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New Zealand

Food Processing Sector

Annual

2007

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Report Highlights:
The food and beverage sector is an important component of the New Zealand economy. It is the country's largest manufacturing sector by total output. The sector accounts for approximately 10% of New Zealand's Gross Domestic Product (GDP) and half of New Zealand's merchandise exports by value.

Includes PSD Changes: No
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Wellington [NZ1]
[NZ]

Market Summary

A. Overview

New Zealand has a highly competitive agricultural sector complemented by manufacturing and service sectors. The economy is strongly trade-oriented, with exports of goods and services accounting for approximately 21% of Gross Domestic Product (GDP).

The food and beverage sector is an important component of the New Zealand economy. It is the country's largest manufacturing sector by total output growing at an average compound rate of just over 5% over the last ten years. The sector accounts for approximately 10% of New Zealand's Gross Domestic Product (GDP) and half of New Zealand's merchandise exports by value. Once farming, fishing, manufacturing, wholesale, food retail, and food service are all added together, the sector employs one in five New Zealanders. There are approximately 30,000 companies in New Zealand's food processing sector. However, most of these are small employing less than 100 people and are concentrated in the meat and dairy sectors. Because of the importance of the food and beverage sector to the overall prosperity of the New Zealand economy, the New Zealand Government established a Food and Beverage Taskforce in 2004. The main aim of the taskforce is to establish a development strategy for the sector.

Approximately 55% of New Zealand's food and beverage production is exported overseas and 45% is consumed domestically. In 2006 (June year), New Zealand's food and beverage exports were NZ $16.35 billion (US $10.62 billion), up from NZ $15.23 (US $6.41) in 2001 (June year). The value-added component has grown steadily over the last five years. Value-added products represent more than half of all New Zealand food exports.

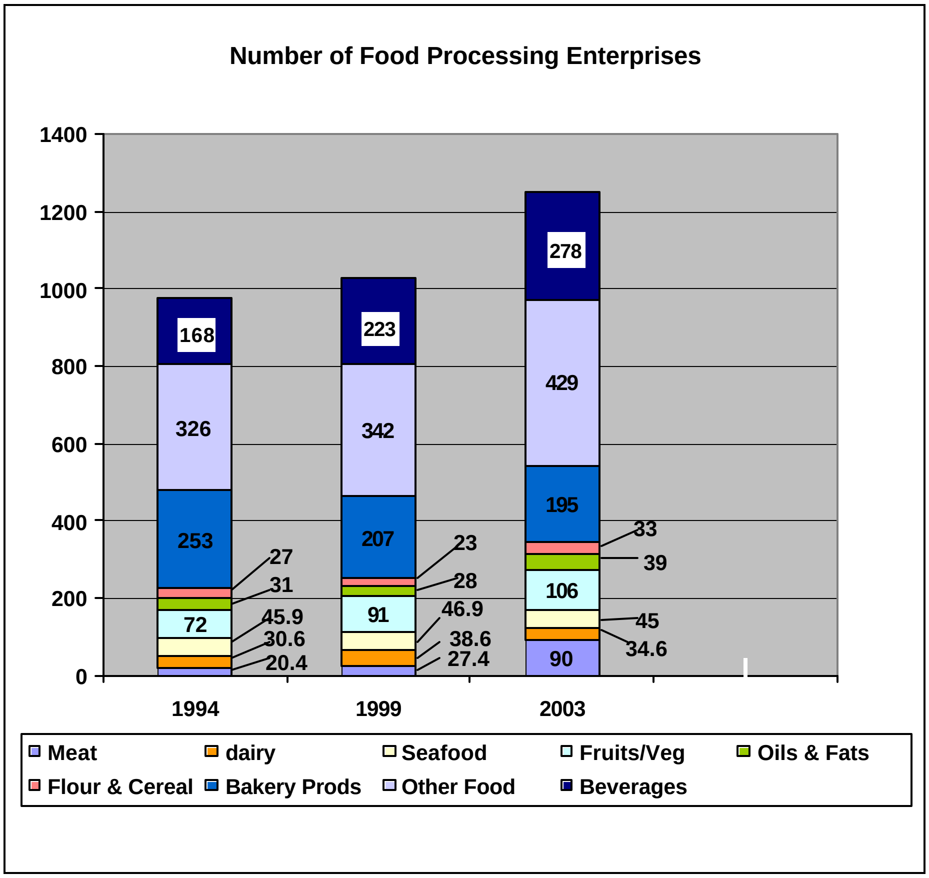
New Zealand Food and Beverage Sales by Subsector
(Billions of NZ$/2004)

