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New Zealand

Exporter Guide

Annual

2002

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Report Highlights:

New Zealand's retail food sector offers U.S. exporters marketing opportunities for a broad spectrum of consumer-ready products. The United States is New Zealand's second largest supplier of processed foods. High-value food imports in 2001 increased nearly 30 percent to US$0.9 billion. The U.S. enjoys a 12 percent share of New Zealand's consumer food imports.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Wellington [NZ1], NZ

Section I: Market Overview

New Zealand is a well-developed market consists of slightly less than 4 million people, with an annual population growth rate of only about 0.5 percent. It is a largely urbanized society with two-thirds residing in the principal urban areas of Auckland (1.12 million), Wellington (347,000), and Christchurch (344,000). New Zealand population is diverse and multi-cultural. Approximately 75 percent of New Zealanders are of European origin, with around 8 percent Maori, 9 percent Polynesian and 4 percent Asian. New Zealand is an English-speaking country with a strong and stable democracy.

- The United States is New Zealand's second largest trading partner for agricultural products. Agricultural exports from the United States to New Zealand in calendar 2001 totaled $181 million, of which two-thirds consisted of consumer-oriented products. U.S. exports to New Zealand emphasize fresh fruit, processed fruit & vegetables, pet food, snack foods and dairy products.
- The United States holds a 12 percent market share of New Zealand's imported consumer oriented foods and beverages. The U.S. share has declined slightly since 1999, due largely to a strong U.S. dollar.
- New Zealand can be a good export destination for new-to-export companies. U.S. products are seen as being of excellent quality and are usually appealing in the sense that they are "different or new".
- There is an intense price-based competition from domestic products and those from Australia. Australia holds a 52 percent market share for imported consumer foods.
- The retail supermarket sector is dominated by only two companies. Foodstuffs (NZ) Limited, controls about 55 percent of the supermarket trade while Progressive Enterprises, dominates the remaining share.

New Zealand has a market economy with manufacturing and service sectors complementing an export-orientated agricultural sector. Close to one-third of New Zealand's total goods and services are exported. The largest export markets are Australia, United States, Japan and the UK. Australia, followed by the United States, is the largest source of imported foods and beverages.

Economic Growth

- Economic activity in New Zealand was reasonably strong in 2001/02. Real Gross Domestic product (GDP) which is an acceptable indication of market activity, increased 3.2 percent in the year ending March 2002.
- The current account deficit is expected to fall to 2.2 percent of GDP in 2002. The unemployment rate dropped to 5.3 percent of the labor force.
- Per capita income is estimated at about US$12,787. The exchange rate as of the end of September 2002 was NZ$1=US$0.47 .
- Average weekly household expenditure increased from $54.00 in 1997/1998 to $59.00 in 2000/01.

Advantages/Challenges for U.S. Consumer Food Exports to New Zealand

Advantage	Challenge
Familiar business environment for U.S. exporters, including language, communication and customs	Weak New Zealand dollar against U.S. dollar increases import costs for U.S. products
Minimum barriers to trade including low tariffs	Strict phytosanitary/sanitary regulations with regard to fresh produce and meats.
U.S. products hold an image of 'new' and 'high quality'	Consumer foods imported from Australia and Canada are entered free, while U.S. exports pay 0-7% tariffs.
U.S. fresh fruit supplies market demand during New Zealand's off-season.	The Treaty of Closer Economic Cooperation with Australia eliminates tariffs on Australian products resulting in high import of Australian goods.

