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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:

The Hotel, Restaurant, and Institutional (HRI) sector is rising again in New Zealand. This latest development is especially true of the tourism and hospitality sectors. While New Zealand is in a technical recession, strong global markets have helped boost the sector in New Zealand. This growth has seen tourism numbers improve over the short space of time since the re-opening of borders and is having a positive impact on 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 2022, when a record \$US 629 million of U.S. agricultural products were imported.

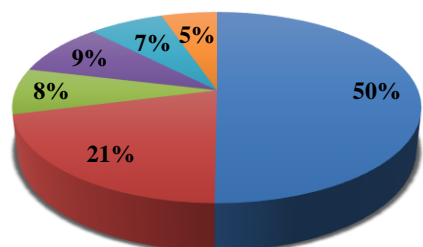
Market Fact Sheet: New Zealand

Executive Summary

New Zealand is a wealthy economy with a GDP per capita of US\$ 45,686. The economy shrank by -0.6 percent in 2022 and inflation has been high. New Zealand's economy has an open and transparent trade and investment environment as well as strong trade and economic links with emerging economies.

Imports of Consumer-Oriented Products

New Zealand Imports of Consumer Orientated Products 2022



■ Australia ■ United States ■ Singapore
 ■ China ■ Germany ■ Netherlands

New Zealand is an island nation with a small geographic area. This geographic area limits production and requires it to import large quantities of ingredients and other food products for its manufacturing sector. The country imported US\$ 3.3 billion of consumer orientated products in 2022. Primary suppliers were Australia, the United States, Singapore, China, Germany, and The Netherlands.

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\$ 22 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.

Data and Information Sources: Trade Data Monitor LLC, Trading Economics. Statistics New Zealand, Reserve Bank of New Zealand.

Quick Facts CY 2022

Imports of Consumer-Oriented Products (US \$million)

US\$ 6.3 billion – Agricultural Products
 US\$ 3.3 billion – Consumer Food Products

List of Top 10 Growth Products in New Zealand

- | | |
|-----------------------|------------------|
| 1) Food preparations | 2) Pet food |
| 3) Pork | 4) Baked goods |
| 5) Cocoa preparations | 6) Sauces |
| 7) Wine | 8) Confectionary |
| 9) Beer | 10) Pasta |

Food Industry by Channels (US\$ billion) 2022

Food Exports	\$35
Food Imports	\$6.3
Domestic Market	\$22
Retail	\$14
Food Service	\$6.3

Food Industry Gross Sales (US\$ billion) 2022

Food Industry Revenues
 - US\$ 22 Food (Domestic market)

Top Host Country Retailers

- | | |
|---------------|----------------|
| - New World | - Super Value |
| - Pak n Sav | - Fresh Choice |
| - Countdown | |
| - Warehouse | |
| - Four Square | |

GDP/Population

Population (millions): 5.1
 GDP (billions USD): 233
 GDP per capita (USD): 45,686

Sources: Trade Data Monitor LLC, Trading Economics.

Statistics New Zealand, Reserve Bank of New Zealand.

**GDP CY 2022

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<ul style="list-style-type: none"> • Products from the United States are viewed as high quality. • Minimum barriers to trade including low tariffs ranging from 0-5 percent. 	<ul style="list-style-type: none"> • Phytosanitary/sanitary regulations regarding fresh produce and meat are strict. • New Zealand's retail market is highly consolidated and has two main players.
Opportunities	Threats
<ul style="list-style-type: none"> • Produce from the United States is counter seasonal to New Zealand. • Some supermarkets make individual buying decision 	<ul style="list-style-type: none"> • Strong competition from Australia. • New Zealand is a member of the Transpacific Partnership.

Section One 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 to four- and five-star hotels and even the occasional 6-star resort across some secluded locations.

