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Report Name: Food Service - Hotel Restaurant Institutional

Country: New Zealand

Post: Wellington

Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

Although New Zealand has been less impacted by COVID-19 than most countries around the world, it has still had a major effect on the HRI sector. This is especially true of the tourism and hospitality sectors which have been severely hit by closed international borders. However, relatively short and limited lockdowns in the country have allowed domestic spending at HRI establishments to support the sector. New Zealand imports of U.S. products have held up well so far this year, and are on a similar pace to 2019 when U.S\$ 587 million of U.S. agricultural products were imported.

MARKET FACT SHEET

Executive Summary

New Zealand's per capita GDP totaled NZ\$ 40,096 (U.S\$ 26,672) in 2019, and the economy grew by 2.3 percent. While this growth is modest, the economy is underpinned by its open and transparent trade and investment environment. COVID-19 is expected to impact GDP growth in 2020, however New Zealand has recovered relatively quickly.

Quick Facts CY 2019

Imports of Consumer Orientated Products

US\$ 4.9 billion

List of Top 10 Growth Products in New Zealand

- | | |
|----------------------|----------------|
| 1) Food Preparations | 2) Pork |
| 3) Pet food | 4) Baked goods |
| 5) Sauces | 6) Wine |
| 7) Chocolate crumb | 8) Beer |
| 9) Sugar | 10) Beverages |

Consumer Orientated Food Sales (US\$)

Exports \$23 billion, Imports \$2.8 billion

Profit and Percentage Growth by Industry

Hotels and Resorts	US\$ 26 million	3.6 percent
Cafes/Restaurants	US\$ 57 million	1.9 percent
Catering Services	US\$ 25 million	4.8 percent

Top New Zealand Hotel Chains

Hilton, Intercontinental, Accor, Millennium

GDP/Population

Population (millions): 5.0

GDP (billions US\$): 256

GDP per capita (NZ\$): 40,096 (U.S\$ 26,672)

Sources: Reserve Bank of New Zealand, Trade Data Monitor.

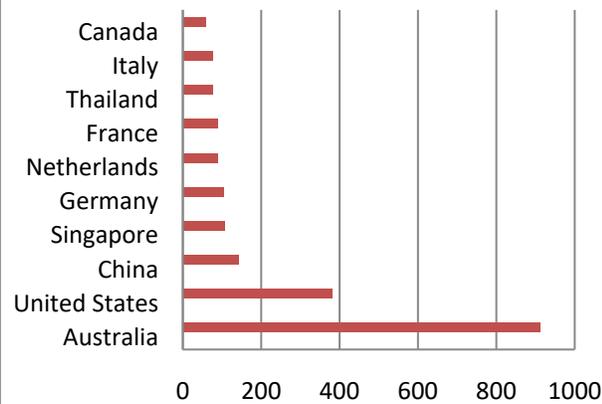
Hospitality Industry

The combined hospitality sector accounts for NZ\$ 6.5 billion (US\$ 4.3 billion) in revenue. The industry consists of three main sectors, cafes, restaurants, and accommodation and with multiple players. Due to COVID-19, forecasts are for negative growth in the medium-term.

Imports of Consumer Orientated Products

New Zealand imported US\$ 4.9 billion in agricultural products in 2019. US\$ 2.8 billion, or 57 percent of total imports, were of consumer-orientated products. The United States supplied US\$ 382 million of consumer-orientated products in 2019, and US\$ 587 million of total agricultural products.

Top Ten Suppliers of Consumer-Orientated Goods US\$ (millions)



