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Report Highlights:

New Zealand's retail food sector offers the best opportunities for new U.S. sales. Arrangements with local importers/distributors and participation at international trade shows are the keys to developing exports of U.S. consumer products to New Zealand. Fresh fruits, snack foods, health foods, new niche food preparations and per foods are among the best prospects for U.S. exports.

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SECTION I. MARKET OVERVIEW

OVERALL BUSINESS CLIMATE

New Zealand is a US \$1.2 billion importer of agricultural products of which about half are high value or consumer oriented products. The U.S. holds a 14 percent share of imported consumer oriented foods and beverages. New Zealand can be a good export destination for certain new-to-export companies. New Zealand is an English-speaking country with a strong and stable democracy. Business practices are very similar to those in the U.S.

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 multicultural: most New Zealanders are of European origin, with around 15 percent Maori, 5 percent Polynesian and 5 percent Asian. Gross domestic product per person averages US \$13,423.

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. 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.

KEY ASPECTS OF DOING BUSINESS IN THE COUNTRY

New Zealand companies and foreign exporters to New Zealand operate in one of the least regulated markets in the world. The foundation of New Zealand’s growing economic prosperity has been its relatively low interest rates and very low inflation, combined with political stability and business deregulation. Competition is open and encouraged by the economic reforms undertaken by the New Zealand Government. The main disadvantage for U.S. imports occurs when competition is faced from similar, tariff free, products made in Australia. New Zealand is 17-18 hours ahead of U.S. Eastern Daylight Time.

MARKET OPPORTUNITIES

Economic Situation

Improved global growth prospects mean the New Zealand economy is set for broad-based economic recovery.

- Growth is predicted to be close to 3 percent in 1999 and higher in 2000.
- Rapid growth in the U.S. and Australia improves the outlook for trading partner growth in 1999.
- Net exports will finally again make a positive contribution to growth in 2000 with the recovery

of Asian economies.

- Growth in overseas tourism has gained momentum, reflecting the impact of a lower exchange rate and stronger growth with our trading partners. Visitor arrivals will continue to increase over the next several years.
- A persistent current account deficit, running at nearly 8 percent of GDP, puts downward pressure on the exchange rate in the short term, but the Kiwi dollar is expected to strengthen steadily from mid 2000.
- Inflation pressures are expected to emerge towards the end of 2000 as commodity prices pick up.
- For the 1999/2000 season, agriculture production and export volumes will increase from the drought induced low levels of 1998. As the world economy recovers international prices will improve and the weak New Zealand dollar will also help boost prices.

Consumer-ready product trends and opportunities

In New Zealand several food trends are driving change in the food industry. Sales of convenience meal products have increased steadily. There has been major growth in carry-out food consumption, which has increased demand for prepared food products in supermarkets. Consumer preference for fresh and natural foods is another important trend.

Household expenditures in New Zealand are grouped into seven broad categories: food, housing, household operations, apparel, transportation, other goods and other services. Spending on food was ranked forth in the proportion of expenditures at 16.6 percent. Although in real terms spending on food varied little over the 10 years to March 1998, the composition of food expenditures has changed considerably. Average household spending on meat, fruit, fish and farm products, fats and oils decreased, while spending increased on meals away from home/ready-to-eat foods and other foodstuffs (which includes non-sweet snack-foods, sauces and gravies, herbs and spices).

Although the price of fish, meat and poultry rose more slowly than overall food prices, expenditure on meat fell almost continuously in the 10 years to March 1998, both as a proportion of food expenditure and as a proportion of total household expenditure. In 1989, meat was the second largest subgroup of the 10 making up the food expenditure group, accounting for 2.2 percent of total household expenditure. By 1998, meat was only the sixth largest subgroup of the food expenditure group, accounting for 1.7 percent of total household spending, approximately the same as that spent on restaurant meals, and less than that spent on takeaways.

Changing tastes have led to less meat and more poultry being included in New Zealanders' diets. As a result, real expenditure on meat fell while real expenditure on poultry increased.

