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Report Name: Food Service - Hotel Restaurant Institutional

Country: New Zealand

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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 Hotel, Restaurant, Institutional (HRI) sector. This is especially true of the tourism and hospitality sectors which have been severely hit by the closed international borders, as well as the outbreak of the Delta variant in August 2021. In general, relatively short, and limited lockdowns in New Zealand have allowed domestic spending at HRI establishments to support the sector. New Zealand imports of U.S. food and beverage products have held up well so far this year and are on a similar pace to 2020, when US\$ 575 million of U.S. agricultural products were imported.

New Zealand Market Factsheet

Executive Summary

New Zealand's per capita GDP totaled US\$ 41,127 in 2020, and the economy shrunk by -2.9 percent. Despite this decline, the economy has quickly recovered and the projections for 2021 see growth reaching 3.5 percent. However, the outbreak of the Delta variant in August of 2021 is likely to impact the outlook.

Imports of Consumer Orientated Products

2020

US\$ 3.1 billion

List of Top 10 Growth Products in New

Zealand

- | | |
|-----------------------|----------------|
| 1) Food Preparations | 2) Pork |
| 3) Pet food | 4) Wine |
| 5) Cocoa Preparations | 6) Sauces |
| 7) Whey | 8) Fresh Fruit |
| 9) Confectionary | 10) Beer |

Consumer Oriented Food Sales (US\$)

Exports \$24 billion, Imports \$3.1 billion

Annual Percentage Growth/Loss by Industry

Hotels and Resorts -9.4 percent
 Cafes/Restaurants +0.06 percent
 Catering Services -0.04 percent

Top New Zealand Hotel Chains

Hilton, Intercontinental, Accor, Millennium

GDP/Population

Population (*millions*): 5.0

GDP (*billions US\$*): 231

GDP per capita (*NZ\$*): 41,127

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

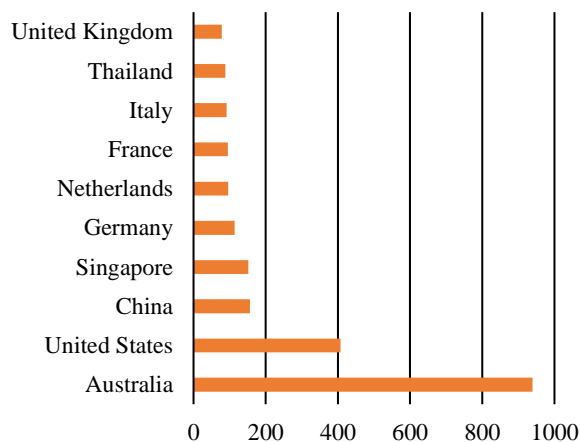
Food Processing

Food, beverage, and grocery manufacturing accounts for almost one-third of New Zealand's manufacturing sector. Food and agricultural related sales accounted for US\$ 29 billion and is a sector that is experiencing growth in several areas. Along with the HRI sector, manufacturing accounts for most of the food ingredients consumption in New Zealand.

Imports of Consumer Orientated Products

New Zealand imported US\$ 3.1 billion in agricultural products in 2020. US\$ 2.8 billion, or 90 percent of total imports, were of consumer-orientated products. The United States supplied US\$ 407 million of consumer-orientated products in 2020, and US\$ 575 million of total agricultural products.

Top Ten Suppliers of Consumer-Orientated Goods US\$ (Millions)
2020



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

Like many western countries New Zealand has a sophisticated HRI industry, driven (normally) by international tourism and large events. New Zealand's network of accommodation services is extensive ranging from low grade motels, right up to four- and five-star hotels and even the odd 6-star resort peppered across some secluded locations.

New Zealand is a real food nation, and it prides itself on how it presents its food as well as the range of food offerings. New Zealand follows many international food trends, and its restaurants reflect those trends. Recently U.S. BBQ trends have reached New Zealand and a number of BBQ themed restaurants have opened.

