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New Zealand

Exporter Guide

2000

Approved by:

David Young
U.S. Embassy

Prepared by:

Vinita Sharma

Report Highlights: New Zealand's retail food sector offers the best opportunities for new U.S. sales. Contact with New Zealand importers/distributors and participation in U.S. food shows are useful ways to develop exports of U.S. consumer food products to New Zealand.

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

Section I: Market Overview

New Zealand is a well-developed market of 3.8 million people, with an annual population growth rate of less than one percent. It is largely urbanized with two-thirds residing in the main urban areas, led by Auckland, Wellington, and Christchurch. Its society is diverse and multi-cultural: most New Zealanders are of European origin, with around 14.5 percent Maori, 5.6 percent Polynesian and 5 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. New Zealand is an importer of US\$1.1 billion of agricultural products of which about two-thirds are consumer oriented products. The United States holds a 13-percent share of imported consumer oriented foods and beverages; the U.S. share has declined slightly since 1997 due to the very strong U.S. dollar. New Zealand can be a good export destination for certain 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". However, there is intense price-based competition from domestic products and those from Australia. Australia holds a 50 percent market share for imported consumer foods. Also, the retail supermarket sector is very competitive, dominated by only three companies.

New Zealand has a market economy with manufacturing and service sectors complementing an export-orientated agricultural sector. Over the past decade, energy based industries, horticulture and tourism have all expanded rapidly. With around one third of total goods and service output being exported, the economy is strongly trade-oriented. The largest export markets are Australia, the United States, Japan and the UK. Australia, followed by United States, is the largest source of imported foods and beverages.

Economic Growth

Economic activity in New Zealand picked up in 1990/00, reaching its highest growth rate since 1985. Real Gross Domestic Product (GDP) rose 4.4% in the year ending March 2000. The strong growth is due to factors such as the recovery of Asian markets, the export advantages brought by a relatively weak New Zealand dollar (which hit a record low against the U.S. dollar in September 2000, diminishing in value over a 12 month period by 22%) and favorable growing weather following two years of drought. However, the latest round of consensus forecasts predict growth to slow to the 3-4% range over the next three years. The current account deficit reached 8.1% of GDP in December 1999, but it is expected to fall around 6.0% of GDP by 2001. The unemployment rate dropped to 6.6% of the labor force in March 2000, down from 7.8% one year earlier. Per capita income is estimated at about US\$13,500. The exchange rate as of the end of September 2000 is NZ\$1=US\$0.41.

While commodity and other export sales have benefitted, the lower exchange rate has elevated costs, particularly in the service sector. Also, New Zealand companies and consumers have been hard-pressed by rising costs of imported oil and inputs. Interest rates have also risen during 2000. Other key economic indicators are:

- % Growth of New Zealand's trading partners will average 4.6% in calendar year 2000.
- % Consumer inflation will peak at 3% in March 2001. It may settle back below 2 per cent again by 2003.
- % New Zealand's weak currency and higher fuel costs are already prompting supermarkets to increase the price of imported food. Food inflation is expected to rise by 3-4 percent over the next 12 months.
- % Consumption expenditure growth will slow to 1.7 per cent in 2000/01 and will recover the following year as employment strengthens and higher farm incomes and other export earnings filter through the households.

Advantage	Challenges
Familiar business environment, 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	Canadian exports usually pay no tariffs
U.S. products hold an image of 'new' and 'high quality'	Closer economic ties with Australia eliminates tariffs on Australian products, while U.S. exports pay 0-7% tariffs.
U.S. counter seasonal production of fruits fills the market demand.	Strict phytosanitary/sanitary regulations with regard to some fresh produce and poultry.
	Large food multinationals, including U.S. firms, located in Australia supply many well-known brands of food products.

Section II: Exporter Business Tips

- % Business practices are very similar to those in the United States. It is regarded as common and courteous practice to make and keep appointments in timely manner. Corporate officials ranging to the most senior level are usually reachable and available for business consultations.
- % New Zealand importers like to deal directly with U.S. manufacturers rather than 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 a health conscious market; fat-free or other healthy, high value products have good sales potential.
- % Increases in immigration, travel and education have created opportunities for ethnic foods like Asian, Mexican and Indian.
- % Many 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.

