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Report Highlights:

Following a recovery of the HRI sector in 2023 when catering revenue surpassed pre-pandemic levels, the Chinese food service sector faced slowing economic growth and reduced per-capita spending in 2024. Online sales and food delivery remain a key component for many restaurants, as well as social media to advertise and attract customers in this dynamic and complex market. Meanwhile, the Chinese government funds initiatives to boost domestic consumption, such as winter tourism to northeast China, shaping future trends and helping offset otherwise sluggish sales during the year.

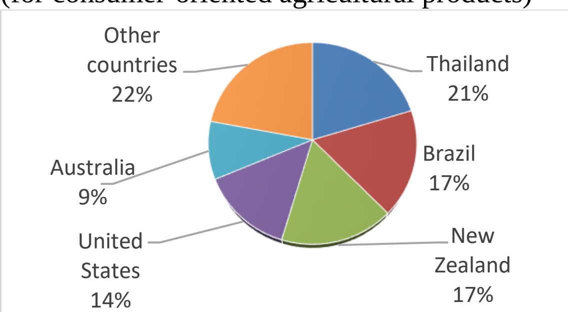
Executive Summary

Although China's 2023 GDP grew 5.2 percent to $17.52 trillion, the rate of growth is below the ten-year average of 6 percent. U.S. agricultural exports to China totaled $28.8 billion in 2023, down from $38.1 billion in 2022. Data from January to October 2024 shows U.S. trade down 19 percent, ranking China as the third largest U.S. export market.

Consumer-Oriented Agricultural Imports

In 2023, China imported consumer-oriented agricultural products worth $83.77 billion from the world. The United States remained the 4th largest exporter of consumer-oriented agricultural products to China in 2023, with $7.53 billion, down 8.6 percent from 2022.

Chart 1: Top Exporting Countries to China 2023 (for consumer-oriented agricultural products)



Source: Trade Data Monitor, LLC

Food Retail Industry

Despite concerns over China's slowing consumer demand, China's total retail sales grew 7.2 percent in 2023 reaching $6.69 trillion. The market for food and drinks grew 3.75 percent to $1.64 trillion.

Food Processing Industry

China's food processing industry showed continued growth. The value of China's food production grew by 2.9 percent in 2023 compared to the previous year. China's demand for food ingredients is expected to remain strong to support the processing industry.

Food Service Industry

China's food service industry continued to rebound in 2023, exceeding pre-pandemic levels. Revenues of the catering industry reached $750 billion, up 20.4 percent from 2022. The food delivery market reached RMB 1.5 trillion ($209.8 billion) in 2023, doubling the size of 3 years ago.

Quick Facts CY 2023

Imports of Consumer-Oriented Products

$83.77 billion

Top Consumer-Oriented Product Imports (by value)

1) Fresh fruits
2) Beef & Products
3) Dairy Products
4) Pork & Products
5) Soup and other food preparations
6) Poultry Meat
7) Processed Vegetables
8) Meat Products NESOI*
9) Tree Nuts
10) Distilled Spirits

*NESOI – not elsewhere specified or indicated

Food Industry by Channels (U.S. billion)

Retail Food Industry	$1,640
Food Service-HRI	$750
Food Processing	$1,786
Food and Agricultural Exports	$98.93

Top 10 Supermarket Chains

Wal-Mart, Yonghui, CR-Vanguard, Sam's Club, Freshippo, RT-Mart, Wumart, Lianhua, Metro, Costco

GDP/Population

Population: 1.41 billion
GDP: $17.52 trillion
GDP per capita: $12,681

Source: China National Bureau of Statistics

Table 1: Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
- U.S. food products offer a wide selection and are perceived as high-quality and safe.	- U.S. exports face retaliatory tariffs. - China's consumer demand has slowed.
Opportunities	**Threats**
- Consumer demand for healthy products is on the rise. - Growing reliance on online purchase platforms (e.g., Alibaba and Pinduoduo).	- Strong competition from third countries (e.g., Brazil and Australia). - Uncertainty in the U.S.-China bilateral relationship.

Section I. Market Summary

The HRI industry in China has experienced a notable recovery after the pandemic. Revenues of the catering industry reached $750 billion in 2023, up 20.4 percent from 2022. Sales of star-rated hotels reached $23 billion in 2023, a year-on-year increase of 30 percent. From January to October 2024, cumulative catering revenue was approximately $629 billion, growing 5.9 percent from the same period last year. This slower growth rate matches the country's overall slowdown, particularly influenced by economic uncertainties and global market fluctuations.

