECTION V. KEY CONTACTS AND FURTHER INFORMATION

### Post Contact

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

18<sup>th</sup> Floor, St. John’s Building

33 Garden Road, Central, Hong Kong

Tel: (852)-2841-2350

Fax: (852)-2845-0943

Email: [Atohongkong@fas.usda.gov](mailto:Atohongkong@fas.usda.gov)

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

<http://www.usfoods-hongkong.net>

Other Hong Kong Government / Semi-Government Contacts

Please refer to [GAIN Report HK2019-0074](#)

### Attachments:

No Attachments

---

<sup>25</sup> Calculations based on Trade Data Monitor data