Food consumed away from home and ready-to-eat foods remained the largest proportion of food

expenditure in 1998 (22.1 percent), nearly twice as large as the next subgroup of food

		1996/97	1997/98	% change	enditure,
cer	Fruit	6.9	7.2	0.32	eals and
cer	Vegetables	7.7	8.0	0.32	eal products
(13.	Meat	10.4	10.5	0.08	0 percent).
The	Poultry	2.9	3.2	0.27	large
pro	Fish	1.9	1.9	0.00	portion of
foo	Farm products, fats oils	11.8	11.4	-0.43	d and total
hou	Cereals, cereal products	13.6	13.0	-0.65	sehold
exp	Sweet products, spreads, beverages	11.8	11.3	-0.52	enditure
spe	Other foodstuffs	10.9	11.5	0.55	nt on the
me	Meals away from home	22.1	22.1	0.00	als away
fro	TOTAL	100	100		m home and

ready-to-eat foods subgroup reflects the trend towards higher consumption of ready-to-eat foods in recent years. Until 1993, meals away from home comprised most of this subgroup. Since then it has moved towards being composed mainly of ready-to-eat foods, as real expenditure has grown, while real expenditure on meals away from home has fallen.

Table 1: Food Expenditure by Food Group (percent)

Source: Statistics New Zealand

Key demographic developments

The average age in New Zealand is increasing (34 years in 1999, up from 31.4 in 1991), this

along with shrinking family size, increased divorce rates, and increased de facto unions could herald a time of slow or nil population growth rates for New Zealand. The population growth rate increased only 0.5 percent from June 1998 figure to June 1999. This growth rate is about two-fifths of the 1.3 percent average annual growth rate of the previous five years. A turnaround in the external migration balance has been the main factor in the slower growth.

Increased participation by women in the workforce (which grew from 45 percent in 1999 from 44 percent in 1998), reflects such societal changes as more women pursuing careers or working because of economic necessity.

Both the increasing age and the increased participation by women in the workforce, has increased the sales in frozen meals. This sector is growing at around 16 percent per year, and there is no flattening in the trend. Working women have less time to cook when they get home, and older people no longer wish to cook big meals, but still want good food which they find in frozen meals. The growing demographic group of singles has also meant a surge in demand for single serving dinners that can be heated quickly in the microwave.

Slight growth in real disposable incomes and decreased unemployment from 1998 (7.2 percent in 1998 to 7.0 percent in 1999) have helped declining total consumer expenditures to recover. However, trends over a longer time period indicate that as real consumer expenditure increases, the proportion spent on food drops. Hence, New Zealand households are maintaining flat or lower levels of food consumption in proportion to other expenditure items.

ADVANTAGES	CHALLENGES
Familiar business environment, including language, communications, and customs	The Closer Economic Relations Agreement with Australia eliminates tariffs on Australian products while U.S. exports pay 0-7 percent tariffs
Minimum barriers to trade, including low tariffs	Canadian exports usually pay no tariffs
U.S. products hold an image of high quality	The Weak New Zealand vs US dollar increases import costs for U.S. products

U.S. counter-seasonal production of fruits fills a growing niche	Large food multinationals, including U.S. firms, located in Australia supply many well-known brands of food products.
Economic outlook (income and employment) for the next two years is positive	Strict phytosanitary/sanitary regulations limit imports of some products

SECTION II. EXPORTER BUSINESS TIPS

LOCAL BUSINESS CUSTOMS

Business customs practiced in the United States share many commonalities with the New Zealand commercial community. 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 relevant business consultations.

GENERAL CONSUMER FOOD TASTES AND PREFERENCES

Travel, immigration and education have opened up a new world of eating experiences for New Zealanders. The traditional “starting from scratch” meal of meat and three vegetables has declined over the last ten years as consumers trend towards assembling ready-made meals.

In New Zealand several food trends are driving change in the food industry. As lifestyles get busier the desire for convenience meal products has grown. Greater demands at the workplace coupled with more attractive ways to spend leisure hours all lead to less time spent preparing meals. This trend has seen major growth in carry-out food consumption and increased the demand for the convenience of prepared food products in supermarkets. Meal component products like fresh pasta and pasta sauces are also gaining increased appeal.