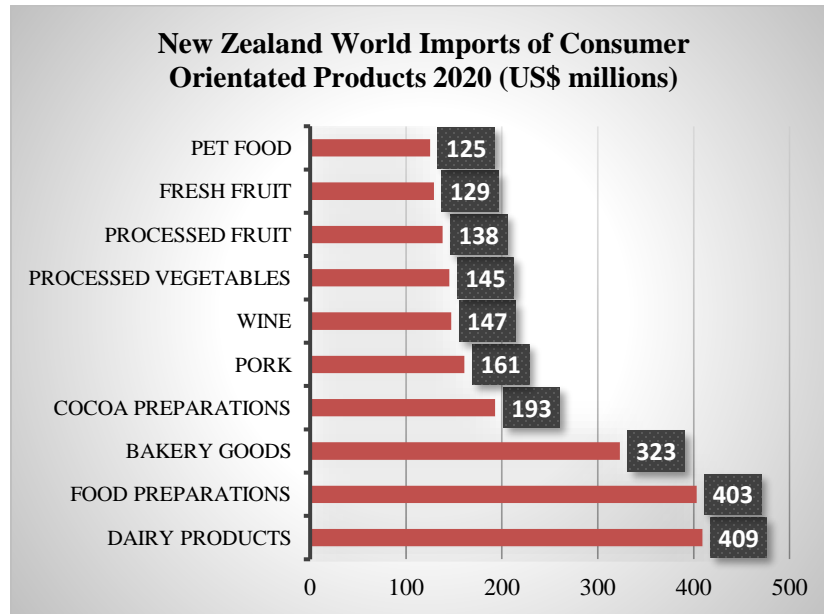
In general, New Zealand has been less impacted by COVID-19 than most countries around the world, and cases have been relatively limited. However, the tourism and hospitality industries have been especially hit by the closed international borders and lack of foreign guests. Only partially offsetting this 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 (US\$ 6.65 billion) and is the second largest revenue generator after the food and agricultural sector.

Logistical issues are also impacting hospitality and tourism, constraining the flow of goods. New Zealand is having supply chain challenges across the economy, from construction goods to food and produce. Import issues are a considerable concern, and many of the materials and foodstuffs are fundamental to the proper functioning of the New Zealand economy, which includes the hospitality, accommodation, and tourism sectors. On the plus side, New Zealand shipping companies and ports are developing better pathways and methods for goods to come in and out of the country, and industry analysts expect the situation to improve.

The first COVID outbreak, which began in March 2020, caused food service and hospitality industries to contract by an estimated -3.3 percent in 2019/2020 (July-June), while the hotel sector contracted -5.6 percent. This was less than originally forecast by the industry. Although things were looking better and modest growth was expected, in August 2021 New Zealand had an outbreak of the Delta variant, with some lockdowns returning especially in Auckland.

New Zealand imported approximately US\$ 2.8 billion of consumer-oriented food products in 2020. The United States was the second largest supplier of consumer-orientated food products to this market with imports valued at US\$ 407 million. Imports from the United States have been relatively steady in 2020 and 2021 despite the impacts of several lockdowns due to COVID -19

Graph 1 – Top Consumer-Orientated Products Imported into New Zealand US\$ Millions 2020



Source: Trade Data Monitor

Advantages	Challenges
U.S. products enjoy a reputation for high quality in the New Zealand market.	Distance from United States results in high transportation costs.
The New Zealand hospitality market has many players and offers a lot of opportunities in different food trend spaces, such as organic.	In recent years, the United States dollar has been strong against the New Zealand dollar, making imports more expensive.
The New Zealand hospitality sector already uses some U.S. products as chefs look to create a point of difference in a highly saturated market.	There is growing competition from Australia, China, and Singapore in the consumer-oriented food category.
New Zealand already has many established business relationships in the United States, which helps U.S. food trends take hold quickly in New Zealand	New Zealand is privy to several international trade agreements, and this enables it to access some beneficial pricing from competitors.

