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Exporter Guide

Annual

2006

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Report Highlights: U.S. consumer-oriented products are top sellers in New Zealand. At \$53 million, they account for two-thirds of U.S. agricultural exports to New Zealand. Growth items include red meat, fresh fruit, processed fruits and vegetables, fruit and vegetable juices, tree nuts and pet food.

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

Section I: Market Overview

Comparable in size to Colorado, New Zealand is an island country with a diverse multicultural population of 4.15 million people. It is a largely urbanized society with two-thirds of the population residing in Auckland (1.2 million), Wellington (451,600), and Christchurch (344,000). The majority of New Zealanders are of British descent. New Zealand's indigenous Maori make up around 15 percent of the population. Half of New Zealand's population is over 35 years of age.

After a period of sustained growth, the New Zealand economy is slowing. Gross domestic product (GDP) fell to 2.7% in the September 2005 year, down from growth in excess of 4% in 2004. GDP is forecast to slow further to around 1.7% in 2007. In spite of the decline in economic growth, New Zealanders are benefiting from a steadily rising per capita GDP, which reached US \$26,387 in 2005. Consumer Price Index inflation in New Zealand is slightly above 3%.

The New Zealand economy is heavily dependent on trade – particularly in agricultural products – to drive growth. Although agriculture accounts for less than 6% of GDP, over 50% of all export earnings are derived from agricultural products.

The United States is New Zealand's second largest trading partner for agricultural products. U.S. agricultural exports to New Zealand reached \$190 million in 2005, two-thirds of which are consumer-oriented products. The most important U.S. exports to New Zealand on a value basis are fresh fruit, soybean meal, pet food, processed fruits and vegetables, and red meat. On average, the United States accounts for approximately 10 percent of New Zealand's imported consumer-oriented food and beverage products.

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

Advantages	Challenges
Familiar business and cultural environment; no language barriers to overcome	New Zealand labeling laws are different from those in the U.S.
Minimum barriers to trade including relatively low tariffs	Strict phytosanitary/sanitary regulations with regard to fresh produce and meats
U.S. products enjoy a quality reputation along with their novelty status although competition is tough	Consumer foods imported from Australia and Canada enter duty-free, while U.S. exports are assessed tariffs between 0-7%
U.S. fresh fruits supplies are marketed during New Zealand's off-season.	The Treaty of Closer Economic Cooperation with Australia eliminates tariffs on Australian products, which gives them a competitive advantage.

Section II: Exporter Business Tips

- Business practices and customs in New Zealand are similar to those in the United States.
- New Zealand importers tend to prefer to deal directly with U.S. manufacturers rather than through brokers.
- Local agents/distributors can be useful in facilitating and promoting exports of some U.S. consumer-ready foods to New Zealand.
- New Zealand is an increasingly multicultural society, which creates opportunities for ethnic foods including Asian, Mexican, Turkish and Indian.
- Fresh U.S. produce is an especially welcome addition to New Zealand retail shelves during winter in the Southern Hemisphere.
- Average household weekly expenditures in New Zealand total NZ \$758 (US \$505). This includes approximately NZ \$142.50 (US \$100) per week on food, and NZ \$37 (US \$26) spent on meals away from home.
- New Zealand shoppers spent about NZ\$10.5 billion (US\$7 billion) in 2005 in New Zealand's 654 supermarkets. (Includes all retail products sold through supermarkets, i.e. food products, cleaning products, gardening etc.) This reflects an annual growth of 5.3 percent. Of this amount, 15 percent was for private label goods.
- New Zealand consumers are usually cautious when purchasing Genetically Modified (GM) foods and have tended to avoid such foods when the GM debate was visible in recent years. Such attitudes may be weakening. Most New Zealanders place little effort in sourcing non-GM products and are unlikely to check the ingredients list of processed food products for the presence of GMOs. However, any GM food that receives negative media attention from anti-GM groups is likely to suffer a substantial, but temporary, drop in sales.
- The Food and Agriculture Import Regulations and Standards (FAIRS) report for New Zealand contains detailed information on New Zealand's food standards, labeling requirements, import regulations, etc. This report can be found at viewed/downloaded at the following website:
<http://www.fas.usda.gov/scriptsw/attacherep/default.htm>
- Potential exporters are encouraged to review the Food Standards Code, which was developed by Food Standards Australia New Zealand Food (FSANZ) and implemented in 2002. The Food Standards Code applies to both New Zealand and Australia. More information, including a [User Guide](#) for food labeling requirements, is available on the FSANZ web site at the following address: <http://www.foodstandards.govt.nz>.
- Imported food products sold in New Zealand must comply with the [Maximum Residue Limits \(MRLs\)](#). MRLs are constantly updated and are available on the Food Standards Australia New Zealand website at: www.foodstandards.govt.nz.
- In December 2001, mandatory-labeling requirements for genetically modified foods (foods produced using gene technology) came into effect in New Zealand. The requirements are covered in [Genetically Modified Foods](#) of the joint New Zealand Australia Food Standards Code.
- On September 2004, the Commerce Commission of New Zealand issued a Proposed Draft Guidelines for the Labeling of Genetically Modified Foods and food products. The draft reaffirms the Commission's longstanding policy that any food product claiming to be 'GM-Free' will breach the Fair Trading Act if it contains any trace of genetically modified products, if any of its components have been made by a process involved genetic modification. For more details please check www.comcom.govt.nz

