

Voluntary Report – Voluntary - Public Distribution

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Report Name: Demand in New Zealand for Imported Alcoholic Beverages and Ingredients Remains Robust

Country: New Zealand

Post: Wellington

Report Category: Product Brief

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Report Highlights:

Despite its small size, New Zealand is already an important market for alcoholic beverages and ingredients from the United States, including being the 13th largest market for U.S. whisky and the 11th largest market for U.S. hops. The United States is the fifth largest supplier of alcoholic beverages to New Zealand and imports from the United States have shown some growth over the past half decade. Whiskies, wine, and liqueurs are the largest alcohol categories being imported by New Zealand. Total import demand from all suppliers was worth US\$ 330 million last year.

Section 1.0 Market Summary

Despite its small size, New Zealand is already an important market for alcoholic beverages and ingredients from the United States, including being the 13th largest market for U.S. whisky and the 11th largest market for U.S. hops. New Zealand imports of alcoholic beverages have had growth since 2011. The United States is the fifth largest supplier of alcoholic beverage products to New Zealand, with Australia and France being the top two major suppliers. Whiskies, wine, and liqueurs are the largest alcohol categories being imported by New Zealand. Total import demand from all suppliers was worth US\$ 330 million last year.

Graph 1



Source: Trade Data Monitor, note this is filtered by beer, wine, and spirits only and excludes other specialty beverages.

New Zealand imports a mix of alcoholic beverage products which Table 1 below shows. In addition, imports of ingredients such as hops have also expanded (see Table 2).

Table 1 Top New Zealand Imports of Alcoholic Beverages from the World by Type
(US\$ Millions)

Category	2015	2020	Percentage Change
Wine	63	82	+30
Beer	46	59	+28
Whiskies	42	47	+12
Sparkling Wine	40	40	N/C
Gin	7	16	+128
Liqueurs	10	12	+20
Rum	9	11	+22
Vodka	8	10	+25

Source: Trade Data Monitor

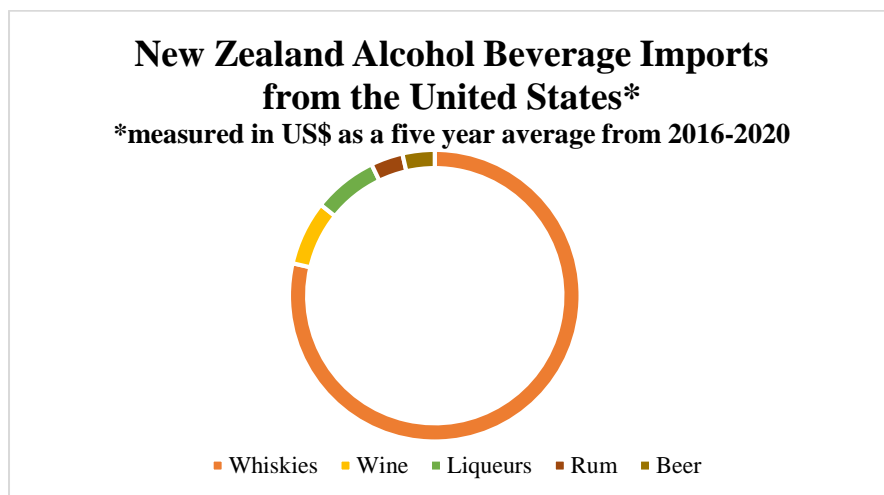
Table 2 New Zealand Imports of Alcoholic Beverage Ingredients from the World by Type
(US\$ Millions)

Category	2015	2020	Percentage Change
Hops	1	7	+600
Yeast	6	7	+16

Source: Trade Data Monitor

New Zealand's alcoholic beverage imports specifically from the United States consists mostly of whiskey (accounting for three-quarters of the total) followed by wine, rum, liqueurs, and beer.

Graph 2:



Source: Trade Data Monitor

Below is an overview of each alcoholic beverage category and the current situation in New Zealand.