SECTION II: EXPORTER BUSINESS TIPS

C Business practices are very similar to those in the United States. It is regarded as a common and courteous practice to make and keep appointments in a timely manner. Corporate officials at the most senior level are usually reachable and available for business consultations.
C New Zealand is a sophisticated market which is interested in new-to-market food products.
C New Zealand importers like to deal directly with U.S. manufacturers rather than brokers.
C Local agents/distributors can be useful in facilitating and promoting exports of some U.S. consumer-ready foods to New Zealand.
C New Zealand is a health conscious market. Fat-free or other health-oriented consumer foods have good sales potential.
C Increase in immigration, travel and education have created opportunities for ethnic foods– Asian, Mexican, Turkish and Indian.
C Many New Zealand importers visit the United States at least once a year to see what is available and to place orders.
C Every year, several New Zealand importers attend the Food Marketing Institute's (FMI) Supermarket Show in Chicago, the Produce Marketing Association (PMA) Show, and other popular international shows like ANUGA and SIAL.
C The New Zealand Food Standards Code is updated by the food agency 'Food Standards Australia New Zealand' (FSANZ), previously called Australia New Zealand Food Authority (ANZFA). The prime function of FSANZ is to develop food standards which will be adopted in Australia and New Zealand. More information is available on the FSANZ web site at the following address: http://www.foodstandards.govt.nz

Domestic Trade Shows

There are two major domestic Food Trade Shows in New Zealand:

Hospitality Food and Wine Show:
Around 8,000 visitors attend this show. It is mainly attended by people from the hospitality industry and some local food importers/buyers. It takes place every September in Auckland. Contact details are as follows:

The XPO Group Ltd
PO Box 9682 New Market
Auckland, New Zealand
Tel: 64-9-300-3950
Fax: 64-9-379-3358
Internet Homepage: http://www.katrinagordon.co.nz

Katrina Gordon Show
This local food show takes place in 16 major cities of New Zealand, including Auckland, Wellington, Christchurch and Queenstown in different months throughout the year. For more information, they can be contacted at:

Katrina Gordon Trade Shows
PO Box 8647
Christchurch, New Zealand
Tel: 64-3-348-2042
Fax: 64-3-348-0950
Internet Homepage: http://www.kgts.co.nz

Food Standards and Regulations

All Food Standard Codes in New Zealand are developed and maintained by the food agency 'Food Standards Australia New Zealand (FSANZ), previously called Australia New Zealand Food Authority (ANZFA). This authority is responsible for developing, modifying and reviewing standards of food available in Australia and New Zealand and for a range of other functions including coordinating national food surveillance and recall systems, conducting research, assessing policies for imported food and developing industry codes of practice. FSANZ can be reached at: http://www.foodstandards.govt.nz.

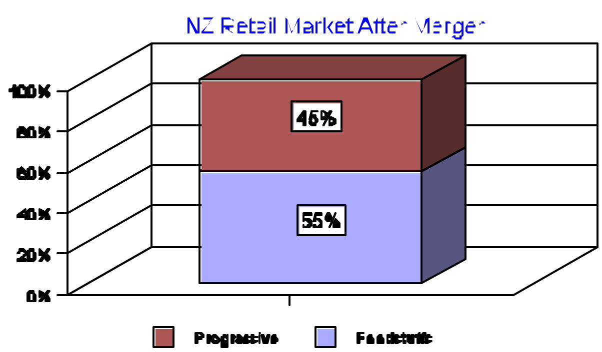
New Zealand's labeling requirements are similar to the United States with the exception that metric measurement is required (although other measures can be noted). Nutritional information is not currently required but will be mandatory in December 2002. However, most major brand lines do include this information. Date markings are currently required only for food products with a shelf life of less than 90 days. The date markings required will be extended to all products with a shelf life of up to 2 years effective December 2002. All labeling laws are approved by FSANZ but enforced in New Zealand by the Ministry of Health.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

A. Retail Food Sector

A major shake-up has taken place in New Zealand's food retail sector which represents a NZ$9.3 billion (US$4.4 billion) industry. Australian retail giant Foodland Associated - owner of New Zealand's Progressive Enterprises - - purchased in mid 2002, the Woolworth Limited retail chain for NZ$690 million (US$324 million). The purchase was finalized only after legal obstacles related to anti-competitive objections raised by its primary competitor, Foodstuffs (NZ) Limited were overcome. The purchase raises Progressive's share of New Zealand's supermarket trade from 25 percent to 45 percent. The revamped industry is now effectively a duopoly of Progressive Enterprises and Foodstuffs (NZ) Limited. Foodland (parent company of Progressive Enterprises) has indicated that it wants to expand its operations by opening at least five new supermarkets annually over the next few years. Foodland estimates that this will require an annual capital expenditure of NZ$45 million ($21.6 million). Foodland expects synergy benefits to emerge over a three year period, driven by brand rationalization, reduced marketing costs and supply chain economies.