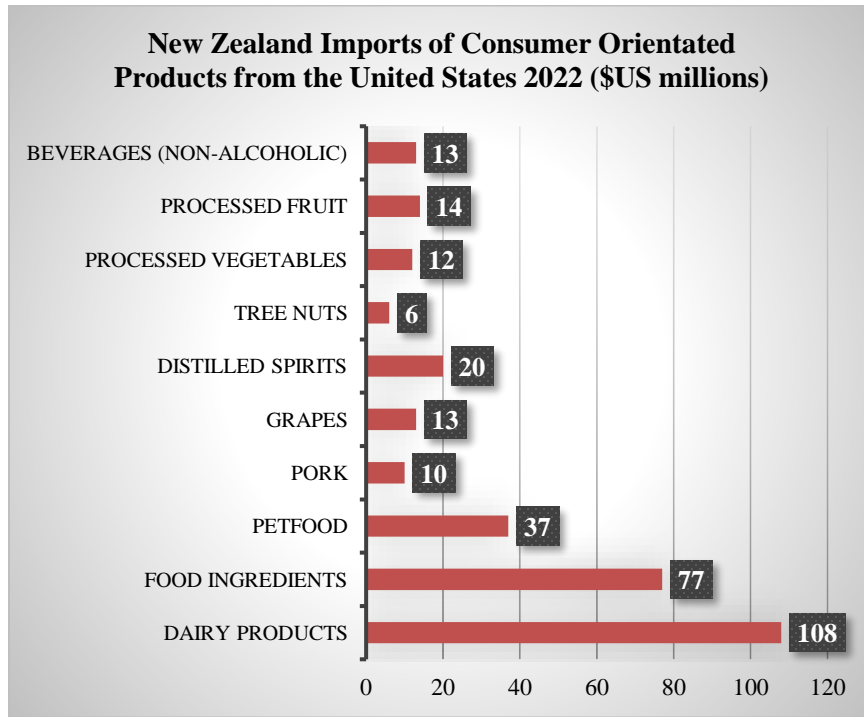
New Zealand is a real food nation, and it prides itself on how it presents its food and the range of food offerings. New Zealand follows many international food trends, and its restaurants reflect those styles. Recently, U.S. BBQ trends have reached New Zealand and several BBQ-themed restaurants have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

Logistical issues continue to impact hospitality and tourism, constraining the flow of goods. New Zealand has 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.

New Zealand has entered a technical recession, which impacts firms, seeing them cut staff in response to lower tourist numbers and the frequency of lockdowns during that time. Investment in new hotel complexes did increase during that time, driven by investment from large hotel chains. Industry revenue is set to increase over the next five years as tourist numbers recover.

New Zealand imported approximately US\$ 3.3 billion of consumer-oriented food products in 2022. The United States was the second largest supplier of consumer-orientated food products to this market, with imports valued at US\$ 413 million. Imports from the United States were relatively steady in 2022 and remain strong, despite the economic headwinds.

Graph 1 – Top Consumer-Orientated Products Imported into New Zealand from the United States US\$ Millions 2022



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 and BBQ.	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

International visitors account for 30 percent of the revenue for the accommodation sector, and both domestic and international visitors have recovered.

New Zealand continues to face a severe labor shortage, and in fact, many industry sources are calling it a crisis. Some hotels have had to reduce the number of rooms available because of a lack of labor, and guests are experiencing much less frequent cleaning of their rooms and other services. In some parts of the country, like Auckland and Christchurch, this problem is beginning to subside.

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, labor shortages are playing their part in adding constraints to the sector. New Zealand consumers are very familiar with U.S. food trends and U.S. brands. New Zealand has a large concentration of U.S. restaurants and fast-food establishments. These include McDonalds, KFC, Pizza Hut, Taco Bell, Carl's Junior, Burger King, Denny's, Wendy's, Krispy Kreme, and others.

Early in 2023 the New Zealand government increased the minimum wage to NZ\$ 22.70 (US\$ 13.41) 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.