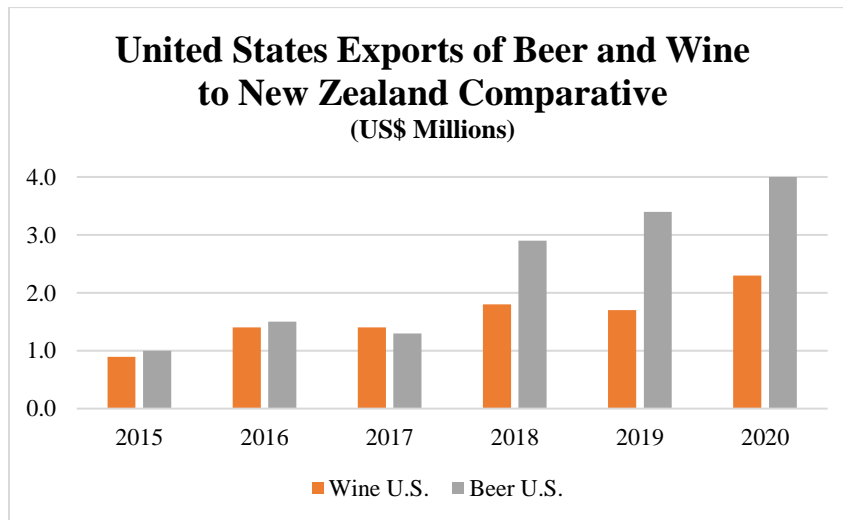
1.1 Beer:

The rapid rise of craft beer production in New Zealand began in 2012, as several small craft breweries were established. This fueled growth in craft beer as a percentage of total beer consumption, which went from 2.6 percent in 2012 to 6.8 percent in 2016 and now it stands at over 15 percent of total beer consumed. Driving the rise of the craft beer industry is a focus on flavor and having the latest and greatest flavors. As a result, brewers and importers are continually on the look-out for the next, different beer type or style. This has been an advantage for U.S. suppliers because New Zealand brewers have specifically sought out U.S. hops as a key ingredient.

In addition, U.S. craft beer is also increasing in demand. To highlight the growth of U.S. beer exports to New Zealand, Graph 3 shows the value of wine and beer shipped to New Zealand from the United States over the last five years. For a number of those years the value was quite small. However, in recent years volumes have risen as consumers became more exposed to U.S. wine and beer. Also, consumers have been attracted by U.S. craft beer flavors and style.

Although beer consumption in New Zealand has been strong, there are indications that this has begun to slow as a result of shifting preferences from the younger generations.

Graph 3:



Source: Trade Data Monitor

1.2 Wine:

Wine is the top alcoholic beverage that New Zealand imports by value. This is driven primarily by imports of Australian wine, with the United States the 5th largest supplier of wine. However, the

United States faces strong competition to selling wine in New Zealand. Under the trade agreement between New Zealand and Australia, wine in either country has a special tax exemption which brings the pricing in line with each other's domestic price. On top of the tax exemption there are many wine varieties and brands produced domestically in New Zealand, and this can also make it difficult for international brands to compete both on price and shelf position in store. Additionally, because of Chinese tariffs on Australian wine, exporters are looking to increase shipments to New Zealand.

Over the last 1-2 years the New Zealand wine supply has seen improved grape production because of an increase in area planted. However, demand for wine - when domestic and international demand for New Zealand wine are combined - has outstripped New Zealand's supply. This deficit in supply is driven largely by New Zealand wine exporters having growing consumer demand overseas for high-quality and high-price point wine. This supply shortfall has allowed some international brands to grow in New Zealand. Therefore, international brands can find niches in the New Zealand market, and grow their brands here. But as mentioned, competition remains strong.

Consumers in New Zealand are now very focused on '*sustainability*' as playing a more important role in the purchasing decision. In line with this trend New Zealand is trying to sell a sustainable story with international markets as well. International consumers are showing an increasing interest in the sustainability of products they consume. Further to the sustainability message, New Zealand consumers are demanding more choice and traceability when it comes to where the product came from and how it was made. Examples include more organic, biodynamic, natural, and vegan wines now finding their way onto the wine shelves in supermarkets.