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

Hospitality Food and Wine Show:

Around 8,000 visitors visit 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: www.nationalhospitality.co.nz

Katrina Gordon Show

This local trade show takes place in major cities of New Zealand, including Auckland, Wellington, Christchurch and Queenstown in different months of the year. Contact details are:

Katrina Gordon Trade Shows

PO Box 8647

Christchurch, New Zealand

Tel: 64-3-348-2042

Fax: 64-3-348-0950

Internet Homepage: www.katrinagordon@kgts.co.nz

Food Standards and Regulations

In New Zealand all food standards and Food Standard Codes are developed and maintained by the 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 about imported food and developing codes of practice within industry. ANZFA can be reached at following web site: <http://www.anzfa.gov.au>.

New Zealand labeling requirements are similar to U.S. requirements with the exception that metric measurement is required (although other measures can be noted). Nutritional information is not required; however most major brand lines do include this information. Use-by or packed-on dates are required on all bakery products, but are not mandatory on other products. All labeling laws are administered by ANZFA.

The following information is required on labels on all pre-packaged food products:

- C the name/and or nature of the product or a description, using the common names of its primary ingredients;
- C the net metric weight, volume, or the number of contents in the package;
- C the list of ingredients in descending order of proportion;
- C the name and address of the local manufacturer, distributor or company owner; and
- C food additives permitted as ingredients in the official regulations for specified food.

ANZFA is reviewing a new joint food standards code that will go into effect by 2002. It will

include mandatory nutritional labeling and composition labeling.

Genetically Modified Food Labeling

On July 28, 2000, Health Ministers comprising the Australia New Zealand Food Standards Council (ANZFSC) approved a resolution requiring strict mandatory labeling requirements for genetically modified (GM) foods. The labeling requirements are expected to go into effect in October 2001. The ANZFSC agreed to a revised draft standard which:

- requires labeling of food and food ingredients where novel (GM) DNA and/or protein is present in the final food;
- requires labeling of food and food ingredients where the food has altered characteristics.

But exempts from these requirements:

- highly refined food like refined vegetable oils where the effect of the refining process is to remove novel DNA and/or protein;
- processing aids and food additives except those where novel DNA and/or protein is present in the final food;
- flavors which are present in a concentration less than or equal to 0.1% in the final food; and
- food prepared at the point of sale.

The standard allows an ingredient to contain up to 1 percent of unintended presence of genetically modified product. To provide guidance, a protocol of implementation and compliance is being developed by enforcement agencies (Ministry of Health in New Zealand), with comments to be provided by stakeholders, including the domestic food industry. The Protocol is expected to be ready by December 2000, and will be available on ANZFA's website.

Section III: Market Sector Structure and Trends

A. Retail Food Sector

The New Zealand food retail sector is a NZ\$9.4 billion (US\$4.23 billion) industry. About 85 percent of the retail product food sales are made through supermarkets (others are made through corner stores called dairies and convenience stores at gas stations). There are three major players which dominate the New Zealand grocery market.

1. Foodstuffs Ltd.: 100% New Zealand but independently owned, with 53% market share. Supermarket include New World, Pack N Save, Write Price.
2. Progressive: 100% Australian owned with 27% market share. The supermarkets include Foodtown, Countdown, Fresh Choice and 3 Guys
3. Woolworths: Owned by Dairy Farm International (Hong Kong based) with 18% market share, operating Big Fresh, Price Chopper and Woolworths
4. Super Value Ltd.: Run by Food Land Association (sister company of Progressive) with 2% market share, operating Super Value which are mainly located in the South Island.

The fastest growing food/beverage groups are new age beverages (energy or fizz drinks), unprocessed snack foods, rice crackers, non-carbonated mineral water, vacuum-packed seafood,

frozen meals and dips.