Industry	Domestic Sales	Export Sales	Total Sales
Dairy	1.4	6.4	7.8
Meat	2.0	4.6	6.6
Fruits & Vegetables	1.5	2.0	3.5
Beverages	2.9	0.6	3.5
Seafood	0.2	1.2	1.4
Grain-based Food	1.0	0.1	1.1
Other Food *	3.4	0.4	3.8
Total	12.4	15.3	27.7

*Other food is dominated by global category leaders (e.g. Nestle, Unilever, Cadbury etc. with a few local companies such as Hansells and Healtheries)

Source: Food and Beverage Taskforce, 2006

A handful of large firms dominate New Zealand's food-processing sector. Four of the largest companies are producer-owned cooperatives: Fonterra, Zespri, Richmond and Alliance. Together, these companies account for over 50% of total sector revenues. Subsidiaries of foreign-owned multinational companies account for approximately 24% of total sector revenues, and small businesses account for nearly 25%.



Source: Coriolis Research- Mapping the Structure of the NZ Food Industry

B. Selected Food Processing Sub-Sectors and Trends

Food processing in New Zealand is significant and diverse, especially when viewed in relation to New Zealand's relatively small population of 4.15 million.

Dairy

The most significant component of the New Zealand food processing industry is the dairy sector. The dairy industry is New Zealand's top export earner.

New Zealand accounts for about 2% of world dairy production but exports more than 90% of all its production and accounts for approximately 35% of world trade in dairy products. Approximately 96% of New Zealand's milk production is handled by Fonterra Cooperative Group Ltd., a company formed in 2001 by the merger of the two biggest dairy companies in the industry and the export business of the New Zealand Dairy Board. Fonterra is New Zealand's largest company representing more than 20% of total New Zealand exports and 7% of the country's GDP. Two dairy companies elected not to join Fonterra – Westland Cooperative Dairy Company and Tatua Cooperative Dairy Company Ltd – and both export to a variety of markets.

In recent years, the range of specialty cheese products manufactured in New Zealand for the premium end of the market has increased substantially. There are about 23 boutique cheese makers in New Zealand. Another growing trend in New Zealand is the development of functional foods like new low-fat, high-calcium and high-protein milk, and bio-medical and bio-health products such as colostrums-based health supplements and products made from organic milk.

Meat

The New Zealand meat sector is one of the most important primary sectors. Approximately 85% of New Zealand's meat production is exported to 70 markets around the world. New Zealand meat (sheep meat and beef) exports account for 4.2% of the New Zealand GDP, approximately 17% of New Zealand's exports by value and 30% of New Zealand's primary sector revenue. For the year ending April 2005, the meat industry earned export sales of NZ $5.3 billion (US $3.8 billion) as compared to NZ $1.05 billion (US$ 39 million) in domestic sales. New Zealand is reportedly the world's largest exporter of lamb processed to Muslim requirements (Halal).

There are more than 150 licensed meat processing companies in New Zealand, the majority of which are exporters. The largest companies are PPCS, AFFCO, the Alliance Group and ANZCO Foods. Both Alliance and PPCS are farmer-owned cooperatives. There has been increasing concentration in processing over the last decade, with the four major companies now supplying over 80% of product.

Meat processors are actively trying to increase the value-added component of their business including rapid-cook cuts, marinated products and the use of sheep meat in ethnic ready meals.