Several factors have impacted the economic situation in China, leading to a complex landscape for consumer spending and the HRI industry. Consumer confidence has been negatively affected by economic challenges, particularly in the real estate and stock markets. Many consumers are hesitant to make significant purchases and are focusing on reducing their expenditures. According to a survey from Meituan-Dianping, the largest online and on-demand delivery platform in China, seventy percent of merchants have an average customer spending of less than $15. This reflects the trend that users focus on cost-effectiveness when ordering food online. Meanwhile, consumption in first-tier cities is declining, and lower-tier city consumption is growing. Taking Haidilao's (the leading hot pot chain restaurant) financial report as an example, the average customer price in first-tier cities has dropped from $16 in 2023 to $15 in 2024, but the average customer spending in second-tier, third-tier cities, and below cities has increased.

China's delivery service continues to grow. The pandemic accelerated the growth as dining in restaurants was prohibited in many cities. According to industry data, the market size of China's online catering takeout industry reached $218 billion in 2023. Chinese consumers are expected to increasingly use meal delivery services, with the sector reaching $279 billion in 2027.

The Chinese government actively encourages tourism by introducing a range of policies aimed at attracting both domestic and international visitors, emphasizing events that blend culture and tourism to enhance the overall travel experience. For instance, the recent "ice and snow" tourism in Northeast China, known for its severe winters and rich natural resources, has undergone a significant economic revival. According to culture and tourism authorities of Heilongjiang Province and the capital of Harbin City, during the three-day New Year holiday in 2024, the province became a hotspot for winter tourism with a total of 6.62 million tourists, up 174 percent year-on-year. Harbin received 3.04 million visitors who collectively spent over RMB 5.9 billion ($831 million) in tourism revenue.

Growing domestic tourism helps buoy the restaurant and hotel industries while consumers downgrade their consumption, with industry contacts expecting growth in the HRI sector to slow in 2024. Post believes that short-term consumption may remain subdued, with a moderate recovery in 2025 expected as economic conditions stabilize and consumer confidence improves. Government initiatives to boost domestic consumption and support economic growth will play a crucial role in shaping future trends.

Table 2: Advantages and Challenges of U.S. Agricultural Food Exports to China	
Advantages	**Challenges**
U.S. food and agricultural products are known to have high quality. Cooperator and ATO promotions reinforce the reputation of U.S. products as safe and healthy.	Some U.S. products are subject to higher tariffs than similar products from countries with beneficial trade agreements
Majority of consumers aged 18-50 consider western style restaurants classic or trendy. Imported food and agricultural products in restaurants carry higher prices and are thought to be of superior quality.	Political tensions with trade partners undermine importer confidence in China.
Population of 1.4 billion, 65 percent urbanization, and growing middle class create strong demand and potential for consumption of imported food and agricultural products	Slowing economic growth and tepid consumer consumption. Mass consumers are more price sensitive than before.
Trade shows with USA Pavilions and educational seminars bridge the gap for importers not yet familiar with U.S. food and agricultural products.	Competitors are investing more resources in marketing of their products.

Section II: Roadmap for Market Entry

A. Entry Strategy

U.S. exporters of food and agricultural products planning to enter the China HRI market may wish to begin creating their market entry strategy using the following suggested steps:

- Determine whether the target product has market access in China and research relevant food laws and regulations related to product registration, packaging, and labelling. The following reports provide initial guidance on exporting to China.
  - Food and Agricultural Import Regulations (FAIRS) Report
  - China Exporter Guide
  - FAS China reporting on Facility Registration Decrees 248 and 249: (See for example "Decree 248 Facility and Product Registration Expectations")
- Conduct market research to determine product potential. Seek to understand the price competitiveness, seasonality, distribution channels and availability to China of similar products.

- Visit or participate in USDA-endorsed or non-endorsed trade shows and trade missions to tap into the resources offered by FAS China, State and Regional Trade Associations (SRTGs) and local representatives of USDA Cooperators. Currently three trade shows are USDA endorsed and are all located in Shanghai: Food and Hospitality China

(FHC); Salon International De L'Alimentation (SIAL) China; and Food Ingredients China (FIC).

- Develop direct contact with importers in China that target major hotels, restaurants, and caterers. U.S. exporters should employ local importers, distributors, or in-country representatives to guide them through China's food regulations and local trade practices.

- After establishing direct contact with importers, strive to educate them (in person if possible) about the quality of your product so that the importer is fully aware of its advantages. Key points would include health benefits, consumption trends in the U.S., ingredient sourcing and traceability, and marketing successes in other countries.