Consumer preference for fresh and natural foods is another important development. With a heightened focus on health and diet in the media, growing numbers of consumers are turning towards freshly prepared foods in addition to processed products. Supermarkets in New Zealand have only just recently moved towards freshly prepared heat’n’eat meals, but have quickly found that this is a rapidly growing sector with enormous potential for profit. Fresh packaged salads and prepared vegetables are popular and complete a store-bought meal (HMR).

The issue of labeling of genetically modified foods (GMFs) has generated much controversy in New Zealand. In October 1999, The Australia-New Zealand Food Standards Council (ANZFSC), responding to its perception of a majority of consumers desiring informed choice,

affirmed its commitment to labeling of GMFs (based on five categories) but postponed a decision until early 2000, when a further study on cost and WTO implications could be reviewed. If GMF labeling regulations finally are approved, they are not expected to go into effect until the spring of 2001 (12 months from the date of approval). New Zealanders are proud of their “clean and green” image in the international arena and the fact that they live in one of the world’s most beautiful and environmentally friendly nations. A recent consumer study performed by one of the New Zealand’s largest supermarket chains, concluded:

- fresh foods were seen as the most natural and safe;
- only a small percentage of consumers had concerns about the safety of GMF’s;
- consumers don’t want to pay more for food labeled GM or GM free, but any labels should be clear;
- there is little understanding of GMF’s, but understanding does increase and safety concerns decrease with information; and
- consumers rely on retailers to provide information.

Food safety issues such as chemical residues on fruits and vegetables and sprays on arable crops are also not considered a major food safety issue in New Zealand. Although the organic market is growing, it is still very much a niche market, and higher prices limit purchases.

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, varying and reviewing standards for 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. When it develops food standards or amendments to food standards, the Authority makes decisions on food by considering them against, in order of priority:

- protecting public health and safety;
- providing adequate information to enable consumers to make informed choices and to prevent fraud and deception;
- promoting fair trading in food;
- promoting trade and commerce; and
- promoting consistency between domestic and international standards where these are at variance.

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. By supplying nutritional information to consumers, a marketing edge may be captured over competing products with less informative labels. 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:

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

New Zealand has strict phytosanitary regulations. Most agricultural and food products have extensive phytosanitary requirements which must be attested to by competent authorities in the country of origin. For the United States, the USDA's Animal and Plant Health Inspection Service (APHIS) certifies that U.S. agricultural products for export (except meats) meet New Zealand requirements (USDA's Food Safety Inspection Service-FSIS-certifies meat and poultry product exports). It is critical that exporters consult with USDA/APHIS and FSIS prior to initiating costly in-country market research for non-processed items to ensure that they meet all local requirements. Uncooked poultry and raw eggs are examples of items which do not meet phytosanitary requirements.

There are already many animal and plant food products entering New Zealand from the United States which have import health standards in place, including pre-cooked heat-and-eat meals, cooked poultry products, and frozen pork. Regulations for cooked (and raw) poultry products are currently under review.

Fresh produce and nut imports must also meet New Zealand's maximum residue levels (MRLs) for pesticides or aflatoxins, regulated by the Ministry of Health. These MRLs are usually set at CODEX levels for imported products, which may differ from U.S. FDA/EPA standards.

GENERAL IMPORT AND INSPECTION PROCEDURES

Goods manufactured outside New Zealand (and Australia under CER), especially materials and machinery required by local manufacturers and farmers, are generally free of duty. The New Zealand Ministry of Commerce grants concessions for goods not available from New Zealand manufacturers.

All goods imported into New Zealand are liable for Goods and Service Tax (GST). This tax, currently set at 12.5 percent, is payable on the sum of the Customs Value of the goods, and any Customs duty payable thereon, and freight and insurance costs incurred in transporting the goods to New Zealand.

Part of ANZFA responsibility is to assess policy about imported food. The Imported Food

Inspection Program aims to ensure all food imported into Australia and New Zealand complies with Australian and New Zealand food law. The program is conducted jointly with the Australian Quarantine and Inspection Service (AQIS) in Australia.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

RETAIL SECTOR

Size and value of sector

The New Zealand food retail sector is a NZ\$7.7 billion (US\$4 billion) dollar industry. It is a highly competitive and rapidly changing sector. Growth rates in this sector have risen to 5 percent for the 1999, from 3.3 percent for the previous year.

