

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Snack Food Market Overview

**Country:** China - People's Republic of

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**Prepared By:** ATO Beijing

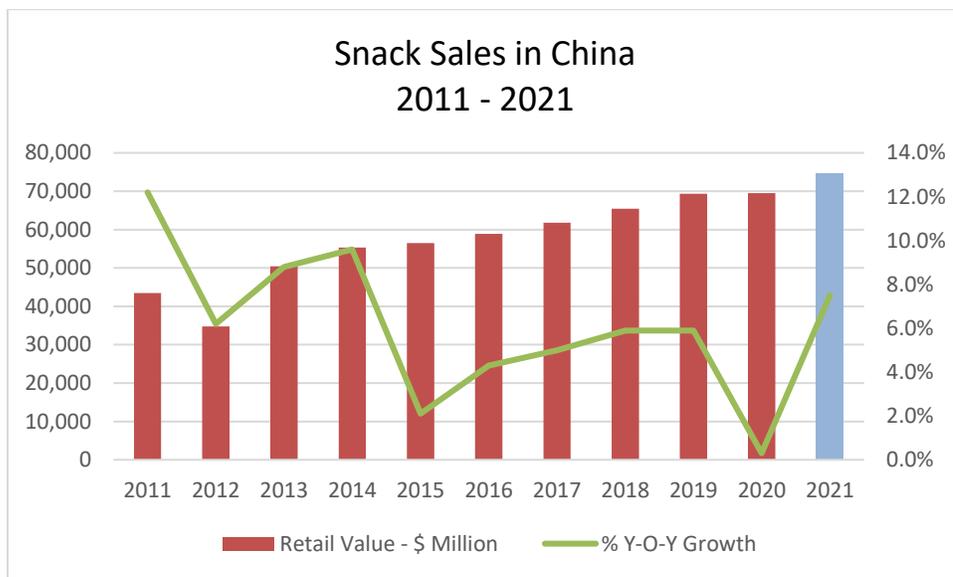
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**Report Highlights:**

As incomes rise and consumption increases, China's snack food market is developing rapidly. Snack food sales reached \$74 billion in 2021, an increase of 7.9 percent over the previous year. The COVID-19 pandemic has driven consumers to pay more attention to health and nutrition. Consequently, products with nutritional and immune-boosting functions are becoming increasingly popular. Additionally, improvements in the quality and packaging of domestic snack food products have led to gradual market share increase. Japan is the United States' primary competitor in the China snack foods market.

## Overview

As China's economy expands, changes in consumer tastes and preferences are inspiring a wide range of sophisticated new processed products. Beverages account for the largest proportion of snack foods sold in China, followed by confectioneries, meat products, dried fruits, and nuts. Packaged snack foods are gradually becoming an integral part of consumers' daily eating habits. Consumer demand for high-value and high-quality snacks is rising. Snack food industry sales in China reached \$74 billion in 2021. In 2020, however, the growth rate of the snack food sector dropped to an historic low for the decade, more recently rebounding to 7.9 percent in 2021.



Source: Euromonitor

Consumers in China spent more time at home since the beginning of the COVID-19 pandemic due to limited social and work activities. In 2021, restrictions on travel and gatherings following the COVID-19 pandemic diminished sales of snack foods. Sales of snacks for gift-giving purposes are down significantly from previous years, particularly during China's Spring Festival. In addition, due to the unprecedented drop in shopping at brick-and-mortar stores, customers have had fewer opportunities to try new products. As a result, new-to-market brands and products require significant promotional activities to gain a foothold in the market.

## Consumption

With the gradual but steady transformation of consumption patterns in China, consumers have shifted focus from flavor and more animal protein to a wider range of product characteristics. Shoppers are looking for a variety of products, both processed and fresh, for a health-conscious, balanced diet.