Despite the recent enlargement of the Progressive chain, Foodstuffs (NZ) Limited remains New Zealand's largest supermarket group. Foodstuffs still controls 55 percent of the country's supermarket trade with an annual turnover of NZ$4.8 billion.

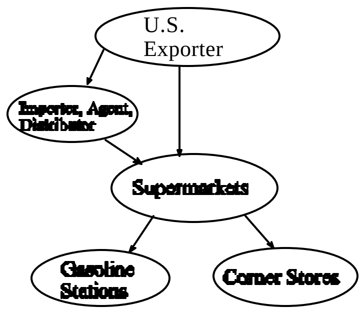


New Zealand retail market distribution

Supermarket	Owned By	Market Share	Brands of Supermarket
Foodstuffs (NZ) Ltd	New Zealand owned; made up of three independently owned co-operatives	55%	C New World C Pak N Save C Write Price C Four Square

Progressive Enterprises	Australian Owned. Parent company is called Foodland Associated	45%	C Woolworth C Foodtown, C Countdown C Big Fresh C 3 Guys

Close to 85 percent of all retail product food sales in New Zealand are made through supermarkets. The balance of the retail food trade consists largely of corner stores called dairies and gas station convenience stores. U.S. exporters can appoint agents, distributors or import brokers who can target food category/merchandise managers at major wholesalers and supermarkets chains. Approximately 90 percent of all imported food products are purchased by and distributed within New Zealand by importers/agents/distributors.



Food distribution flowchart

B. Retail industry information

The Foodsuffs (NZ) Limited is one of the largest grocery distributors, representing 149 stores in New Zealand. The marketings organization of Foodstuffs Limited consists of three regionally based, retailer-owned co-operative companies, along with their parent company Foodstuffs (NZ) Ltd. The three co-operatives are: Foodstuffs (Auckland) Co-operative Society Limited, which covers the middle to upper North Island; Foodstuffs (Wellington) Co-operative Society Ltd, which covers the southern half of the North Island; and Foodstuffs (South Island) Co-operative Society Limited which covers the entire South Island. U.S. exporters should contact each of the regional Foodstuffs offices since they make buying decisions independently of each other.

Foodstuffs (Wellington) Co-operative Society Limited PO Box 38-896 Kiln Street, Silverstream Wellington, New Zealand Atn: Eve Kelly, Purchase Manager Tel: +64-4-527-2510 Email: eve.kelly@foodstuffs-wgtn.co.nz	***Foodstuffs (Auckland) Co-operative Society Limited*** PO Box CX12021 Auckland, New Zealand Atn: Mr. Tony Olson, Purchase Manager Tel: +64-4-621-0641 Email: tolson@foodstuffs.co.nz

Foodstuffs (South Island) Co-operative Society Limited 167, Main North Road, Papanui Christchurch, New Zealand Atn: Graham May, Purchase Manager Tel: +64-3-353-8648 Email: gmay@foodstuffs-si.co.nz	

Progressive Enterprise Limited is 100 percent owned by Foodland Associated Limited, one of Australia's largest publicly listed companies. Foodland operates retail outlets in both Australia and New Zealand. It holds 45 percent of the New Zealand's grocery market and controls 179 stores in New Zealand under the supermarket banner group of Foodtown, Woolworths, Coutdown, Big Fresh, Price Chooper and 3Guys.