- Provide technical assistance to importers on product usage and actively support promotional and educational activities for the first few years.

- Maintain strong communications with your importer to ensure they have timely responses regarding certification information and import documentation.

B. Market Structure

The Chinese food service market is structured in several ways to cater to diverse consumer needs and preferences. By type, the market is divided into full-service restaurants, quick-service restaurants, cafes and bars, family kitchens and institutions. In terms of structure, it is segmented into independent and chained outlets. Regarding cuisine type, the foodservice market is segmented into Chinese cuisine, western cuisine, Japanese cuisine, and other countries' cuisine.

C. Distribution

The distribution of food ingredients in China is a well-coordinated system involving multiple stakeholders, from producers to retailers. It is supported by a robust infrastructure and logistics network, ensuring that food ingredients reach their destinations efficiently and safely. Fresh food and ingredients account for a large portion of daily purchases in the HRI sector.

Although high-level industry players have historically expressed a desire to create vast food supply companies that service restaurants and hotels (modeled after U.S. suppliers such as Sysco), no such company yet exists in China nor one that operates across all of China. However, chain international hotels have economies of scale and the capacity to procure consistent food and beverage products with their centralized purchasing system. Similarly, most chain restaurants have increased resilience and stability within their respective internal ingredient supply chains. Restaurant and supermarket networks across China have been successful at providing supply chain services at competitive prices.

Subsector Profiles

Major International Chain Hotels and Resorts in China

The Chinese government actively promotes tourism by implementing various policies to attract both domestic and international visitors, including visa-free initiatives and simplifying travel procedures. Consumer demand is growing for family-friendly hotels, theme parks, and resorts with restaurants. However, some hotel managers commented that with the uncertain economy and the consumption downgrade, consumers have tended to order from local restaurants through online delivery platforms to limit their overall meal spendings at the hotel.

Table 3: Top Ten International Upscale Hotels in China		
Name	**Website**	**Comments**
The Marriott Hotels	www.marriott-hotels.marriott.com	Ritz Carlton and St. Regis hotels are among the group's top luxury brands
The Hilton Hotels	www.hilton.com.cn	The Waldorf and Conrad Hotels are among the group's top luxury brands
IHG Hotels	www.ihg.com.cn	Six Senses, Intercontinental and Hotel Indigo is among the group's top luxury brands
Accor Hotels	www.accor.com	Raffles, Fairmont, and Banyan Tree are among the group's top luxury brands
Four Seasons Hotels & Resorts	www.fourseasons.com	Four Seasons brand
Wyndham Hotels & Resorts	www.wyndamhotels.com	Wyndham Grand and Wyndham are among the group's top brands
The Shangri-La Hotels	www.shangri-la.com	Shangri-La brands, including JEN
Hyatt Hotels	www.hyatt.com	Park Hyatt and Alila are among the group's top luxury brands
Mandarin Oriental Hotels	www.mandarinoriental.com	Mandarin Oriental brand
Rosewood Hotels	www.rosewoodhotels.com	Rosewood brand

Source: ATO Shenyang research

In China, premium imported food and beverage products typically appear first in hotel restaurants, then in stand-alone restaurants. Most international hotel chains employ experienced and well-trained chefs with an advanced understanding of international food ingredients. This helps market international food ingredients in places where they might be uncommon.

Restaurants

The restaurant sector in China has seen a substantial recovery after the pandemic. Technology has greatly influenced this market, as the country's growing digitalization has facilitated consumers' growing inclination to order takeout or dine alone. When choosing a restaurant, affordability is the most important factor in their decision-making. Due to the sluggish economy, consumers are increasingly focused on pursuing cost-effectiveness in their dining choices, prioritizing value for money when it comes to catering consumption.

Fast food restaurants are experiencing rapid growth in China. As of 2024, American chains like McDonald's and KFC expanded their presence significantly, increasing their number of outlets to 6,500 (700 new stores) and 12,000 (1,000 new stores), respectively, compared to the previous year. This growth, however, is slower compared to the previous year when McDonald's added 900 stores and KFC increased by 1,200.

Table 4: Top Ten Fast Food Restaurants in China

1	KFC	6	Real Kungfu
2	McDonalds	7	Country Style Cooking
3	Burger King	8	Ajisen Ramen
4	Home Original Chicken /Laoxiangji	9	Yonghe King
5	Dicos	10	Yoshinoya

Source: China Cuisine Association

Institutional Food Service Operators

Institutional food service operators in China are essential in delivering meals to a variety of establishments, including schools, hospitals, corporate offices, and government facilities. The sector is developing quickly; its scale has jumped from $206 billion in 2019 to $288 billion in 2023 with the top 100 players accounting for less than 30 percent of the market. At the same time, its proportion in the overall catering industry has also increased significantly, climbing from 32.1 percent to 40.5 percent. Looking at the subsector of group meals or meal plans, students account for 77 percent. Convenience, time efficiency, and affordability are the primary reasons consumers opt to dine at canteens. Ensuring food safety remains a critical challenge, with strict regulations and standards that operators must adhere to.