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS**A. Market Structure**

Two supermarket chains, Foodstuffs (NZ) Limited and Progressive Enterprises Limited, dominate the New Zealand retail sector which is valued at NZ \$10.5 billion (US \$7 billion). Foodstuffs has a 57% share of the New Zealand grocery market and Progressive Enterprises as a 43% share.

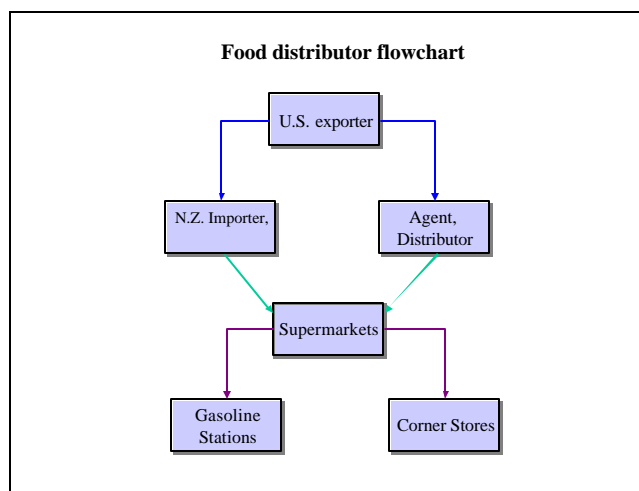
New Zealand Retail Market Distribution

Supermarket	Owned By	Market Share	Brands of Supermarket
Foodstuffs (NZ) Ltd	New Zealand owned; made up of three independently owned co-operatives	57%	<ul style="list-style-type: none"> ▪ New World ▪ Pak N Save ▪ Write Price ▪ Four Square
Progressive Enterprises	Owned by Woolworths Limited (Australia).	43%	<ul style="list-style-type: none"> ▪ Woolworth ▪ Foodtown, ▪ Countdown ▪ Supervalue ▪ Fresh Choices

Foodstuffs (NZ) Limited is one of the largest grocery distributors representing 461 stores in New Zealand. The marketing 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. (See Section V for contact information.)

In May 2005, an Australian supermarket group, Woolworth Limited (Australia), bought Progressive Enterprises of New Zealand. This included 63 Woolworths stores, 30 Foodtown, 57 Countdown, 31 Supervalue, 12 Fresh Choices and 22 Woolworths Micro and Quickstop Convenience stores. The Australian parent recently announced plans to streamline Progressive's systems and apply its supply chain and inventory management, which will likely drive down costs and prices. All import-purchasing decisions are made at its headquarters in Auckland.

U.S. exporters can work with 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.