1.3 Spirits:

Overall, the spirits industry reports that their sales are down 5.8 percent for the year 2020, which is largely driven by the removal of international tourists caused by COVID-19's and border closures. In recent years the trend for drinking spirits has shifted in New Zealand from consuming a lot of cheaper products to less consumption overall, but of more premium products. This trend has begun to shift the Ready to Drink (RTD) market away from the low-end high-alcohol content to premium-end lower alcohol content products. Seltzer is an example of this. This product has begun to dominate the RTD market and is very popular among millennial consumers. The move to premium products has now created a market shift in spirits leading to the rise of craft spirits. Craft spirits have cut across all spirit types with gin being the most popular choice in this category. New Zealand is importing a mix of spirits, one of the major ones being whiskies from the United States, and this category is likely to continue to grow as the shift towards premium continues. The United States is the number two supplier of whiskies to New Zealand behind the United Kingdom.

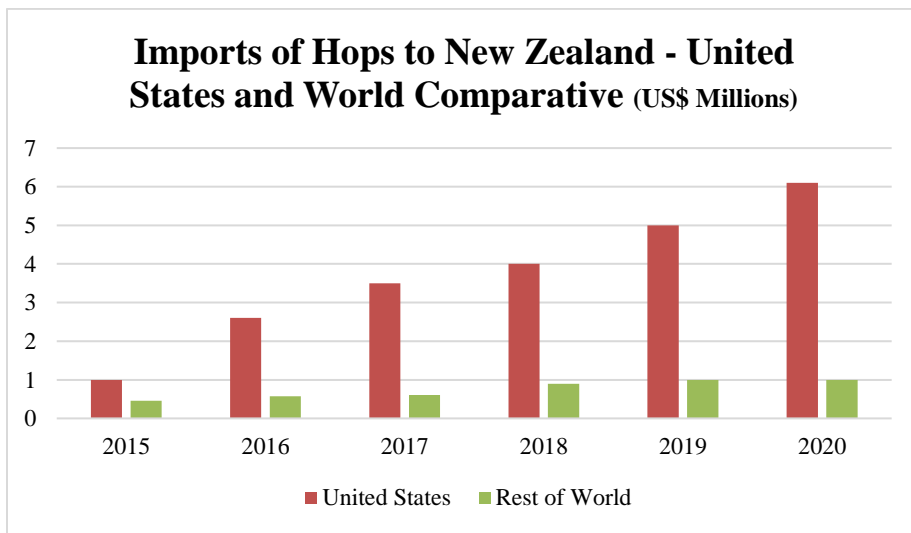
1.4 Hops and Ingredients:

Imported ingredients for alcoholic beverage production are made up of three key components - hops, yeast, and barley. Other ingredients such as grapes and flavor additives are produced domestically.

Hops are produced in New Zealand, mainly in the Nelson region and the cooperative that controls a bulk of New Zealand production is New Zealand Hops. This organization is the guardian of 18 New Zealand-bred hop cultivars, many of which are exported to the United States. However, the explosion of craft beer in New Zealand has seen demand for hops from other countries also increase, particularly as new beer styles become popular. This has boosted imports from the United States, and it is the number one supplier of hops to New Zealand. Graph 4 below has separated the United States out from the rest of the world and shows the United States as the dominant main supplier of hops to New Zealand over the last five years. Beers styles from the United States such as the American Pale Ale and the New England IPA are very popular here with characteristics of a strong “hoppy” flavor.