Overview of the New Zealand Hospitality and Accommodation

New Zealand closed its border to international visitors on March 19, 2020, and analysts predict that it is likely that the border will not re-open until at least mid-2022. International visitors account for 30 percent of the revenue for the accommodation sector and 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 (US\$ 7.86 billion) since April 2020, with a further injection of NZ\$ 2 billion (US\$ 1.33 billion) a month after the 12 billion was announced. This year New Zealand was hit with the Delta variant of COVID-19 and a new hard lockdown was imposed in August which caused an immediate drop in revenue for the industry. Although the lockdown ended outside of Auckland, there is much greater uncertainty as vaccination rates remain low compared to other developed countries.

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. 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.

Early in 2021 the New Zealand government increased the minimum wage by NZ\$ 20 (US\$ 13.11) per hour. 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.

As a result of the current Delta variant outbreak and subsequent lockdown impacting the sector, news reports indicated that several cafes and restaurants have closed their doors because it is simply not financially viable to continue under the current climate. Fortunately, the rest of New Zealand remaining open offers opportunities to continue to sell imported products into the New Zealand market.

COVID-19 Alert Levels and Their Impact on Hospitality

New Zealand operates a four-tiered alert system for COVID-19 control, very similar in nature to the one used in the United Kingdom. There are four levels, one being very open and (almost) business as usual and four being very locked up and closed. Over the past year New Zealand has not spent much time in any of these levels, in fact since last year New Zealand has spent 12 weeks in level 4, six weeks in level 3, five weeks in level 2 and 12 months in level 1. Each of the levels has a different impact on the HRI sector and many of the impacts are quite substantial.

Alert Level Four	<ul style="list-style-type: none"> • Supermarkets, Convenience Stores and Pharmacies are open • You must always keep 2 meters apart • Restaurants and Takeaway outlets are closed
Alert Level Three	<ul style="list-style-type: none"> • Supermarkets, convenience stores and accommodation services are open • You must always keep 2 meters apart • Cafes, restaurants and takeaways can open but only for contactless pick-up delivery or drive through only
Alert Level Two	<ul style="list-style-type: none"> • All shops can operate with a 2-meter social distancing • Public events can take place with limits on capacity, 50 people in doors and 100 people outdoors • Cafes and restaurants can open but with 2 meters social distance measures in place
Alert Level One	<ul style="list-style-type: none"> • All activities return to normal • Masks on planes and public transport • International borders still closed

Section II. Road Map for Market Entry

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 promotions with advertising in 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.

Market Structure

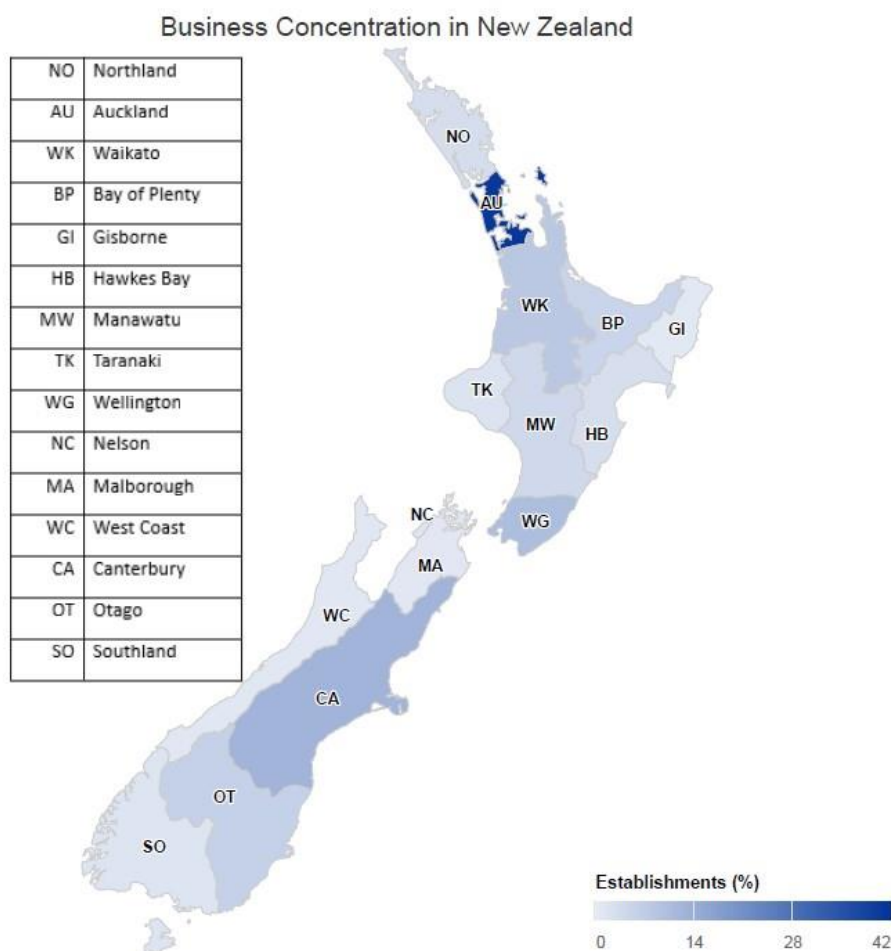
- Tariffs on U.S. food products range from zero to five percent. Tariff rates can be viewed on the New Zealand Customs website: [New Zealand Working Tariff Document](#).
- The cost of international freight is a significant percentage of the final product cost. U.S. exporters can contact freight forwarders 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.
- 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.