Section II. Road Map for Market Entry

Entry Strategy

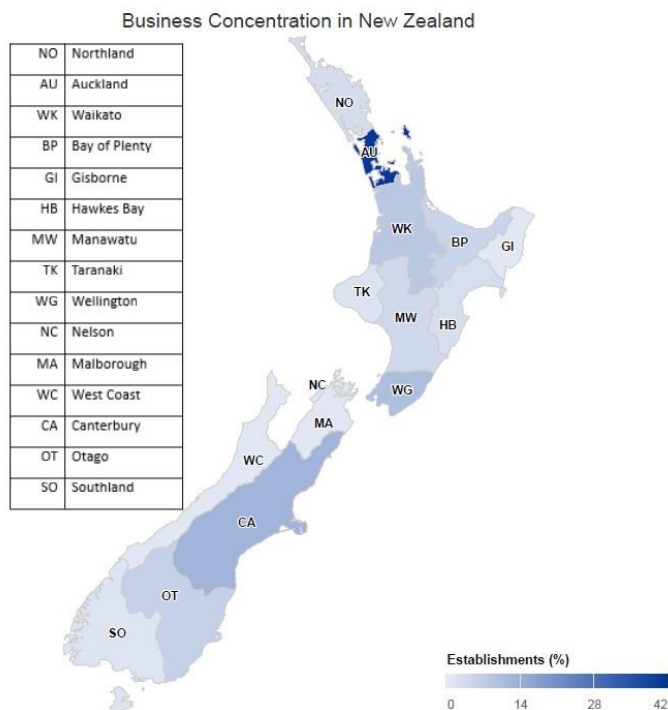
- Enter the market through a distributor, importer, agent, or broker who then targets specific food categories or food importers and distribution companies. Major hotels and corporate caterers have their distribution centers and national transportation networks, which are contracted via a third party. 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 for Primary Industries performs random inspections on any imported food. High-risk foods can be targeted for inspection at a higher frequency.

Diagram 1 identifies the regions with the highest concentrations of food outlets. This 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, enabling 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
Joy Lab Group	https://joylab.co.nz/
Kapura	https://www.kapura.co.nz/
Good Group Hospitality	http://www.goodgroup.co.nz/
Kiwi Hospitality	http://www.kiwihospitality.com/
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/

Section III. Competition

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

Partner Country	2021	2022	Percentage Change
Australia	1,038	994	-4 percent
United States	424	413	-3 percent
China	170	177	+4 percent
Singapore	195	154	-21 percent
Germany	155	140	-9 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.

There is a strong “*buy New Zealand-made*” push that food retailers amplified during the lockdowns. Meanwhile, demand remains robust for imported food products. In fact, the impact of New Zealand’s logistical challenges and container shortages 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 produced locally. These consumers typically have traveled overseas frequently and are familiar with a wide range of cuisines and tastes. This development reflects trends and product types that are on shelves in the supermarkets.

Section IV. Best Product Prospects

Table 2. Competition and Opportunities in Products Used by HRI Sector – 2022

Product Category	Major Supply Sources	Opportunities and challenges for exporters
Dairy Products Total U.S. Import Value: \$108 million (US\$)	1. United States 29% 2. Australia 21% 3. Germany 18%	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 U.S. Import Value: \$77 million (US\$)	1. Australia 27% 2. Singapore 21% 3. United States 18%	New Zealand has a comparative advantage in food production, but it lacks sufficient scale to produce everything it needs. To meet its ingredients needs, demand for food production New Zealand must rely on imports.
Pork Total U.S. Import Value: \$10 million (US\$)	1. Germany 19% 2. Spain 19% 3. United States 11%	While New Zealand has a well-established local pork industry, New Zealand imports pork for further processing. The United States is a major supplier of imported pork, and the Asian community values it because of a preferable flavor profile.
Grapes Total U.S. Import Value: 13 million (US\$)	1. United States 16% 3. Italy 5% 4. United States 3%	Counter-seasonal grapes from the Northern hemisphere is popular in New Zealand, as it fills a hole in New Zealand's nutritional deficit during the Southern hemisphere winter months. The United States is also a key supplier of citrus, stone fruit, and cherries.
Distilled Spirits Total U.S. Import Value: \$20 million (US\$)	1. United Kingdom 27% 2. United States 16% 3. Australia 14%	The United States faces stiff competition from Australia and the United Kingdom. New Zealand consumers are increasing their preferences towards craft spirits, particularly from the United States. Big brands such as Jack Daniels and Jim Beam remain very popular as well.

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 7.

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Attachments:

No Attachments