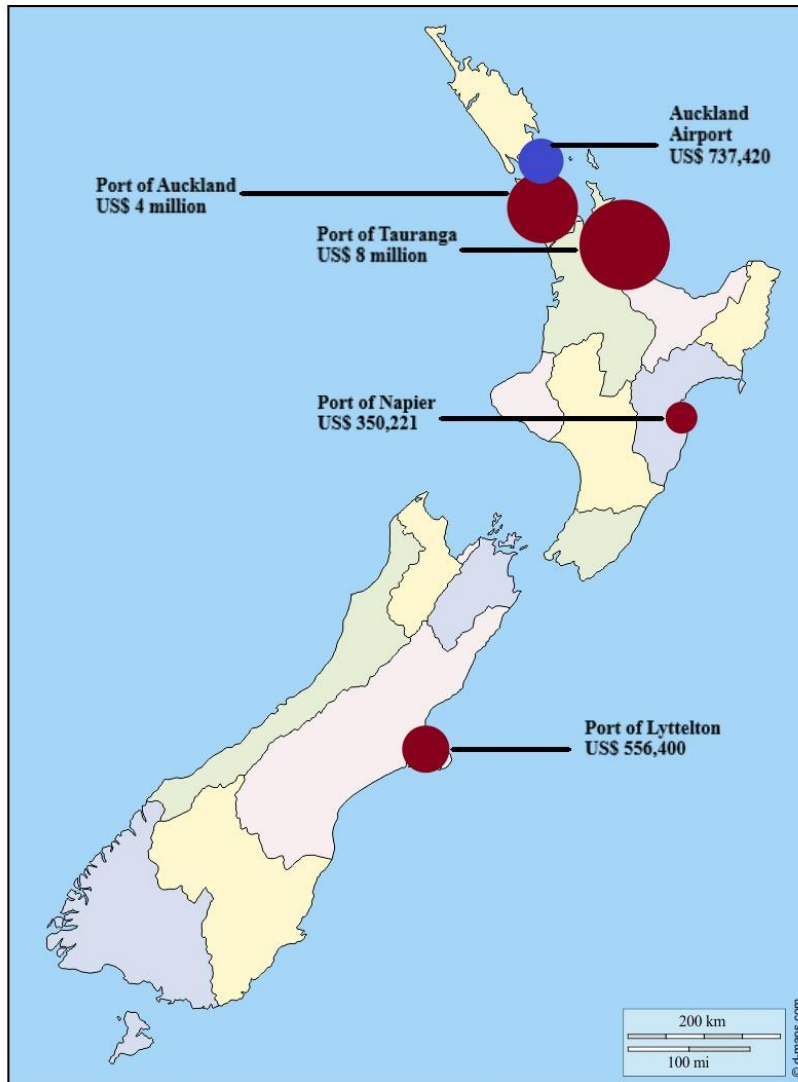
New Zealand also imports yeast and barley from around the world to go into the brewing and distilling processes. Yeast varieties that offer unique and different flavor experiences are highly sought after in New Zealand and offers a good opportunity for anyone wishing to export.

Graph 4:



Source: Trade Data Monitor

Alcoholic Beverage Imports by Ports/Airports US\$



Note: Blue circles are air freight; red circles are sea freight

Source: Trade Data Monitor

Base map from https://d-maps.com/pays.php?num_pay=284&lang=en

The above map shows that most alcoholic beverage imports arrive at the North Island of New Zealand, which has approximately 3.7 million of New Zealand's total population of 5 million. About 93 percent of total alcoholic beverage imports arrive into New Zealand via sea freight. Most of the alcoholic beverages arriving by air freight (beer, wine, and whisky) arrive at Auckland airport, while most of the sea freight arrives into the Port of Tauranga or the Port of Auckland.

Advantages and Challenges for U.S. Fresh Fruit

Advantages	Challenges
Whiskey from the United States is highly desirable.	New Zealand is a distant market and shipping can be expensive.
New Zealand consumers view U.S. alcohol beverages as high-quality.	U.S. wine faces price challenges from Australian wines.
The United States is the number one supplier of hops to New Zealand.	Biosecurity requirements are strict.
U.S. craft beer types and styles are highly desirable.	Freight costs and logistics can make it difficult to get product into the New Zealand market.

There are several trends and consumer preferences driving change for alcohol beverages and ingredients in New Zealand.

Product Trends in the New Zealand Alcohol and Alcohol Ingredients Market

Type	Trend
Spirits	Younger New Zealand consumers are consuming less but have shifted spending towards to more premium ranges in this category.
Wine	Innovations in packaging has seen wine move into a craft beverage-like space. Finding a way to hold the flavor of wine when packaging it into a can is a significant innovation in wine packaging.
Beer	In recent years beer consumption in New Zealand for the main brands has softened. Craft beer has shown strong growth but is beginning to slow. Overall beer consumption is not growing like the other categories.
Ingredients	The trends towards more craft beers and spirits have led to companies finding new and different ways of delivering new products to consumers. The result of this is the need for more hops from the United States and using yeasts in new and exciting ways.