New Zealand's Fastest Sales Growth Categories

Product	Category (US\$ Sales'000)	Annual % Growth (March 2000)
Sports Drinks	\$ 3,517	65
Rice Crackers	\$ 5,332	61
Flavoured Milk	\$ 4,982	46
Prepared Dips	\$ 3,951	41
Fruit Drinks	\$ 7,139	35
Non Carb.		
Mineral Water	\$ 4,194	34
Energy beverages	\$ 4,919	28
Flavorings & Stocks	\$ 9,243	26
Sweet Spreads	\$ 2,422	25

Industry/Product Trends

Retail food sales are being affected by New Zealanders' changing lifestyles. 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 N.Z. 'starting from scratch' meals are in decline and heat & eat, frozen foods and ethnic carry-out food consumption is increasing.
- & The aging population and high media focus on health and diet foods will mean a shift towards a health conscious consumer with a desire for fresh foods, diversity of product, and a sophistication of choice.
- & The multi-cultural population will mean an increase in consumption of ethnic foods at home. Supermarkets are responding to this with increased shelf space and 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 frozen meal category is worth NZ\$26 million (US\$11.7 million). Frozen foods made up 5.8% of scanned grocery products. Of this, frozen poultry comprised 26.6%, frozen vegetables 23.9%, frozen meals 7.7% and processed fish 7.6%.
- & A household spends an average NZ\$113.50 (US\$51.00) per week on food (77.9% is spent on home meals). Over the last 2 years this reflects a decline in spending on dairy and sweet products (spreads, beverages) while there has been an increase in vegetable, fruit and fish purchases.
- % Almost 60% of New Zealanders have access to the Internet. More than one in five internet users have purchased a product or service via the internet with a 46% increase in people who have purchased a product or service on-line.
- % Due to busy lifestyles and demanding workplaces, the trend to eat out or use ready-to-eat and heat & eat meals are on the rise. Microwave ovens are present in 70 percent of homes. So 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.

Closure of U.S. Retail Chain

U.S. retail chain Cost-U-Less exited the New Zealand market in mid 2000 after only six months of operation after facing financial losses. New Zealand stores generated just 3% of the chain's total sales. The chain sold a mix of merchandise from tomato sauce to television sets at two stores with a concentration of bulk quantities of food and groceries (including many U.S. products).

Domestic Industry Trends

Some food processing companies are moving operations offshore due to lack of investment in New Zealand. This has led to an increasing reliance on food imports in the last several years, especially products such as dry or packaged foods. Australia remains the major foreign supplier to the New Zealand food industry. Heinz Wattie's, a producer of canned and frozen foods (mostly vegetables and sauces) has announced it will expand production at its Hastings plant in New Zealand (some products are exported to Japan).

Trends in promotion/marketing strategies

A survey completed by AC Nielsen, a retail measurement service, studied which promotion strategies made a difference to what consumers chose to buy. 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 30-10 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. For example, one beverage company ran a competition where one drinker could win a trip to the World Cup with 15 friends;
- 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 Canadian dollar has reduced sales over the last year. 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

Hotel restaurants were as little as a generation ago, where people dined out. But café culture and restaurants of international repute 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 are made up from cafes and restaurants, pubs, taverns and bars, and takeaway food retailing. The total sector sales for the year ended March 1999 was NZ\$3 billion (US\$1.35 billion).

Home Meal Replacement trends in New Zealand are:

- 36% of New Zealanders dined out at least once a month in 1998 in comparison to 27% in 1994.
- 34% cook an evening meal three or fewer times per week.
- The higher a consumer's income, the less number of meals are prepared at home.
- Seven out of 10 people spend less than 30 minutes preparing dinner.
- Nearly 50% use prepared ingredients to make their dinner.
- One of the fastest growing categories is the frozen meals, which is up 19%.

Trends in promotional/marketing strategies

In the foodservice industry many successful outlets are multinational franchise brands, e.g., McDonalds, Burger King, Pizza Hut (which recently bought New Zealand's Eagle Boys pizza chain), Kentucky Fried Chicken and Starbucks. Franchising is a growing sector of the economy. Hotel brands also contribute to New Zealand's hospitality sector. Branded operations, i.e. companies specializing in hotel operations and marketing including owner/operators and specialist hotel chains are significant players in this marketplace.