All import purchasing decisions are made at its headquarters in Auckland. Exporters may contact the following office regarding export sales enquiries:

Progressive Enterprises
Private Bag 93306
Otahuhu
Auckland, New Zealand
Atn: Grahm Walker, Business Manager
Tel +64-9-275-2621
email: graham.walker@progressive.co.nz

C. Industry/Product Trends

Retail food sales are affected by New Zealand's changing lifestyle. Emerging trends include:

- New Zealand consumers are open to 'new' or 'unique' U.S. food products. Consumer ready foods continue to dominate the import market.
- The traditional 'starting from scratch meals' is in decline. In 2001, 50 percent of those cooking the evening meal used pre-prepared ingredients in comparison to 45 percent in 1999. Products like heat & eat, frozen foods and ethnic carry-out food consumption is on the rise.
- The multi-cultural population will mean an increase in consumption of ethnic foods at home. Supermarkets are responding by devoting increased shelf space and expanding the range of ethnic products with fresh, frozen and ready-to-eat meals.
- The average New Zealand household spends NZ$125 (US$59.00) per week on food. Close to 80 percent of this figure is spent on meals cooked at home. Consumption of red meat and dairy products is on the decline while consumption of vegetable, fresh fruit and fish is increasing.
- Supermarket sales of ready-to-eat meals has doubled over the past 4 years to US$31 million.
- The trend towards meat-free meals is growing, with one in two New Zealand consumers eating at least one meat-free meal per week.

- Due to busy lifestyles and demanding workplaces, the trend to eat out or use ready-to-eat and heat & eat meals is on the rise. Microwave ovens are present in 70 percent of New Zealand homes. There are opportunities for U.S. exporters of prepared or microwave-ready meals, frozen and pack-to-plate foods and snacks. Strong competition exists, however, from Australian and New Zealand products.
- 23 percent of New Zealand food expenditure is spent on food away from home, compared to 45 percent in the United States, 40 percent in Canada and 27 percent in the United Kingdom.
- Tariffs on imported goods already are generally lower (no more than 7 percent) and are scheduled to be lowered further over the next few years.
- Strict sanitary and phytosanitary standards need to be met for exporting fresh produce, meat, and poultry products.
- New Zealand has strict food standards and labeling requirements which are set out in the joint Food Standards Australia New Zealand (FSANZ). For more information see www.foodstandards.govt.nz

Domestic Industry Trends

New Zealand food processing companies continue to move their operations offshore. This has led to an increasing reliance on food imports. This is particularly true for dry or packaged foods. Australia remains the dominant foreign supplier to the New Zealand food industry, with a 52 percent market share in 2001.

Modern, large-scale supermarkets are the leading retail distribution channel in New Zealand. Grocery outlets concentrate on appealing products supported by high profile brand advertising and instore-promotion. The number of women in the workforce continues to grow which is encouraging less frequent and one-stop supermarket shopping. As the country is becoming an on-line society, food retailing over the internet has increased considerably and Woolworth (now under the Progressive Enterprise umbrella) is pioneering on-line food retailing.

Trends in Promotion/Marketing Strategies

A survey completed by AC Nielsen, a retail measurement service, studied which promotion strategies made a difference in consumers purchasing. The survey concluded:

- that price reductions encouraged 90 percent of consumers to buy;
- extra quantities for the same price encouraged 58 percent of consumers to buy;
- multi pack discounts encouraged 55 percent of consumers to buy;
- other promotions, including off-shelf discounts, store cards, discounts, free tasting and competitions, ranged between 30-100 percent effectiveness in the survey.
- The above indicates that the average New Zealand consumer is very price conscious.

Other popular marketing and promotion strategies used in New Zealand are:

- Linking food/beverage products with sports and famous teams.
- Linking products with famous movies or stars;
- Food trade shows are also a popular promotional tool for N.Z. food manufacturers.