The diagram below identifies the regions with the highest concentrations of food outlets, 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 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://www.blackstone.co.nz/
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 (US\$ millions) of New Zealand Imports for Consumer-Related Products

Partner Country	2019	2020	Percentage Change
Australia	947	939	-0.8 percent
United States	419	407	-2 percent
China	148	156	+5 percent
Singapore	197	152	-22 percent
Germany	109	114	+4 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 and in fact the impact of New Zealand’s logistical challenges and container shortages has had the effect of increasing demand for imported products as New Zealand finds itself having supply shortages in some areas.

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 with and demand a wide range of cuisines and tastes. These continue to be reflected in the trends and product types that are on the shelves in the supermarkets.

Section IV. Best Product Prospects

As a result of the negative economic impact of COVID-19, and the effect on consumers purchasing power, this has shifted consumer preferences while eating out, and they are increasingly making menu choices in the mid-price range (NZ\$23-33/US\$ 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 – 2020

Product Category	Major Supply Sources	Opportunities and challenges for exporters
Dairy Products Total Import Value: \$409 million (US\$)	1. United States 25% 2. Australia 25% 3. Germany 6%	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 dairy ingredients to meet domestic demand.
Food Preparations Total Import Value: \$403 million (US\$)	1. Australia 30% 2. Singapore 19% 3. United States 15%	New Zealand has a comparative advantage in food production, but it lacks sufficient scale to produce everything it needs. To meet its ingredients, demand for food production New Zealand must rely on imports.
Cereals and Pasta Total Import Value: \$323 million (US\$)	1. Australia 44% 2. Thailand 10% 3. China 6% United States (9 th largest market and 2% market share)	New Zealand consumers are looking for healthier meal options and moving away from their traditional heavy protein-based meals. Part of this transition is the use of pasta and grain-based meals.
Cocoa Preparations Total Import Value: \$193 million (US\$)	1. Australia 49% 2. Singapore 7% 3. Italy 4% United States (6 th largest market, 3% share)	Due to its proximity to the market Australia is the dominant supplier of cocoa preparations to New Zealand rounding off the top three are Singapore and Italy, but the value of supply pales in comparison of Australia.

<p>Pork</p> <p>Total Import Value: \$161 million (US\$)</p>	<p>1. United States 21%</p> <p>2. Spain 20%</p> <p>3. Poland 13%</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 values it as a result of a preferable flavor profile.</p>
<p>Wine</p> <p>Total Import Value: \$147 million (US\$)</p>	<p>1. Australia 54%</p> <p>2. France 14%</p> <p>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 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>

Source: Trade Data Monitor

Section V. Key Contacts and Further Information

For a list of key HRI contacts please see the subsector profiles on page 10.

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Attachments:

No Attachments