B. Market Trends

- As in other countries, lifestyle changes are driving a trend toward convenience foods and carry-out meals. At the same time, consumers are increasingly more health conscious, preferring fresh and natural foods. This trend is reflected in increasing consumption of vegetables, fresh fruit and fish and declining consumption of red meat and dairy products.
- In addition to convenience and health, value-for-money is an important factor driving sales.
- In the quest for convenience, consumers are opting for more frozen foods, with ethnic foods being popular. Supermarkets are responding by devoting increased shelf space and expanding the range of ethnic products with fresh, frozen and ready-to-eat meals.
- The trend towards meat-free meals is growing, with one in two New Zealand consumers eating at least one meat-free meal per week.
- The trend to eat out or purchase ready-to-eat meals is on the rise. Fast foods and ready-to-eat foods accounted for 23 percent of total food sales in 2006, as compared to 21 percent in 2002. Microwave ovens are present in 90 percent of New Zealand homes.
- A recent study shows that approximately 49 percent of shoppers will change stores to take advantage of a market promotion and approximately 53% shoppers can be led to buy promotional brands that they don't normally purchase (Grocers Review, May 2005). As a result, retailers maintain a constant barrage of in-store promotional activity, resulting in up to 75% of category volume sales being sold on promotion in New Zealand supermarkets. Other facts regarding New Zealand shoppers include:
 - *Price oblivious* - Approximately 14% shoppers are price oblivious. These are habitual shoppers, and usually not concerned about price and brands.
 - *Store loyalty* – Around 13 percent of shoppers show store loyalty and usually visit the store they are used to.
 - *Bargain hunters* – Approximately 21 percent of shoppers usually look for bargain prices and will choose the store that will give them the best price.
 - *Promotional attraction* - 17 percent of New Zealand shoppers are attracted by promotions and special deals rather than prices.
 - *Multi-store grazers*- Approximately 21 percent of shoppers visit multiple stores to find special products not available in their supermarkets.

- *Regular low price* – These shoppers (14 percent) are prudent shoppers who are more interested in knowing that they are consistently getting low prices rather than being swayed by promotions.
- U.S. exporters are advised to consider in-store promotions for their food products to boost sales in New Zealand.

Section IV: Best 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
- 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

Section V: Key Contacts

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 (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

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

Progressive Enterprises

Private Bag 93306

Otahuhu

Auckland, New Zealand

Atn: Graham Walker, Business Manager
Tel +64-9-275-2621
Email: graham.walker@progressive.co.nz

Agricultural Affairs Office

Foreign Agricultural Service
U.S. Department of Agriculture
American Embassy
29 Fitzherbert Terrace
Thorndon
Wellington
Tel: +64-4-462-6012
Fax: +64-4-462-6016
Email: agwellington@usda.gov

Food Standards Australia New Zealand (FSANZ)

108 The Terrace
Wellington 6036
New Zealand
Tel: 64-4-978-5631
Fax: 64-4-473-9855
Internet Homepage: <http://www.foodstandards.govt.nz>

New Zealand Food Safety Authority (NZFSA)

68-86 Jervois Quay
PO Box 2835
Wellington
NEW ZEALAND
Phone: +64 4 463 2500
Fax: +64 4 463 2501
Email: Rebecca.mcgill@nzfsa.govt.nz
Internet Homepage: <http://www.nzfsa.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>

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		
Agricultural Imports from All Countries (US\$ millions/U.S. market share (%)) (2004)	\$1,593	10%
Consumer Food Imports from All Countries (US\$ Millions)/Market Share (2004)	\$1,078	10%
Edible Fishery Imports from All Countries (US\$ millions)/U.S Market Share (2004)	\$60	3%
Total Population (Millions)/Annual Growth Rate (2006)	4.15 million	1.5%
Urban Population (Millions) - (2006)	2.95 m	-
Number of Major Metropolitan Areas ¹	1	-
Size of the Middle Class (Thousands) ² / Growth Rate	NA	54.5%
Per Capita Gross Domestic Product (US\$) (2005)	\$26,387	-
Unemployment Rate (%) (2006)	-	3.6%
Per Capita Food Expenditure (US\$) (2004)	\$30.30	-
Percent of Female Population Employed (2006)		46%
Exchange Rate		US\$1 = NZ\$1.5

Source: U.N. Database; Statistics New Zealand

1/ Under the definition 'in excess of 1 million' there is only one city - Auckland with a population of 1,216,900. New Zealand has 4 major metropolitan areas: Wellington with a population of (342,000), Christchurch (342,104) and Hamilton (167,325) Auckland (1.0852m)

2/ New Zealand middle class: annual income ranging from NZ\$15,000 to NZ\$50,000

Table B. New Zealand Consumer-Oriented Food Product Imports

New Zealand Top 15 Ranking	Import		
	2002	2003	2004
	1000\$	1000\$	1000\$
Australia	450,107	503,212	546,126
United States	74,727	99,405	109,473
Swaziland	17,288	27,780	41,871
Philippines	10,142	26,373	23,652
China (Peoples Republic)	15,133	23,012	27,274
Italy	17,508	21,394	23,946
Canada	18,219	20,456	20,779
Ecuador	32,039	20,196	20,296
Thailand	17,743	18,081	19,092
France	14,589	17,983	21,216
Netherlands	11,888	17,051	19,706
Fiji	11,000	13,445	15,886
United Kingdom	11,632	11,810	13,466
Germany	8,515	10,002	11,373
Turkey	7,544	9,120	12,290
Other	110,982	131,616	151,669
World	833,811	971,037	1,078,176