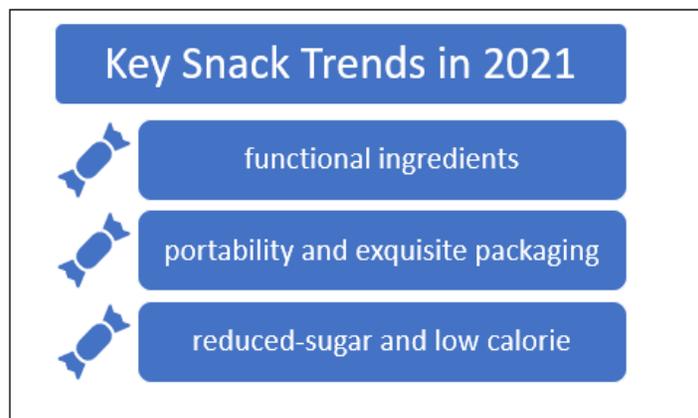
Snack buyers are particularly interested in items that offer special health benefits. Interest in functional foods is also rising, and the wants and needs of three generations of consumers continue to develop rapidly.

Additionally, in recent years consumers in China have begun to pay more attention to self-expression and individual desires. Lifestyle-related marketing and social media influencers known as key opinion leaders (KOLs) play an important role in promoting products through e-commerce channels.

<b>Trends in Consumption of Snack Foods by Age Group</b>			
	<b>Teenagers</b>	<b>Young &amp; Middle-aged</b>	<b>Seniors</b>
<b>Consumption habits</b>	Impulsive consumption; strong interest in fresh foods and attractive packaging	Strong brand awareness; interest in exquisite packaging and portability; not sensitive to price; special attention to health- and nutrition-related products and marketing	Prefer relatively simple flavors; special nutritional needs
<b>Purchasing power</b>	Pocket money from parents and “red envelopes” (holiday gifts) from relatives for Chinese Spring Festival	Women often have increased purchasing power, family responsibilities, and influence over family eating habits and product selection	Strong purchasing power
<b>Products of particular interest</b>	Confectionary and beverage	Nuts and cookies	Bakery products

Healthy, light, and functional foods are key current consumption trends. Plant-based products and meat-alternatives are also increasingly popular.

The COVID-19 pandemic also resulted in fewer sales of premium products due to lower disposable household incomes. In many cases, middle-class consumers in China have begun substituting premium domestic products for imported products. In response to these shifts in consumer preferences, some



retailers and distributors have begun to offer smaller packages of imported products to attract consumers with lower unit prices.

Also due to the pandemic, the importance of supply chain stability became a common topic of discussion in the food industry. To mitigate the impact of intermittent instability, some retailers increased their private label product offerings, such as beverages, tree nuts, and dried fruits.

### **Distribution Channels**

Retail stores and markets account for the largest share of sales in China's snack food industry, followed by supermarkets and convenience stores. However, the pandemic accelerated retail digitalization in China, and snack food sales via e-commerce channels are growing. Retailers, distributors, and importers increasingly use e-commerce platforms, including livestreaming events and social media content, to market snack foods. Industry estimates of 2021 e-commerce sales on social media platforms are as high as \$17 billion.

### **Competition**

Japan is the primary competitor for the United States in China's snack food market. Japan's snack foods are more familiar to consumers in China in terms of taste, packaging, and in some cases, ingredients. Japan's snack food presentation is often exquisite, which easily attracts attention and brand awareness among consumers in China. The U.S. snack foods enjoy a positive reputation with respect to quality and food safety, but consumers often prefer smaller package sizes and relatively low sugar content. In addition, the domestic food processing industry in China is becoming more sophisticated, and domestic food manufacturers have begun to imitate and develop products that taste and look like imported products. Especially since the beginning of the COVID-19 pandemic, consumers have developed an increasingly strong preference for local products over imported snack foods. This is partially because Chinese media portrays food packaging as a potential vector for the transmission of COVID-19, particularly implicating imported products. Educational outreach efforts to counteract misleading messaging have proved challenging.

### **Major Snack Food Shows in China**

Exporters should consider participation in trade shows in China as a venue to present their products and build connections with local buyers, although the current global COVID-19 pandemic makes international travel to China challenging. ATO Beijing suggests U.S. snack food exporters use virtual platforms, exhibitions, social media, and other tools to engage with buyers and to build and maintain relationships.

Major snack food trade shows in China are as follows:

- Food and Drinks Fair - Chengdu, Sichuan Province, April 2022

- Salon International de L'alimentation (SIAL) - Shanghai, May 2022
- China Shop - Shanghai, November 2022

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**Attachments:**

No Attachments.