Most (85 percent) retail product food sales are made through supermarkets (other sales are made through small stores called dairies and convenience stores at gas stations). The New Zealand supermarket sector is made up of three main players with their chain stores:

1. Foodstuffs Ltd: 100% New Zealand but independently owned, with a 58% market share, operating New World, Pack & Save and 4 Square.
2. Progressive: 100% Australian owned with a 26 % market share, operating Foodtown, Countdown, Fresh Choice and Supervalu.
3. Woolworths: Owned by Dairy Farm International (Hong Kong based), with a 16% market share, operating Big Fresh, Price Chopper and Woolworths

The fastest growing food/beverage groups are new age beverages (energy drinks), unprocessed snack foods, rice crackers, non-carbonated mineral water, vacuum-packed seafood, frozen meals and dips. Table 1 below shows the top ten categories by value.

Table 1. Top 10 categories in grocery key accounts

Rank			1999 NZ\$Sales
98	99	Category	millions
1	1	Bread	246.2
3	2	Wine	229.5
2	3	Biscuits	208.1
5	4	Fresh Milk	197.1
4	5	Pet Food	185.7
6	6	Cigarettes	168.9
7	7	Carbonated Beverages	154.2
8	8	Breakfast Cereal	140.0
9	9	Natural Cheddar	113.5

10 10 Toilet Tissue 110.4
Source: AC Nielsen (NZ); 1\$NZ = US\$.52

Industry/Product Trends

Retail food sales are being affected by New Zealanders' changing lifestyles. Emerging trends include:

- The aging population 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.
- There is a redefinition of roles and the breakdown of the traditional family unit. Only 30 percent of New Zealand households are currently defined as couples with children, 20 percent of households consist of one adult, and one parent families are on the increase. These are actively mobile people, some with higher discretionary incomes, who demand solutions to fit their lives. The deli has now become an integral part of the supermarket, as well as frozen dinners, packaged and prepared meals. Portion size is an issue with a need for small, medium and large variants being demanded.
- The trend towards meat-free meals is growing, with one in two New Zealand consumers eating at least one meat-free meal per week.
- A new beverage line highlights a niche in packaged foods. The product is pitched at the growing market of health-conscious consumers. Two of the four new products have been fortified with minerals which equates to adding function to the food. An orange juice product has had calcium added and is marketed as a dietary supplement. A second product has been fortified with folate and gained endorsement by the ANZFA.

Edible Fishery Products

Canned salmon is a well-established retail market valued at NZ \$18.5 million (U.S \$9.8 million). It provides solid sales opportunities. Canned salmon is seen as a quick, nutritious snack alternative and consumers are regular purchasers. New Zealand imported US \$6 million of canned salmon in 1998 and the United States accounted for nearly 30 percent of this (canned salmon imports are tariff free and New Zealand is wholly dependent on imports). It is a very price competitive market, however, especially with imported Canadian product. Note: although local consumption of some fishery products is growing, overall U.S. fishery export opportunities are limited due to significant New Zealand production of many fishery products.

Domestic Industry Trends

Some food processing companies are moving 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. Leaders in the industry believe that for New

Zealand to become competitive in food processing, government policies need to be in place to promote greater investment in New Zealand.

Trends in promotional/marketing strategies

With a slowly growing economy and a relatively static retail food market in real dollar terms, changes in consumption patterns increasingly can be attributed to the use of promotion/marketing activities. Branding is rapidly becoming the most important tool to marketers. Retailers are discovering that branding not only adds value to their products, but also helps to differentiate them from the competition. Branded supermarket products showed a rise in sales of 4.5 percent in the 52 weeks to July 1999. Private labels or supermarket own brands have remained stable at 10 percent of total grocery accounts.

The top five mega brands in New Zealand supermarkets are all traditional homegrown New Zealand brands, these include Watties (canned and processed foods), Griffins (biscuits/snack food), Quality Bakers (bakery products), Anchor (dairy products), and Bluebird (snack foods). Overall advertising expenditure for these top brands has increased overall compared to the previous year, with most spent on television, and the fastest growth in promotion tactics being in the area of chefs appearing on television, cooking up quick recipes from the product range.