Section 2.0 Market Entry Information

2.1 Entry Strategy:

- Enter the market through a distributor, importer or sales and marketing agent who then targets specific food categories or merchandise managers at major wholesalers and major supermarket chains. Major chains and wholesalers have their own distribution centers and national coverage. Specialist distributors or wholesalers may also be approached. There is one retail group that imports directly into New Zealand without the need for an agency.
- Product promotion - Product launches for supermarkets (where applicable) are popular and effective.
- Provide agent/distributors with promotional material and product suitable for in-store demonstrations. Promotional formats may vary.
- To enhance marketing activities, exporters should consider combining promotional advertising such as in-store displays and store catalogues as well as major industry magazines
- Exhibit at New Zealand food shows. [Fine Food New Zealand](#) is a bi-annual event which brings together major buyers and importers from all over the country and region.

2.2 Market Structure:

- New Zealand is a well-developed market. Establishing good working relationships with importers/distributors is the key to entering the New Zealand market. Approximately 80 percent of all imported food and beverage products are purchased and distributed within New Zealand by importers/distributors.
- Over 65 percent of all alcoholic beverages (excluding spirits) sold in New Zealand is through two major supermarket groups - Food Stuffs Ltd and Progressive Enterprises. Spirits and the rest of the market volume is sold through independent bottle stores and chains.
- Tariffs assessed on U.S. food and beverage products range from zero to 5 percent. Tariffs apply to alcohol imports and rates can be found on the New Zealand Customs website: [New Zealand Working Tariff Document](#).
- For a complete guide on import duties and charges please go to the following link: [New Zealand customs duties and charges](#).
- High quality products with innovative packaging and unique features that are price competitive tend to do well in the New Zealand market.
- All imported food and beverage products must comply with all aspects of Food Act and Food Standards Code at the point of entry into New Zealand. The Ministry for Primary Industries performs random inspections on any food imported. High-risk foods can be targeted for inspection at a higher frequency.

2.3 Regulatory Updates:

Food Standards Australia New Zealand (FSANZ) was asked by a ministerial forum to consider changing the Food Standards Code to require pregnancy warning labels on all packaged alcohol products. In July 2020 this was notified, and industry has three years to ensure they comply with the new label requirements and an example of the new label is below. You can find more information [here](#).



The second regulatory issue under consideration is the container returns scheme. The proposal is for consumers to pay a deposit which is included in the purchase price, they then receive the deposit back if they return the container to the designated drop-off point. Industry has some concerns around the pricing and logistics of such a scheme in New Zealand as this may cost the consumer more than they would likely get out of the scheme in the form of a deposit refund. Costs to suppliers may also be significant particularly if a levy is applied to help fund the scheme. Any decision to implement a container return scheme in New Zealand would take until 2023. This is due to the time needed to put in place the regulatory framework, and ultimately have a scheme up and operational.

Section 3.0 Company Profiles and Additional Information

Company Profiles

These groups and links to their websites are listed in the table below.

Supermarket Group	About	Market Share (approximate)	Store Names
Tasman Liquor	Tasman Liquor is an Australian owned group that has 110 Bottle 'O branded stores	27 percent	<ul style="list-style-type: none"> • Bottle-O – nationwide chain of bottle stores
Foodstuffs (NZ) Ltd	New Zealand owned; made up of three independently owned co-operatives	14 percent	<ul style="list-style-type: none"> • Liquorland – nationwide chain of bottle stores • New World - Full-service supermarkets • Pak'n'Save - Retail food warehouses • grocer
Super Liquor Holdings Ltd	Owned by Lion Ltd	13 percent	<ul style="list-style-type: none"> • Super Liquor – Nationwide chain of bottle stores

Source: IBISWorld.com, Liquor Retailing in New Zealand

Key Contacts and Further Information

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Attachments:

No Attachments.