Source: Trade Data Monitor

SWOT Analyses

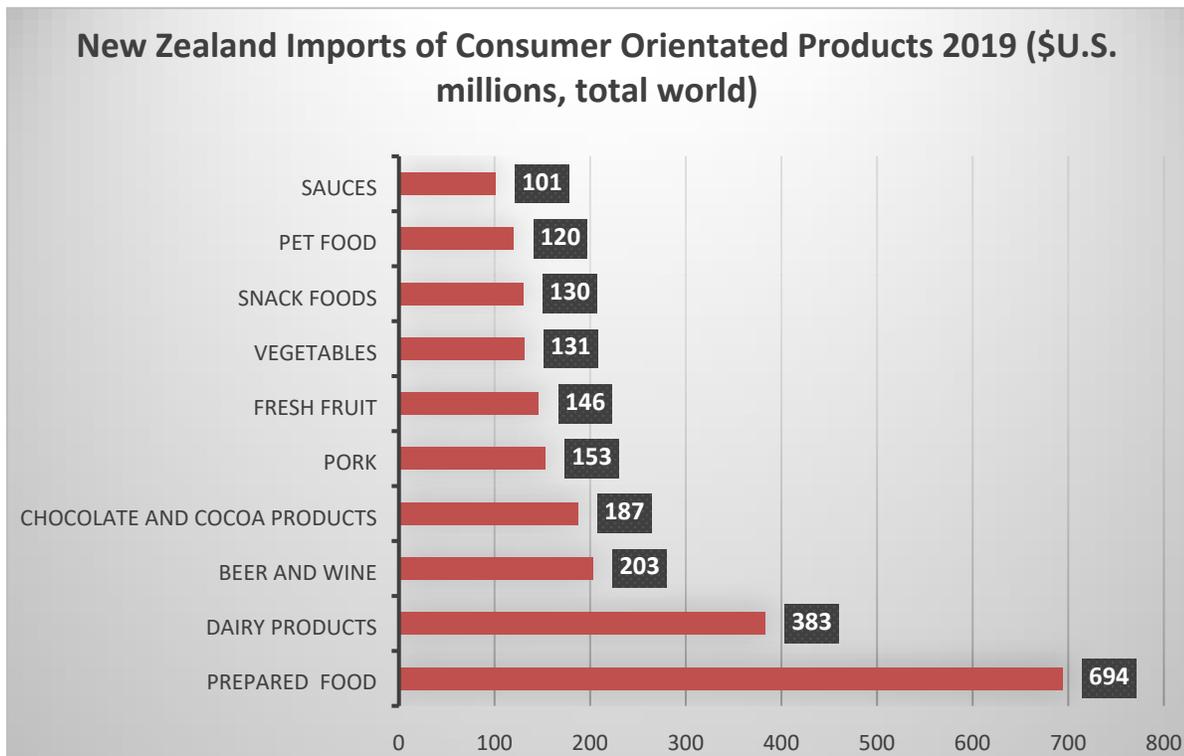
Strengths	Weaknesses
<p>U.S. products enjoy a reputation for quality as well as for the reliability of the supply chain.</p> <p>The New Zealand hospitality market has many players and offers a lot of opportunities, in different food trend spaces, such as organic.</p>	<p>Distance from United States results in high transportation costs.</p> <p>In recent years, the United States dollar has been strong against the New Zealand dollar, making imports more expensive.</p>
Opportunities	Threats
<p>The New Zealand hospitality sector already has some U.S. products as chefs look to create a point of difference in a highly saturated market.</p>	<p>There is growing competition from Australia, China, and Singapore in the consumer-oriented food category.</p>

Section I. Market Summary – New Zealand

In general, New Zealand has been able to control the spread of the virus better than most countries around the world, and cases have been relatively limited. However, the tourism and hospitality industries have been especially hit by the closed international borders and lack of foreign guests. Only partially offsetting this is the fact that with relatively shorter and more limited lockdowns than many countries (due to the fewer case numbers), domestic spending and travel at HRI establishments has helped support the sector. New Zealand’s tourism industry was valued at more than NZ\$ 10 billion (U.S\$ 6.65 billion) and is the second largest revenue generator after the food and agricultural industries.

Because of the impact of the virus, the food service and hospitality industries contracted by an estimated -3.3 percent in 2019/20 (July-June), while the hotel sector contracted -5.6 percent. While these sectors are contracting, as mentioned many are still operating and continue to demand imported products and especially consumer-orientated products such as meat-based foodstuffs, baked goods, sauces, wine, confectionary, and many other products. New Zealand is also a follower of U.S. food trends and market opportunities exist for U.S. food products.

Graph 1 – Top Consumer-Orientated Products Imported into New Zealand (Total World) U.S\$ Millions 2019



Source: Trade Data Monitor

New Zealand imported approximately U.S.\$ 2.8 billion of consumer-oriented food products in 2019. The United States was the second largest supplier of consumer-orientated food products to this market with imports valued at U.S.\$ 382 million. Imports from the United States have been relatively steady in 2020 despite the impacts of the virus.