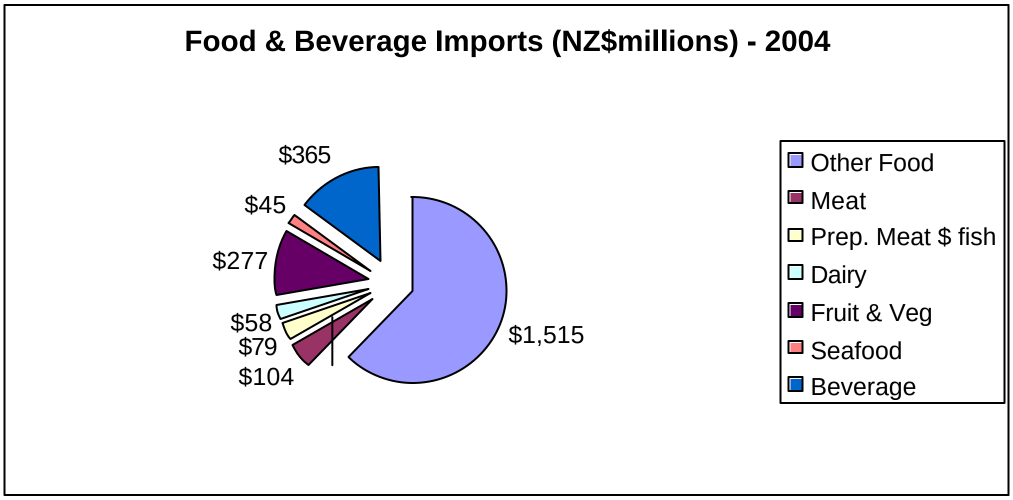
Specialty Food and Beverages

There are more than 2,000 specialty food and beverage manufacturers in New Zealand that employ more than 33,000 people. The sector is dominated by a large number of small firms and some larger enterprises that are part owned by multinational companies including Lion Nathan, DB Breweries, Goodman Fielder, Griffins and Cadbury. Products range from traditional pastries, honey and confectionary to specialty sauces and marinades, soups and beverages.

Two major research institutes working in specialty foods are Crop and Food and HortResearch. Crop and Food is conducting a multi-million dollar research program on creating value-added convenience foods with extended shelf life and specific health benefits.

C. Imports

New Zealand Food and Beverage Imports by Product Type (Millions of NZ$)



Source: Coriolis Research-Mapping the structure of NZ Food & Beverage Industry

New Zealand food and beverage imports have grown from NZ $1.4 billion (US $93 million) in 1994 to NZ $2.44 billion (US $1.62 billion) in 2004, the latest year for which figures are available. "Other food", which includes miscellaneous food, baking-related products, preserved foods, and cereals, accounts for over 60% of New Zealand's food and beverage imports, followed by beverages at approximately 15%, fruits and vegetables at 10% and meat (primarily pork) at just over 4%. Within the "other food" category, products showing the most growth include grain-based products, miscellaneous foods, preserved foods and baking-related items, such as pasta and biscuits.

U.S. agricultural exports to New Zealand were $165 million in 2006, down from $182 million the previous year. The decline is attributable to a drop in bulk commodity exports while consumer-oriented food products, which account for 68% of U.S. agricultural exports to New Zealand, reached a record $113 million in 2006. Consumer-oriented products reaching record highs include fresh fruit, up 12%, pet food, up 25%, processed fruits and vegetables, up 3%, and fresh, chilled and frozen red meat, up 20%, fruit and vegetable juices, up 44%, and tree nuts up 1%. U.S. exports of intermediate agricultural products were $35 million in 2006 with "other" intermediate products accounting for approximately 40% of the total.