Trends in tourism sales

- C This sector has two important tourism trends. First, in winter (June-September) in the South Island (Queenstown), and Central North Island, where the two main ski areas are located. Second, in the summer (December--March) throughout the country, when annual holiday time is taken and the population tends to eat out more.
- C December has been noted to be the most popular month to eat out in New Zealand.

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 besides dairy and beef is significant and diverse. It includes wine, beer, bakery products, vegetable and fruit, and snack foods, among others.

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 food), Quality Bakers (bakery products), Anchor (dairy products), and Bluebird (snack foods).

A major challenge to U.S. consumer-oriented food exports to New Zealand is the significant

output of products processed in Australia from multinational food companies (and then imported duty free into New Zealand), including many familiar U.S. brands. Kellogg's, Campbell's, Mars, Ocean Spray (using imported U.S. cranberries), Old El Paso, Neuman's, and others produce high quality products in Australia. Other companies process products nearby like Nabisco producing cookies in Indonesia.

Trends in Internet Sales

Internet sales in grocery stores are a relatively new feature to New Zealand consumers. E-Commerce is an emerging trend with several of the larger supermarket chains embarking on the electronic system. Woolworths, owned by Dairy Farm International, a Hong Kong based food company, was the first supermarket to launch on-line internet shopping in 1998. About 60 percent New Zealanders have access to the internet.

Section IV: Best High-value Product Prospects

- % Fresh fruits, especially grapes, stone fruits (nectarines, peaches and plums), oranges, and pears during New Zealand's off-season;
- % Snack foods, including nuts (almonds, pistachios, walnuts) and dried fruits (raisins, mixed fruit, dates, figs);
- % Beverages like fruit juices and flavored drinks (beverage market share for carbonated drinks is 30.3 percent; fruit juice is 15.6 percent, and instant coffee is 15.6 percent);
- & Health foods, such as high energy bars and drinks;
- & Niche market food preparations, especially new products or those offering special nutrition or other conveniences, benefits or tastes (including ethnic foods);
- & Pet food, especially high quality or high nutrition;
- & Canned salmon

(Note: Most U.S. processed food products are re-packaged in New Zealand before sold at the retail level or are used for further processing)

Section V: Key Contacts and Further Information

United States Embassy/Wellington

Foreign Agricultural Service

Mail: Office of Agricultural Affairs, PSC 467, Box 1, FPO AP, 96531-1001

Phone: (64) (4) 472-2068, ext 293

Fax: (64) (4) 473-0772

e-mail: agwellington@fas.usda.gov

Internet homepage: <http://www.usia.gov/posts/wellington>

List of Useful Government Agencies and Trade Associations

Australia New Zealand Food Authority (ANZFA)

Internet Homepage: <http://www.health.gov.au/>

Ministry of Agriculture and Fisheries (MAF)

Internet Homepage: <http://www.maf.govt.nz>

Ministry of Health

Internet Homepage: <http://www.moh.govt.nz>

Ministry of Foreign Affairs and Trade

Internet Homepage: <http://www.mfat.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**

Agricultural Imports from All Countries (\$Mil)/U.S. Market Share (%)	\$1,113	13%
Consumer Food Imports from All Countries (\$Mil)/U/S Market Share(%)	\$732	14%
Edible Fishery Imports from All Countries (\$Mil)/U/S? Market Share(%)	\$44	0.4%
Total Population (Millions)/Annual Growth Rate (%)	3.8	0.6%
Urban Population (Millions)	3.2	
Number of Major Metropolitan Areas ²	1	
Size of the Middle Class (Thousands) ¹	970	
Per Capita Gross Domestic Product (US\$)	\$13,447	
Unemployment Rate (%)		6.6%
Per Capita Food Expenditure (US\$)	\$912	
Exchange Rate (US\$1=xx NZ\$)	2.4	

1. Middle class defined from annual income: NZ\$15,000 to NZ\$40,000

2. Under the definition 'in excess of 1 million' there is only one, but New Zealand classifies itself as having 5 major metropolitan areas.