IA. Overview of the New Zealand Hospitality and Accommodation

New Zealand closed its border to international visitors on March 19 and these restrictions are expected to be in place for quite a while. International visitors account for 30 percent of the revenue for the accommodation sector, while this has had a severe impact. However, domestic consumers have partially compensated for this, particularly those who had spare money to spend because they were not able to travel internationally themselves.

A large proportion of New Zealand businesses that could prove a 30-percent fall in revenue over the last year qualified for the government's multibillion-dollar wage subsidy. The government injected NZ\$ 12 billion (U.S.\$ 7.86 billion) since April this year, with a further injection of NZ\$ 2 billion (U.S.\$ 1.33 billion) a month after the 12 billion was announced. This subsidy has now expired.

IB. Overview of the New Zealand Food Service (Cafes and Restaurants)

New Zealand's food service industry is made up of predominately small-to-mid-range cafes and restaurants. Like the accommodation sector, cafes and restaurants have been significantly impacted, but have been supported by domestic consumer spending and the government wage subsidy. Opportunities are still available in supplying all segments of the food service sector and it is best for U.S. suppliers to enter the New Zealand market via importers and distributors. New Zealand consumers are very familiar with U.S. food trends and U.S. brands, and New Zealand has a large concentration of U.S. restaurants and fast food establishments. Some of these include McDonalds, KFC, Pizza Hut, Taco Bell, Carl's Junior, Burger King, Denny's, Krispy Kreme, and others.

One upcoming change that will impact the food service industry is the government's announcement to have the national minimum wage rate set at NZ\$ 20 (U.S.\$ 13.11) per hour by 2021. New Zealand's largest trading bank, ANZ, released a report on the hospitality industry citing this as having one of the largest potential impacts on profitability (through price) for the sector.

Consumers have become more health conscious and aware of health issues associated with a poor diet. The increase in the health value of food in the minds of consumers has led to a shift in the types of products cafes serve. Increasingly, cafes are shifting to meat alternatives, coconut-based sweet foods, and a rise in the variety of salads on offer. This trend toward healthier food is expected to increase beyond 2021, although it may be impacted by price sensitivities driven by the economic effects of COVID – 19.

Section II. Road Map for Market Entry

II.A. Entry Strategy

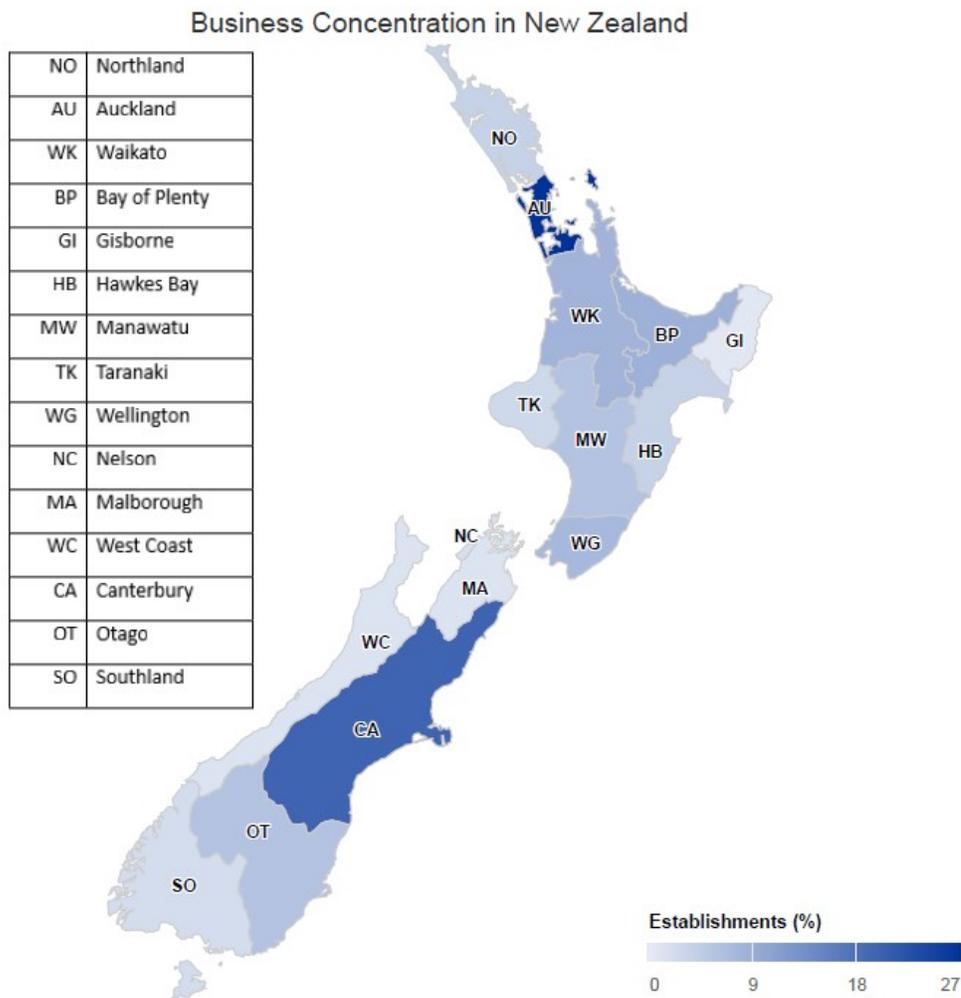
- Enter the market through a distributor, importer, agent, or broker who then targets specific food categories or food importers and distribution companies. Major hotels and corporate caterers have their own distribution centers and national transportation networks, which are contracted via a third party. Specialized distributors or wholesalers may also be approached.
- Product promotion – menu promotions with hotels, restaurants or large corporates is a great way to expose the consumer to your products. Promotional formats may vary.
- To enhance marketing activities, exporters should consider combining promotional with major industry magazines. Advertising in newspapers, television, radio, and public transportation are also effective promotional channels.
- Exhibiting at New Zealand food shows. Fine Food New Zealand is a biannual event which brings together domestic companies and major international buyers and importers.