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.
- This 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, Coca-cola ran a competition where one drinker could win trip to the World Cup with 15 friends;
- Linking products with famous movies or stars. For example Bluebird snack foods secured the rights to distribute collectible cards from the StarWars Episode I movie;
- Woolworths, the third largest supermarket chain in New Zealand, has recently put a bistro in store iatan Auckland store, where customers can eat in or takeaway. This is a promotional strategy for ready-to-eat meals.
- World trade shows are also a popular promotional tool for New Zealand food manufacturers.

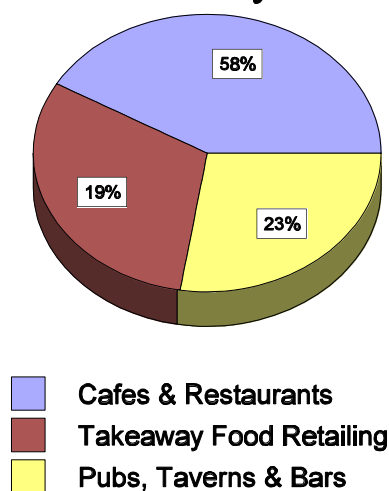
Trends in Internet sales

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 conglomerate, was the first supermarket to move to internet shopping in November 1998. Foodstuffs, the largest grocery distributor in New Zealand, is embarking on an e-commerce system in the next several months, through which they hope to see more than NZ\$3 billion of goods handled electronically. An estimated 1.4 million New Zealanders have access to the internet.

HRI/FOODSERVICE SECTOR

Foodservice Industry Sales 1999



Size and value of sector

An important part of the New Zealand Hospitality experience is the HRI industry. 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\$1.53 billion). Figure 1 shows a breakdown of the sales.

Figure 1. 1999 Industry Sales

The foodservice industry makes up 15.8 percent of all retail business in New Zealand. The cafe and restaurant industry in New Zealand posts average daily sales of NZ\$5.4 million (US\$2.8 million) and it has been this sector that has seen the greatest growth. In the four-year period from 1996 to 1999, pub/tavern/bar sales decreased by 15 percent (US\$72 million). In the same period café/restaurant sales grew by 22 percent (US\$183 million). Restaurant industry sales are also forecast to increase by 8 percent in 2000.

Source: Restaurant Association of New Zealand

Trends towards industry concentration

- Burger sales were down 13 percent to NZ \$48 million (US \$24 million);
- Chips (french fry) sales were down 28.5 percent to NZ \$20.4 million (US \$10.4 million);
- Pies have replaced sagging burger consumption, with sales growing by 7 percent;
- Fish and Chips are New Zealand's stable ready-to-eat takeaway, with sales totaling NZ \$74.0 million (US \$38 million) of annual sales;
- The NZ\$113 (US \$58) average weekly household expenditure for food (77.9 percent is spent on home meals) has experienced in the last two years a decline in dollars spent on dairy and sweet products (spreads, beverages) while there has been an increase in the value of vegetable, fruit and fish purchases.

Trends in promotional/marketing strategies

Branding greatly aids the buying process by pre-selling the product or service to the end user. In the foodservice industry many successful outlets are multinational franchise brands, e.g.,

McDonalds, Burger King, Pizza Hut, Kentucky Fried Chicken. 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.

This sector has a wide range of promotional tactics as it encompasses such a wide range of services. There is the franchise promotion strategies that fast food outlets such as McDonalds, Burger King, KFC etc undertake. These generally consist most widely of television advertising, but also include flyers in newspapers. Restaurants and cafes tend to be more exclusive with their promotion, advertising to the clientele that they wish to come to their establishments, for example in fashionable magazines or newspapers. Some of the restaurants advertise over the television, but it would be a small minority.

Trends in tourism sales

- This sector has two important tourism trends. First, in winter (June-September) in the south of the South Island, 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.
- December has been noted to be the most popular month to eat out in New Zealand.

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. Wine exports are growing strongly from a low base, but currently most of the output of these industries goes to domestic rather than export sales. New Zealand's exports of fresh and processed vegetables are worth US\$200million; main countries of export are in the Asia-Pacific region. The 1998 leading fresh vegetable crop was onions which contributed approximately US\$100 to the economy. Other significant crops included squash, carrots and cabbages. Local vegetable exports are almost double New Zealand's wine exports.