D. Advantages and Challenges

Advantages	Challenges
Continued income growth in Asia	Distance from markets
Growing Asian population in New Zealand	Low levels of private sector research and development
Capacity to lift productivity through uptake of technology	Relatively high production costs

Section II- Road Map for Market Entry

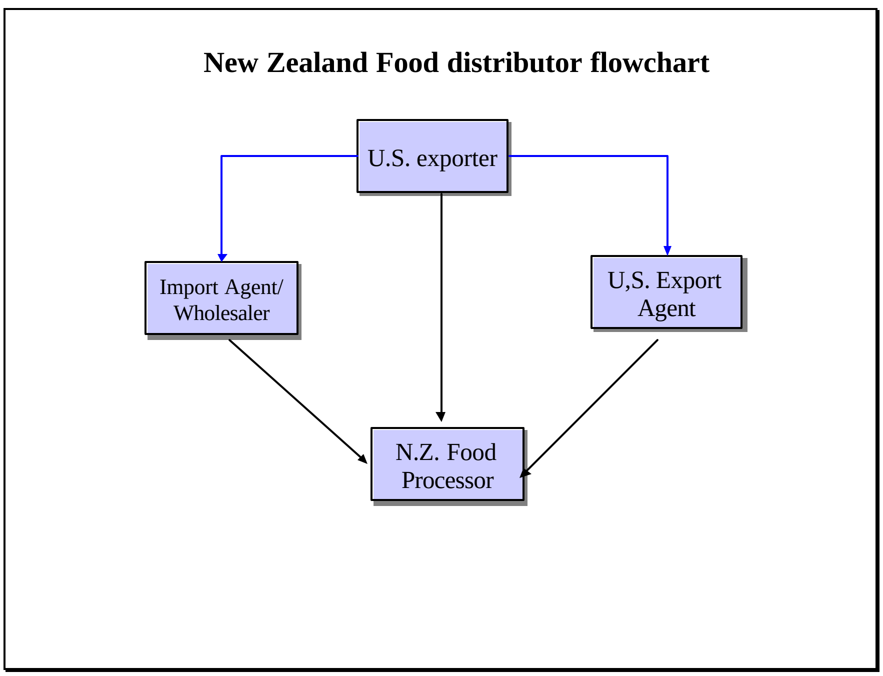
A. Entry Strategy

U.S. food product/ingredient exporters interested in the New Zealand market might want to consider appointing a local importer/distributor, agent or broker that specializes in a specific category, is well informed on the market, and well connected with local food processing companies. Local food importers, agents and brokers have a network of distributors and retailers and are familiar with regulatory requirements, clearance procedures at the port of entry, and logistics to transport the imported foods.

U.S. products into New Zealand face competition from domestic products as well as from Australian products. However, quality, consistency/reliability of food ingredients supply give U.S. food products and ingredients an edge over Asian and South American competitors.

B. Market Structure

The majority of New Zealand food processors procure food products through New Zealand import agents and wholesalers, while some large companies have established direct relationships with larger U.S. suppliers.



C. Company Profiles

Top Revenue-Earning Companies in the New Zealand Food Industry (2004)

	COMPANY TURNOVER (NZ$ million)		PRODUCTS	CAPITAL ORIGIN
1	Fonterra Co-operative Group	$11,830	Milk and Dairy products	New Zealand Cooperative
2	New Zealand Dairy Foods (formerly Mainland)	$980	Milk and Dairy products	Rank Group
3	Fonterra Brands	$502	Milk and Dairy Products	New Zealand (Fonterra Subsidiary)
4	Westland Brands	$235	Dairy processing	New Zealand Cooperative
	Fruit and Vegetable Processing companies			
5	Heinz Watties (NZ)	$1,025	U.S. Public Limited	Vegetable processing and grocery products
6	Zespri Group	$920	New Zealand Cooperative	Kiwifruit processing and marketing
7	Turners and Growers	$563	New Zealand	Fruit and Vegetable Processing
8	McCain Foods (NZ)	$263	Canada Private	Frozen Vegetable processing
	Meat Processing Sector			
9	PPCS/Richmond	$2,164	Beef, lamb and venison processing	New Zealand Cooperative
10	Alliance Group	$1,147	Beef and lamb processing	New Zealand Cooperative
11	AFFCO Holding	$891		New Zealand Public Listed; 40% owned by Talley's
	Grain Based Food Sector			
12	Goodman Fielder	$663	Breads, snack foods and grocery food prods.	Australian Owned
13	Griffins	$218	Snack foods including cookies/crackers	France Owned
14	Allied Foods (NZ)	$172		Australia Public Limited
15	Sanitarium	$110	Breakfast Cereals, snack foods	New Zealand
	Beverage Industry Sector			
16	New Zealand Breweries	$611	Beer	Australia Public Limited
17	Independent Liquor	$500	Beer, spirits and wine	New Zealand private
18	Coca-Cola Amatil (NZ)	$433	Soft Drink	Australian Public Limited
	Seafood Companies			
19	Aotearoa Fisheries	$600	Processing & marketing of seafood	New Zealand
20	Sealord Group	$634	Processing & marketing of seafood	New Zealand/Japan/Public Limited
21	Sanford	$350	Processing & marketing seafood	New Zealand Public Limited
	Other Food Processing Companies			
22	Nestle New Zealand	$361	Manufacturers of Grocery products	Switzerland Public Limited
23	Unilever New Zealand	$290	Manufacturers of Grocery products	United Kingdom Public Limited
24	Cadbury Confectionery	$213	Confectionery	United Kingdom Public Limited
25	Effem Foods/Masterfoods	$209	Confectionery & grocery products	United States Private