Fishery Products

Demand for canned fishery products is declining as consumers are shifting to fresh or vacuum packed (especially local salmon) or frozen sea foods. The U.S. supplies part of New Zealand's canned salmon imports but the strong U.S. dollar relative to the major competitor Canada, has reduced U.S. sales over the past years. New Zealand is exporting more seafood products, aided by its weak dollar, so potential exists for niche U.S. fishery products if prices are competitive.

B. HRI/Foodservice Sector

As recently as generation ago, most people dined out at hotel/restaurants. But a café culture and restaurants of international reputation are now firmly established throughout the country. Similarly, fast food operators offering burgers to kebabs are now part of the eating-out scene. Industry sales for this sector represents cafes and restaurants, pubs, taverns and bars, and takeaway food retailing.

The total sector sales for the year ending March 2002 totaled NZ$3.4 billion (US$1.59 billion), up 7 percent over a year earlier. Growth in the foodservice industry by segment is as follows:

Foodservice Industry	Annual Sales 2002 (NZ$million)	% Growth 2001-2002
Coffee House & Unlicenced Restaurants & Cafes	1280	10
Licenced & BYO Restaurants & Cafes	924	7
Fish & Chips, Chinese, Hamburger, Pizza & Chicken	526	4
Caterers	412	15
Lunch Bars, Ice Cream Parlors & vendors	173	2
Night Club	170	15
Total	3485	9

The total number of outlets in the foodservice industry in 2002 is estimated at 8,610, up 9 percent over 2001. This includes 2,300 fast food outlets which are growing at more than 3 percent annually.

New Zealanders spend almost one out of every four food dollars on meals away from home. By 2010 this is expected to reach one out of every three.

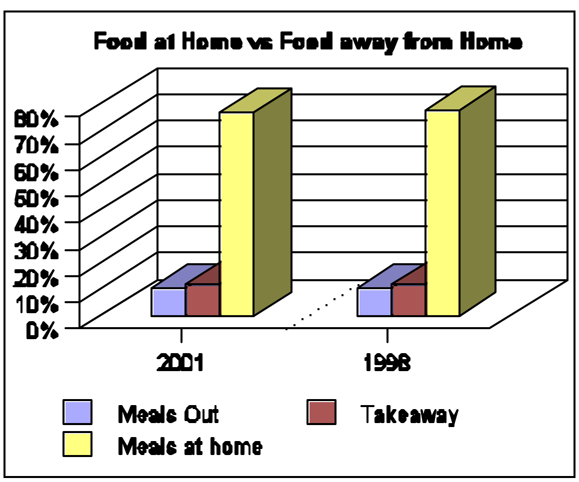
C. Food Processing Sector

Overview
The food processing sector in New Zealand is dominated by dairy and meat (primarily beef and sheepmeat) processing. Both of these sub-sectors are heavily dependent on export earnings and are strongly linked to upstream agricultural activities and farming.

Food processing in New Zealand is significant and diverse, especially when viewed in relation to New Zealand's relatively small population. It includes wine, beer, bakery products, fruits and vegetables, and snack foods.

The top five mega brands in New Zealand supermarkets are all traditional New Zealand brands, these include Heinz Watties (canned and processed foods), Griffins (biscuits/snack foods), Quality Bakers (bakery products), Anchor (dairy products), and Bluebird (snack foods).

A major challenge to expanding U.S. consumer-oriented food exports to New Zealand is the significant output of products produced in Australia from multinational food companies (which are imported duty free into New Zealand. This includes many familiar U.S. brands: Kellogg's, Campbell's, Mars, Ocean Spray (using imported U.S. cranberries), Old El Paso and Neuman's. Other companies process products within the region such as Nabisco which has cookie operations in Indonesia.