II.B Market Structure

- Tariffs on U.S. food products range from zero to five percent. Tariff rates can be viewed on the New Zealand Customs website: [New Zealand Working Tariff Document](#).
- The cost of international freight is a significant percentage of the final product cost. U.S. exporters can contact freight forwarders in the United States to determine transportation cost. New Zealand importers and distributors can arrange shipment with the help of customs brokers in New Zealand.
- For a complete guide on import duties and charges, please check this link: <https://www.customs.govt.nz/personal/import-allowances-and-charges/>
- High-quality products with innovative packaging and unique features that are price competitive tend to do well in the New Zealand market.
- Fresh U.S. produce is a welcome addition to New Zealand during the winter season in the Southern Hemisphere.
- Innovative, environmentally friendly packaging has an advantage in food products
- New Zealand has very strict biosecurity rules to protect New Zealand agriculture and forestry industry. Unprocessed products cannot be imported into New Zealand unless an import health standard has been developed for that product. Import Health Standards specify the biosecurity requirements that must be met for trade to occur. Import Health Standard database can be seen at <https://www.mpi.govt.nz/law-and-policy/requirements/import-health-standards/>.
- All imported foods must comply with all aspects of Food Act and Food Standards Code at the point of entry into New Zealand. The Ministry of Agriculture performs random inspections on any imported food. High-risk foods can be targeted for inspection at a higher frequency.
- Food Standards Australia New Zealand requires mandatory allergen labelling requirements for products containing lupin. [Allergy Information for Industry](#).