Table B: Consumer Food & Edible Fishery Product Imports

New Zealand Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	1997	1998	1999	1997	1998	1999	1997	1998	1999
CONSUMER-ORIENTED AGRICULTURAL TOTAL	727	666	732	106	96	92	15	14	13
Snack Foods (Excl. Nuts)	90	86	84	6	6	6	7	7	7
Breakfast Cereals & Pancake Mix	18	16	18	1	1	1	1	3	1
Red Meats, Fresh/Chilled/Frozen	25	28	31	1	1	1	0	5	2
Red Meats, Prepared/Preserved	10	11	14	1	2	1	10	14	10
Poultry Meat	0	0	1	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	20	16	16	1	1	1	0	3	1
Cheese	10	8	7	1	1	1	11	8	0
Eggs & Products	1	1	1	1	1	1	40	42	36
Fresh Fruit	79	67	67	24	16	15	30	24	22
Fresh Vegetables	14	11	12	1	1	1	4	4	3
Processed Fruit & Vegetables	83	81	94	11	14	12	14	17	13
Fruit & Vegetable Juices	21	18	20	4	3	3	18	17	14
Tree Nuts	12	12	12	2	3	3	18	22	22
Wine & Beer	67	66	82	1	1	1	1	1	1
Nursery Products & Cut Flow ers	5	4	5	1	1	1	8	8	7
Pet Foods (Dog & Cat Food)	36	31	33	11	9	10	31	30	31
Other Consumer-Oriented Products	235	211	237	44	40	40	19	19	17
FISH & SEAFOOD PRODUCTS	40	42	44	2	2	2	6	5	4
Salmon	8	7	7	2	2	1	28	26	17
Surimi	1	1	2	1	1	1	2	12	0
Crustaceans	14	16	14	1	1	1	1	0	0
Groundfish & Flatfish	1	1	2	0	1	1	0	4	2
Molluscs	3	3	5	1	1	1	3	1	7
Other Fishery Products	14	15	15	1	1	1	1	1	2
AGRICULTURAL PRODUCTS TOTAL	1,120	1,021	1,111	159	145	139	14	14	13
AGRICULTURAL, FISH & FORESTRY TOTAL	1,229	1,087	1,221	168	150	147	14	14	12

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products**New Zealand - Top 15 Ranking****CONSUMER-ORIENTED AGRICULTURAL TOTAL**

	Import 1997	Import 1998	Import 1999
	Value 1000\$	Value 1000\$	Value 1000\$
Australia	372340	337001	376654
United States	106405	96442	92440
Ecuador	28133	30343	29031
Canada	20757	17844	19979
France	13320	13022	17660
Thailand	15550	13675	15823
Netherlands	8562	10573	13632
Italy	12570	13471	12540
United Kingdom	12481	9865	10960
China (Peoples Rep)	7923	7974	9772
Fiji	8601	7621	8126
Japan	5832	6320	7793
Brazil	8202	7927	7561
Spain	7528	7897	7439
Philippines	10646	5437	7332
Other	88052	80783	95239
World	726974	666271	732009

FISH & SEAFOOD PRODUCTS

	Import 1997	Import 1998	Import 1999
	Value 1000\$	Value 1000\$	Value 1000\$
Thailand	16371	18030	17496
Canada	7666	6367	6797
Australia	4851	5586	5042
United States	2491	2097	1840
Japan	2097	2292	1784
China (Peoples Rep)	879	1538	1756
Argentina	17	0	1207
Korea, Republic of	524	711	1080
Chile	798	751	1054
India	466	1002	990
Malaysia	230	434	818
Spec Cats	387	423	623
United Arab Emirate	687	554	443
Vietnam	54	129	405
Italy	91	172	282
Other	2592	1861	2836
World	40205	41955	44463

Source: United Nations Statistics Division