Industry trends and Opportunities

The prepared fruit and vegetable market in New Zealand is expanding. This includes frozen vegetables, fruit and vegetable juices etc. Sales of niche frozen vegetables such as brussel-sprouts, broad beans and spinach are growing, while prepared stir fried vegetables are facing rapid growth. However, the frozen vegetable market is facing increasing competition from the strongly promoted fresh vegetable market. In 1998, New Zealand imported US \$99 million worth of processed fruit and vegetables and fruit and vegetable juices, of which 17 percent was sourced from the US.

Another area of growth in the food processing sector is prepared or ready-made meals. Since around the mid 1990s, ready-made meals have invaded the market. Sales in ready-made frozen meals have been growing by around 16 percent per year, and there is no flattening in that trend. The New Zealand market in this category is far from mature and offers much potential. In per capita consumption of frozen meals, New Zealand lags 30 percent behind Australia and much further behind the U.S. and UK. In New Zealand, frozen meal sales average one meal per person per year compared with 1.5 meals for every Australian, five meals for every Englishman, and ten meals per American.

The New Zealand snack food market is another high growth market. It is currently valued at U.S. \$130 million. New Zealanders are eating more and more snack foods, the trend is a reflection of active lifestyles and increased competition from leisure-time pursuits. In 1998, United States snack product exports to New Zealand reached a record high of US \$5.1 million, reflecting a consistent increase in exports since 1995 when U.S. exports were valued at U.S. \$3.1 million. The category includes:

- potato chips, which have the largest share of the snack market;
- extruded cereal snacks;
- wrapped health and lunch box snacks, which includes dried fruits, fruit roll-ups, snack logs, individually wrapped biscuits and muesli bars.

The only disadvantage to this market is that it is a highly competitive category with 260 new variants/entrants (stock units) introduced in the year ending February 1999. Industry sources estimate that imported products make up 3 percent of total snack food sales in supermarkets, and imports from Australia account for nearly a third of imported snacks.

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, Mars, Ocean Spray (using imported U.S. cranberries), El Paso, Newman's, and others produce high quality products in Australia. Other companies process products nearby like Nabisco producing cookies in Indonesia.

OPPORTUNITIES FOR NEW SALES AND MARKET ENTRY APPROACH

New Zealand's retail sector offers the most opportunity for new sales. Growing New Zealand demand for health and high nutritional foods and ready-to-eat products is expected to continue to offer many niche market opportunities. New Zealand's agribusiness sector is repositioning itself for the 21st century by concentrating more specifically on value-added products. The New Zealand retail food sector is set to take advantage of these trends, with supermarkets becoming more than just a distributor of foods that need traditional preparation time--they now are also a place where consumers can purchase a ready-to-eat meal. Also, service stations, where one used to go to purchase petrol (gasoline) are now becoming food retail stores in their own right.

There are several approaches that New Zealand food retailers use to import products into the country:

- Purchasing directly from known overseas exporters
- Purchasing from new suppliers met at international food shows
- Buying from local New Zealand importers/distributors who may repackage into retail sizes or sell in bulk
- Purchasing from trade leads or seller contacts (i.e., buyer alert) made through Embassy services

The best entry strategy for a new-to-market exporter is:

- identify a local importer or distributor who can obtain shelf space and promote the product

- exhibit at international food shows, such as FMI Food Showcase and the Fancy Food Show, among others

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);
- 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.