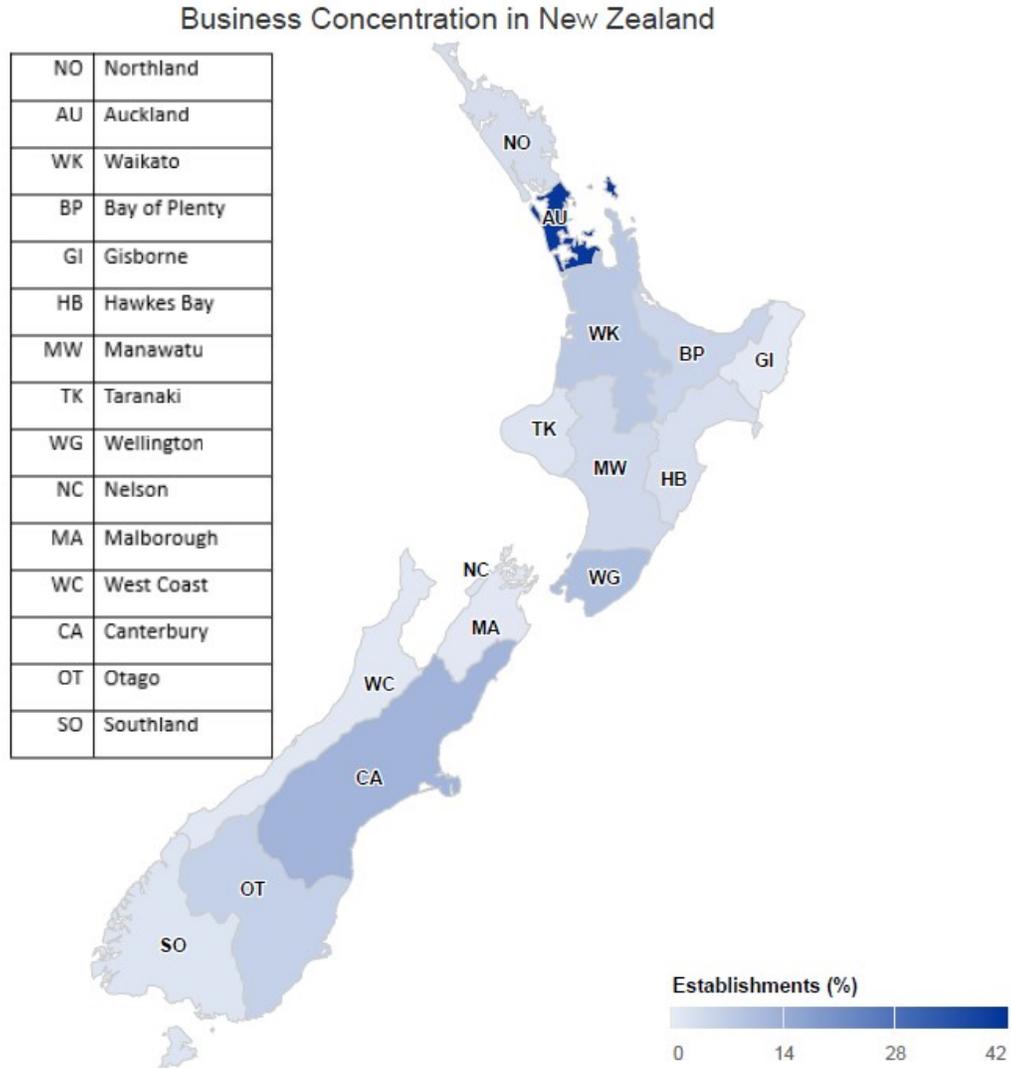
The diagrams below identify the regions with the highest concentrations of food outlets and hotels, which includes Auckland, Wellington, Tauranga, Hamilton, and Christchurch. The region of Otago in the South Island is also a popular tourist destination, which includes popular tourist areas of Queenstown and Wanaka. Most of the food importers and distributors are headquartered in Auckland, Wellington, and Christchurch. Aligning with two or three distributors, located in these main cities, enables exporters to capitalize on companies that have nation-wide distribution networks. FAS/Wellington recommends exporters to conduct the appropriate due diligence when selecting importers and distributors.

Diagram 1: Key Accommodation Regions in New Zealand



Source: IBISWorld Industry Report, Cafes and Restaurants in New Zealand. Ibisworld.com

Diagram 2: Key Café/Restaurant Regions in New Zealand



Source: IBISWorld Industry Report, Cafes and Restaurants in New Zealand. Ibisworld.com

Sub Sector Profiles

Company	Links
Accor Group	https://www.accorhotels.com/gb/country/hotels-new-zealand-pnz.shtml
Heritage Group	https://www.heritagehotels.co.nz/
Millennium Group	https://www.millenniumhotels.com/
Scenic Group	https://www.scenichotelgroup.co.nz/
Hilton Group	http://www3.hilton.com/en_US/hi/search/findhotels/index.htm
Cordis	http://www.cordishotels.com/en/auckland
Intercontinental	https://www.ihg.com/destinations/us/en/new-zealand-hotels
Blackstone Group	https://blackstone.co.nz/hospitality-management/
Joy Lab Group	https://joylab.co.nz/
Wellington Hospitality	https://whg.co.nz/
Good Group Hospitality	http://www.goodgroup.co.nz/
Kiwi Hospitality	http://www.kiwihospitality.com/
Lawrenson Group	http://www.lawrensongroup.co.nz/
Invercargill Licensing Trust	https://www.ilt.co.nz/
Restaurant Association of New Zealand	https://www.restaurantnz.co.nz/
Lonestar Group	https://www.lonestar.co.nz/
Compass Group	http://compass-group.co.nz/our-brands/medirest/
Spotless Group	https://www.spotless.com/services/catering-hospitality/

Section III. Competition

Table 1. Value (U.S\$ millions) of New Zealand Imports for Consumer-Related Products

Partner Country	2018	2019	Percentage Change
Australia	925	913	-5 percent
United States	330	382	+11 percent
China	140	143	+2 percent
Singapore	120	107	-11 percent
Germany	76	105	+38 percent

Source: Trade Data Monitor.