Table 5: Top 10 Institutional Food Service Operators in China

1	Shenzhen Zhong Kuai Catering Group Co. Ltd.	6	Wuhan Hua Gong Logistics
2	Beijing Kinghey Catering Management	7	Beijing Kuai Ke Li Catering

	Co. Ltd.		Management Co. Ltd.
3	Sodexo	8	Shanghai Mckintey Group
4	Beijing Aramark Service Industry (China) Co. Ltd.	9	Shenzhen Yu King Group
5	Beijing Jin Feng Catering Co. Ltd	10	Dongguan Hong Jun Food Management Co. Ltd

Source: China Cuisine Association

Section III: Competition

In 2023, China imported a total of $83.77 billion of consumer-oriented agricultural products from all countries, a 3.3 percent increase from 2022. There was a notable decline in imports of several categories: Beef & Beef Products by 19.8 percent; Processed Vegetables by 18.9 percent; and Dairy Products by 12.2 percent. Conversely, imports of Distilled Spirits surged by 24.3 percent, with Fresh Fruits also leaping by 15.8 percent and Soup & Other Food Preparations by 15.6 percent. As of October 2024, China imported $66.25 billion worth of consumer-oriented agricultural products from all countries, which is a 7.14 percent year-over-year decrease. The following categories experienced the most significant declines: Poultry Meat & Products (31.24 percent), Pork & Pork Products (29.58 percent), Meat Products (29.14 percent). U.S. products face strong competition in the Chinese market, although local importers and end-users value U.S. products for their high quality.

Table 6: China Major Consumer-Oriented Imports by Category 2023		
Product	**Supplier Market Share**	**Noteworthy Developments**
Beef & Beef Products $14.4 billion	1. Brazil: 41.4% 2. Argentina: 15% 3. Australia: 11.5% 4. United States: 10.6%	U.S. chilled beef has a significant market share and strong positive reputation in fine dining restaurants.
Dairy Products $13.36 billion	1. New Zealand: 44.5% 2. Netherlands: 16.5% 3. Australia: 6.7% 4. United States: 4.9%	Whey and modified whey have consistently accounted for the largest portion of U.S. dairy exports to China over the years, with the percentage reaching 37 percent in 2023.
Pork & Pork Products $6.27 billion	1. Spain: 23.9% 2. Brazil: 17.2% 3. United States: 15.9%	Among U.S. pork and pork products exports to China, swine offal (except livers) accounted for 78 percent.
Soup & Other Preparations $5.44 billion	1. United States: 20.7% 2. Australia: 16.8% 3. Germany: 10.8%	Australia is a close competitor to the United States, with some years (like 2018 and 2020) becoming the market leader.

Poultry Meat & Products (ex. eggs) $4.22 billion	1. Brazil: 46.2% 2. United States: 19.9% 3. Thailand: 12.2%	The United States has been in second place since 2020. U.S. poultry paws are highly desired and are considered superior.
Processed Vegetables $3.69 billion	1. Thailand: 64.5% 2. Vietnam: 20% 3. Indonesia: 3.3% 4. United States: 1.3%	Processed potatoes (i.e., frozen fries) account for nearly half of all U.S. exports to China in this category but have declined with growing Chinese production.
Fresh Fruits $14.7 billion	1. Thailand: 38.8% 2. Chile: 21.1% 3. Vietnam: 18.8% 4. United States: 0.78%	The top three fruits exported from the United States are cherries, oranges, and apples.
Other Meat Products $3.47 billion	1. New Zealand: 31% 2. Australia: 23% 3. Indonesia: 14% 4. United States: 12%	U.S. exports to China in this product category are almost entirely animal intestines.
Tree nuts $3.2 billion	1. United States: 29% 2. Vietnam: 15.9% 3. Thailand: 15%	The United States has been the top exporter of tree nuts to China for several years. Pistachios and almonds were the major tree nuts exported to China in 2023.
Distilled Spirits $2.8 billion	1. France: 60.7% 2. UK: 18.2% 3. Japan: 2.1% 4. United States: 0.86%	Whiskies account for close to 82 percent of U.S. exports to China in this product category.