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>

FAS Internet homepage: <http://www.fas.usda.gov>

List of Useful Government Agencies and Trade Associations

Australia New Zealand Food Authority (ANZFA)

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

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
Fax: (64) (9) 378-8585

APPENDIX 1. STATISTICS

Table A. Key Trade and Demographic Information

Agricultural Imports from All Countries (\$Mil)/U.S. Market Share (%)	14
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	14
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%)	5
Total Population	3,808,700
Annual Growth Rate (%)	0.5
Urban Population	3,237,395
Number of Major Metropolitan Areas ²	1
Size of the Middle Class ¹	967,605
Per Capita Gross Domestic Product (U.S. Dollars)	13,423
Unemployment Rate (%)	6.8
Per Capita Food Expenditures (U.S. Dollars)	912
Percent of Female Population Employed	52
Exchange Rate (US\$1=X.X local currency)	1.92

1. Middle class defined from annual income: NZ\$15,000 to NZ\$40,000 = 967,605
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 and Edible Fishery Product Imports

New Zealand Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Sha		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
CONSUMER-ORIENTED AGRICULTURAL TOTAL	677	0	666	94	0	96	14	0	14
Snack Foods (Excl. Nuts)	68	0	86	4	0	6	6	0	7
Breakfast Cereals & Pancake Mix	19	0	16	1	0	1	1	0	3
Red Meats, Fresh/Chilled/Frozen	30	0	28	1	0	1	1	0	5
Red Meats, Prepared/Preserved	8	0	11	1	0	2	11	0	14
Dairy Products (Excl. Cheese)	21	0	16	1	0	1	1	0	3
Cheese	7	0	8	1	0	1	0	0	8
Eggs & Products	3	0	1	1	0	1	10	0	42
Fresh Fruit	74	0	67	19	0	16	26	0	24
Fresh Vegetables	14	0	11	1	0	1	3	0	4
Processed Fruit & Vegetables	84	0	81	11	0	14	13	0	17
Fruit & Vegetable Juices	22	0	18	3	0	3	15	0	17
Tree Nuts	13	0	12	3	0	3	22	0	22
Wine & Beer	62	0	66	1	0	1	1	0	1
Nursery Products & Cut Flowers	6	0	4	1	0	1	7	0	8
Pet Foods (Dog & Cat Food)	34	0	31	7	0	9	22	0	30
Other Consumer-Oriented Products	213	0	211	43	0	40	20	0	19
FISH & SEAFOOD PRODUCTS	44	0	42	2	0	2	4	0	5
Salmon	8	0	7	1	0	2	14	0	26
Surimi	1	0	1	1	0	1	26	0	12
Crustaceans	14	0	16	1	0	1	2	0	0
Groundfish & Flatfish	2	0	1	0	0	1	0	0	4
Molluscs	3	0	3	1	0	1	4	0	1
Other Fishery Products	16	0	15	1	0	1	2	0	1
AGRICULTURAL PRODUCTS TOTAL	1,117	0	1,021	143	0	145	13	0	14
AGRICULTURAL, FISH & FORESTRY TOTAL	1,229	0	1,087	152	0	150	12	0	14

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

NB: New Zealand Import data for 1997 is unavailable

Table C. Top 15 Suppliers of Consumer Foods & Edible Fishery Products**New Zealand Imports****CONSUMER-ORIENTED AG TOTAL**

	Import 1996	Import 1997	Import 1998
	Value 1000\$	Value 1000\$	Value 1000\$
Australia	339726	0	337001
United States	94047	0	96442
Ecuador	28386	0	30343
Canada	21147	0	17844
Thailand	13960	0	13675
Italy	12457	0	13471
France	10403	0	13022
Netherlands	10369	0	10573
United Kingdom	11506	0	9865
China (Peoples)	7712	0	7974
Brazil	10299	0	7927
Spain	5284	0	7897
Germany	7390	0	7742
Fiji	9178	0	7621
Turkey	7188	0	6861
Other	87731	0	77939
World	676827	0	666273

FISH & SEAFOOD PRODUCTS

	Import 1996	Import 1997	Import 1998
	Value 1000\$	Value 1000\$	Value 1000\$
Thailand	18211	0	18030
Canada	8569	0	6367
Australia	4896	0	5586
Japan	1888	0	2292
United States	1911	0	2097
China (Peoples)	1714	0	1538
India	866	0	1002
Chile	1457	0	751
Korea, Republic	829	0	711
United Arab Emi	0	0	554
Malaysia	279	0	434
Spec Cats	1012	0	423
Fiji	126	0	177
Italy	136	0	172
Hong Kong	138	0	163
Other	1949	0	1650
World	43980	0	41955

Source: United Nations Statistics Division

NB: New Zealand Import data for 1997 is unavailable