Section IV: Best High-

value Product Prospects

- Fresh fruit, especially grapes, stone fruit (nectarines, peaches and plums), citrus and pears during New Zealand's off-season period;
- Snack foods including nuts (almonds, pistachios, walnuts) and dried fruit (raisins, mixed fruit, dates, figs);
- Microwave meals, frozen foods, meal replacement drinks, soups, pasta, sauces, dressings and canned foods;
- Fruit juices and flavored drinks. Carbonated drinks and fruit juice account for 30 percent and 16 percent respectively, of the New Zealand beverage market.
- Health foods such as high energy bars and drinks;
- Organic foods, including cereals and snack products;
- Niche market food preparations, especially new products or those offering special nutrition, convenience, taste preferences;
- Pet food, especially high quality or high nutrition;
- Canned salmon

(Note: Many U.S. processed food products are sold is bulk volume to New Zealand importers and are in turn used for further processing and/or re-packaged in New Zealand before being sold at the retail level)

Section V: Key Contacts and Further Information

United States Embassy/Wellington
Foreign Agricultural Service
Address: PSC 467, Box 1, FPO AP, 96531-1034
Phone: (64) (4) 462-6030
Fax: (64) (4) 472-6016
e-mail: agwellington@fas.usda.gov
Internet homepage: http://www.usembassy.org.nz

List of Useful Government Agencies and Trade Associations

Food Standards Australia New Zealand
PO Box 10559
Wellington 6036
New Zealand
Tel: 64-4-473-9942
Fax: 64-4-473-9855
Email: NZ.reception@foodstandards.gov.au
Internet Homepage: http://www.foodstandards.govt.nz

Ministry of Agriculture and Fisheries (MAF)
PO Box 2526
Wellington
New Zealand
Tel: 64-4-474-4100
Fax: 64-4-474-4111
Internet Homepage: http://www.maf.govt.nz

Ministry of Health
PO Box 5013
Wellington
Tel: 64-4-496-2360
Fax: 64-4-496-2340
Internet Homepage: http://www.moh.govt.nz

New Zealand Grocery Marketers' Association
Enterprise House P.O. Box 11-543
Wellington, New Zealand
Phone: (64) (4) 473-3000
Fax: (64) (4) 473-3004

Restaurant Association of New Zealand
P.O. Box 47 244
Ponsonby
Auckland, New Zealand
Phone: 64-9- 378-8403
Fax: 64-9- 378-8585
Internet Homepage: http://www.restaurantnz.co.nz

APPENDIX 1. STATISTICS
Table A. Key Trade and Demographic Information

Key Trade & Demographic Information		**Million**	**US Market Share (%)**
Agricultural Imports from All Countries	(US$)	$1,454	12%
Consumer Food Imports from All Countries	(US$)	$935	12%
Edible Fishery Imports from All Countries	(US$)	$59	2%
Total Population (Millions)/Annual Growth Rate		3.9	1.5%
Urban Population (Millions)		3.2	-
Number of Major Metropolitan Areas [1]		1	-
Size of the Middle Class (Thousands) [2]		-	54.5%
Per Capita Gross Domestic Product (US$)		$17,700	-
Unemployment Rate (%)		-	5.3%
Per Capita Food Expenditure (US$)		$1105	-
Exchange Rate (US$1=xx NZ$)		2.1	-

1/ Under the definition 'in excess of 1 million' there is only one (Auckland 1,216,900). New Zealand has 4 major metropolitan areas: Wellington (339,747), Christchurch (334,104) and Hamilton (166,128) and Auckland.
2/ New Zealand middle class: annual income ranging from NZ$15,000 to NZ$50,000

New Zealand Imports
Consumer-Oriented Food Products l

New Zealand Top 15 Ranking	Import		
	1999	2000	2001
	1000$	1000$	1000$
Australia	37,665 4	37,269 9	487,53 2
United States	92,440	90,760	113,38 3
Canada	19,979	23,277	31,994
Ecuador	29,031	26,097	26,269
Italy	12,540	13,544	20,995
Thailand	15,823	15,353	17,866
France	17,660	11,922	46,513
Netherlands	13,632	12,147	15,111
China (Peoples Republic of)	9,772	9,905	13,609
United Kingdom	10,960	10,557	13,222
Fiji	8,126	7,101	11,094
Brazil	7,561	7,679	10,493
Spec Cats	6,949	7,466	10,392
Germany	7,286	8,079	10,354
Japan	7,793	10,240	8,679
Other	95,775	98,996	127,49 0
World	**732,00 9**	**725,84 6**	**935,02 6**