Source: U.N. Database

Table C. New Zealand Fish & Seafood Product Imports

New Zealand: Top 15 Ranking	Import		
	2002	2003	2004
	1000\$	1000\$	1000\$
Thailand	19,905	21,480	27,248
Canada	5,410	5,546	6,011
China (Peoples Republic of)	6,807	5,371	5,445
Australia	4,347	3,674	5,268
Chile	998	2,071	1,644
Japan	2,049	1,884	1,915
Korea, Republic of	1,811	1,565	1,141
United States	1,047	1,335	1,805
Malaysia	514	900	1,577
Fiji	491	822	961
India	1,013	674	1,016
Vietnam	270	283	967
Singapore	663	545	765
Argentina	209	537	872
Free Zones	1,031	375	663
Other	4,065	3,179	3,098
World	51,006	50,575	60,402

Source: U.N. Database

Table D. 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		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
CONSUMER ORIENTED FOODS	834	971	1,078	75	99	109	9%	10%	10%
Snack Foods (Excl Nuts)	96	117	99	03	04	3	03%	03%	3%
Breakfast Cereals & Pancake Mix	18	23	29	01	01	1	0%	0%	0.49%
Red Meats, Fresh/Chilled/Frozen	61	59	67	04	03	8	06%	06%	12%
Red Meats, Prepared/preserved	16	19	22	03	03	3	18%	18%	14%
Dairy Products (Excl. Cheese)	22	26	29	01	01	1	0.5%	0.7%	0.58%
Cheese	07	08	12	0	01	1	0%	0%	0.51%
Eggs & Products	02	01	3	01	01	1	06%	05%	2%
Fresh Fruit	71	90	91	11	22	24	16%	24%	26%
Fresh Vegetables	12	15	21	01	01	1	03%	04%	4%
Processed Fruits and Vegetables	96	115	136	11	12	15	11%	11%	11%
Fruit & Vegetable Juices	22	26	21	02	02	1	09%	09%	6%
Tree Nuts	12	13	18	03	03	5	27%	24%	27%
Wine & Beer	87	110	124	01	01	1	0%	0.7%	0.82%
Nursery Products & Cut Flowers	05	06	7	01	01	1	08%	09%	10%
Pet Foods (Dog & Cat Food)	35	45	47	10	13	18	28%	29%	39%
Other Consumer-oriented products	271	299	353	27	34	29	10%	11%	8%
Fish & Seafood Products	51	51	60	01	01	2	02%	03%	3%
Salmon	06	06	6	01	01	1	13%	22%	21%
Surimi	04	04	4	01	0	1	0%	0%	1%
Crustaceans	13	14	17	0	01	1	0.6%	0%	1%
Ground & Flatfish	05	02	2	01	01	0	0.11%	0.5%	0%
Molluses	06	07	7	01	01	1	3%	0.3%	3%
Other Fishery Products	17	18	24	01	01	1	0%	0%	0.14%
AGRICULTURAL PRODUCTS TOTAL	1,276	1,429	1,593	121	151	155	09%	11%	10%
AGRICULTURAL, FISH & FORESTRY TOTAL	1,395	1,563	1,763	127	157	163	09%	10%	9%

Source: U.N. Database

APPENDIX 2 - Domestic Trade Shows

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

1. *Foodstuffs Food Show, Palmerston North (August 2007)*

This is a trade-only show that exclusively targets Foodstuffs Limited supermarket store owners/buyers and distributors from the Upper North Island and from the South Island. Foodstuffs Limited operates more than 150 supermarkets throughout New Zealand and controls about 55 percent of New Zealand's retail/supermarket food trade. Foodstuffs Food Show 2007 will focus on fresh-produce (including seafood, deli, butchery, fresh produce and bakery). Contact details are:

Foodstuff Food Show
Silverstream
Wellington
Atn: David Black
Tel: 64-4-527-2607

2. *Hospitality Food and Wine Show, Auckland (October, 2007)*

This show attracts hospitality industry contacts and some local food importers/buyers. Around 8,000 visitors attend this show. It takes place every September in Auckland. Contact details are:

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.hospitalitynz.co.nz>

3. *Katrina Gordon Show (major metropolitan centers)*

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, contact:

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>