Source: Trade Data Monitor, LLC

Section IV. Best Product Prospects

The consumer-oriented products with the best market potential are shown in the table below based on import value.

Interest in wellness and health benefits among buyers in China increased dramatically following the end of pandemic. Increasing disposable income and urbanization have fostered consumer preferences for nutritious, balanced foods as a key to good health. Instead of traditional carbohydrate-focused meals, consumers are adding more protein into daily meals such as beef, pork, poultry, and seafood items.

Bakery goods are increasingly popular, boosted by the growth in café culture. Previously only seen in luxury hotels in China, stand-alone bakeries and pastry shops are also growing popular. Imported ingredients such as flours, butter, dried nuts, and dried fruits are crucial to producing high-quality, western-style bakery foods. Other luxury items such as caviar, oysters, and distilled spirits have increasing visibility on restaurant menus as they become more affordable and accessible in first- and second-tier cities. In 2024, the top consumer-oriented product categories remained consistent, with tree nuts exhibiting noticeable growth and becoming the third best-selling U.S. product in this category. As of October

2024, China imported $743 million of tree nuts from the United States, reflecting a 59.66 percent year-over-year increase.

Table 7: China 2023 Top Consumer-Oriented Product Imports from the United States (million USD)				
Products	**2021**	**2022**	**2023**	**Year-on-Year Growth**
Beef & Beef Products	1,344	1,815	1,522	-16%
Soup & Other Food Preparations	937	1,153	1,122	-2.7%
Pork & Pork Products	1,660	985	1,007	2.2%
Tree Nuts	1,048	822	944	14.9%
Poultry Meat & Prods. (ex. eggs)	1,093	1,239	844	-31.9%
Dairy Products	725	773	648	-16.1%
Meat Products nesoi (not elsewhere specified or indicated)	250	498	434	-12.9%
Fresh Fruit	151	99.8	114.8	15.1%
Processed Fruit	86.8	107	75.6	-29.4%

Source: Trade Data Monitor, LLC

Table 8: U.S. Products with Potential in the Market		
Products in Market with Continued Good Potential	**Products in Market with Unrealized Potential**	**Products with Market Access Barriers but Good Potential**
• Red meat (beef and pork) • Tree nuts • Dried fruits • Dairy products • Fresh fruits • Sauces and condiments for western restaurants • Frozen processed potato products • Cooked chicken paws	• Fresh fruits and vegetables (avocados, nectarines) • Dairy products (cheese, ESL milk, butter, permeate) • Packaged wheat flour and pasta • Pre-mix baking powders, frozen doughs, waffles • Breakfast cereals • Breads, pastries and cakes • Craft beer and spirits • Rice	• Organic products • Edible oil • Chipping Potatoes

	• Turkeys (whole and parts) • Chocolate and chocolate ingredients	

Source: FAS China research

Section V: Key Contacts and Further Information

China has strict documentation requirements for imported food and agricultural products including import product registration, quarantine, quality and import control. U.S. exporters are encouraged to familiarize themselves with general information about relevant government agencies such as the Ministry of Agricultural & Rural Affairs of China (MARA) and the General Administration of Customs of China (GACC). For specific Chinese Ministry websites and additional contacts, please review the most recent China Exporter Guide, and if applicable, speak with your USDA Cooperator and/or importer.

For more information on China's food import regulations, please refer to CH2024-0050: Food and Agricultural Import Regulations and Standards Export Certificate Report.

Table 9: USDA Foreign Agricultural Service Offices across China		
Organization	**Provinces Covered**	**Phone/Email**
FAS, Office of Agricultural Affairs, Beijing (Manages trade policy)	Entire China	Tel: (86-10) 8531 3600 AgBeijing@usda.gov
FAS, Agricultural Trade Office, Beijing	All other provinces that are not covered by ATOs Shanghai, Guangzhou, and Shenyang	Tel: (86-10) 8531 3950 ATOBeijing@usda.gov
FAS, Agricultural Trade Office, Shanghai	Zhejiang, Jiangsu, Shanghai, Anhui	Tel: (86-21) 6279 8622 ATOShanghai@usda.gov
FAS, Agricultural Trade Office, Guangzhou	Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou	Tel: (86-20) 3814 5000 ATOGuangzhou@usda.gov
FAS, Agricultural Trade Office, Shenyang	Heilongjiang, Jilin, Liaoning, Inner Mongolia	Tel: (86-24) 2318 1380 2318 1338 ATOShenyang@usda.gov

Attachments:

No Attachments