New Zealand Imports
Fish & Seafood Products

New Zealand: Top 15 Ranking	Import		
	1999	2000	2001
	1000 $	1000$	1000 $
Thailand	17496	17863	22403
Canada	6797	6974	7618
China (Peoples Republic of)	1756	1558	7137
Australia	5042	4308	4235
Korea, Republic of	1080	1180	1860
Japan	1784	2140	1746
Spec Cats	623	746	1562
Indonesia	126	312	1373
India	990	1153	1286
United Arab Emirates	443	771	1120
Chile	1054	979	973
United States	1840	1334	891
Singapore	177	310	838
Vietnam	405	372	616
Fiji	142	206	610
Other	4698	7973	4333
World	44,463	**48,190**	**58600**

New Zealand Imports of Agriculture, Fish & Forestry Products

New Zealand Import *(in Millions of dollars)*	*Imports from the world*			*Imports from the U.S.*			*U.S. Market share*		
	1999	*2000*	***2001***	***1999***	***2000***	***2001***	***1999***	***2000***	***2001***
CONSUMER ORIENTED FOODS	732	726	935	92	91	113	13%	13%	12%
Snack Foods (Excl Nuts)	64	78	113	6	6	6	7%	7%	6%
Breakfast Cereals & Pancakes Mix	18	13	17	1	1	1	1%	2%	2%
Red Meats, Fresh/Chilled/Frozen	31	44	64	1	1	1	2%	1%	2%
Red Meats, Prepared/Preserved	14	16	20	1	1	3	10%	6%	13%
Poultry Meat	1	0	0	0	0	0	0%	0%	0%
Dairy Products (Excl Cheese)	16	21	26	1	1	1	1%	0%	.99%
Cheese	7	7	6	1	1	1	0%	0%	.22%
Eggs & Products	1	1	2	1	1	1	36%	19%	6%
Fresh Fruit	67	62	65	15	13	16	22%	21%	24%
Fresh Vegetables	12	11	17	1	1	1	3%	3%	2%
Processing Fruit & Vegetables	94	90	115	12	12	17	13%	14%	15%
Fruit & Vegetable Juices	20	17	26	3	2	2	14%	12%	9%
Tree Nuts	12	12	14	3	3	3	22%	23%	25%
Wine & Beer	82	76	109	1	1	1	1%	1%	.46%
Nursery Products & Cut Flowers	5	5	7	1	1	1	7%	8%	8%
Pet Foods (Dog & Cat Food)	33	29	36	10	10	13	31%	33%	35%
Other Consumer-Oriented Products	237	244	298	40	42	50	17%	17%	17%
FISH & SEAFOOD PRODUCTS	44	48	59	2	1	1	4%	3%	2%
Salmon	7	7	7	1	1	1	17%	16%	10%
Surimi	2	2	4	1	0	0	0%	0%	0%
Crustaceans	14	13	14	1	1	1	0%	0%	.02%
Groundfish & Flatfish	2	5	8	1	0	0	2%	0%	0%

New Zealand Import *(in Millions of dollars)*	*Imports from the world*			*Imports from the U.S.*			*U.S. Market share*		
Molluscs	5	5	6	1	1	1	7%	3%	3%
Other Fisher Products	15	15	20	1	1	1	2%	0%	.02%
AGRICULTURAL PRODUCTS TOTAL	1,111	1,103	1,454	139	132	175	13%	12%	12%
AGRICULTURAL, FISH & FORESTRY TOTAL	1,221	1,225	1,576	147	139	181	12%	11%	11%