Section III. Competition

Dry Fruit

Dried fruit imports is a growing category in New Zealand. In 2006, New Zealand imported U.S. $2.5 million worth of dried fruit (dates, figs, pineapple, raisins and sultanas), of which, the United States held a 12% percent market share on a value basis. Much of this product is used in the confection and the bakery sector. Other suppliers include Iran and Turkey.

Tree nut

New Zealand tree nut imports were valued at U.S. $27.4 million in 2006. The United States is a major supplier followed by Vietnam, Australia and China. Nuts are consumed as healthy snacks by consumers but are also used as food ingredients by the bakery, confectionery and cereal industries. The United States is an important supplier of almonds, pistachios and walnuts. For almonds, Australia is the major competitor. U.S. is the major supplier of pistachios. A very small amount comes from Iran. The United States is the third largest supplier of walnuts after India and China.

Soybean meal

Traditionally, the United States has been one of the major exporters of soybean meal to New Zealand. Soybean meal is mainly used in animal feed. In 2006, U.S. exports of soybean meal to New Zealand dropped significantly from $18 million in 2005 to $8.3 million, largely because of increased interest in obtaining product that is not genetically modified.

Section IV Best Product Products for Food Ingredient Market

Product Category	Total Imports 2005 (US$ millions)	3 Year Average Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Dried Fruit (dates, figs, raisins)	$2,511	22%	Free	Price competition from other suppliers	Demand from food processing sector, particularly the bakery and confection sector
Tree Nuts (almonds/ walnuts/pistachios)	$27,417	30%	Free	Price competition from other suppliers	U.S. dry nuts are considered high quality. Market share can be expanded if price competitive and promoted as healthy and nutritional snack food.

Source: Global Trade Atlas; NZ Food importers; Masterpet official; NZ Harmonized Tariff;

Section V. Post Contacts and Further Information

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NZ Feed Manufacturers Association
96D Carlto Gore Road,
Auckland
Tel: +64-9-520-1553
Email: Michael@pianz.org.nz

Some agents/brokers active in the market:

J.F. Ross Customs Brokers Ltd. (dry fruits and nuts)
PO Box 1653, Auckland
Tel: 09-379-0973
Email: Kevin@jfrosscustoms.co.nz

ABB Grain (Soybean meal)
Level 4, 8 Pacific Rise,
Mt. Wellington, Auckland
Tel: +64-9-276-0591
Email: david.livingstore@abbgrain.co.nz

James Crips Ltd. (juices/sauces/dry fruits)
16-22 Anzac Ave.,
Auckland
Tel: +64-9-309-0802
Email: lance@jamescrip.co.nz

Brooke Holdings (dry fruit/nuts; processed vegetables)
PO Box 302118
North Harbour Post Centre
Auckland
Tel: +64-9-476-2088
Email: brookehl@xtra.co.nz