Products from the United States are viewed favorably in New Zealand, but strong competition from Australia, Asia, and the EU exists. In addition, New Zealand firms are price sensitive and affected by currency volatility, which causes them to shop around for substitute products.

Although there is a strong “*buy New Zealand made*” push, which was amplified during the lockdowns, demand remains robust for imported food products. New Zealand consumers demand a wide variety of

food, not all of which is produced locally. Also, these consumers typically have traveled overseas frequently and so are familiar and demand a wide range of cuisines and tastes.

Section IV. Best Product Prospects

As a result of the negative economic impact of COVID-19, and the effect on consumers purchasing power, there are reports that consumer preferences while eating out are changing and they are increasingly making menu choices in the mid-price range (23-33 NZ\$/U.S\$ 15-21) rather than the higher end. Hotels are back open but heavily discounting both their rooms and their in-hotel restaurants. For consumer-oriented products, there has also been some tendency to move away from the premium end of the market. Despite some reduction in consumer spending, demand for imported foods remains robust, including meat, sauces, beverages, and confectionary.

Table 2. Competition and Opportunities in Products Used by HRI Sector – Figures are in 2019

Product Category	Major Supply Sources	Opportunities and challenges for exporters
<p>Prepared Food Total Import Value: \$417 million (U. S\$)</p>	<p>1. Australia 33% 2. Singapore 20% 3. United States 17%</p>	<p>New Zealand has a comparative advantage in food production and manufacturing, however its heavy reliance on exporting requires New Zealand to import a lot of food to meet domestic demand.</p>
<p>Pork Total Import Value: \$124 million (U.S\$)</p>	<p>1. Spain 23% 2. United States 16% 3. Canada 15%</p>	<p>While New Zealand has a well-established, local pork industry, New Zealand imports pork for further processing. The United States is the second major supplier of imported pork and the Asian community prefers it, as it has a preferable flavor profile.</p>
<p>Baked Goods Total Import Value: \$118 million (U.S\$)</p>	<p>1. Australia 44% 2. China 10% 3. Thailand 10%</p> <p>United States (4th largest market and 4% market share)</p>	<p>Baked goods are coming in from all over the world, the majority of which comes from Australia. The United States is the fourth largest supplier of these goods and as New Zealand consumers demand more products, this is a category which is expected to continue to grow.</p>
<p>Wine Total Import Value: \$70 million (U.S\$)</p>	<p>1. Australia 65% 2. France 14% 3. Italy 5%</p> <p>United States (4th largest market, 2% share)</p>	<p>The United States faces stiff competition from Australia. New Zealand and Australia have a countervailing agreement where tax on both countries' products, in both countries, is exempted. This tax advantage enables both countries to price their products equally, and competitively in both markets. This makes it difficult for wines from other markets to gain an advantage.</p>

<p>Sauces</p> <p>Total Import Value: \$77 million (U.S\$)</p>	<p>1. Australia 37% 2. Thailand 10% 3. Canada 10%</p> <p>United States (5th largest market, 9% market share)</p>	<p>Importing sauces is a growth market in New Zealand. Driven by the growth of various food trends, such as Asian street food and U.S. smoked BBQ, the market for sauces has exploded and continues to expand.</p>
<p>Beer</p> <p>Total Import Value: \$65 million (U.S\$)</p>	<p>1. Mexico 48% 2. Australia 15% 3. Netherlands 7%</p> <p>(United States is the 7th largest market with 2% market share)</p>	<p>New Zealand consumers are demanding more choice in the foods and products they consumer. Along with a changing demographic, due largely to immigration, new and different beer products are coming into the market.</p>

Section V. Key Contacts and Further Information

For a list of key HRI contacts please see the subsector profiles on page 8.

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Attachments:

No Attachments