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Report Highlights:

U.S. food and agricultural products have continued to prove popular in the New Zealand market, and in 2020 the value of these products was US\$ 575 million, US\$ 407 million of which were consumer-oriented products. The New Zealand grocery and food retail sector has seen resiliency during COVID-19 and continued strong demand. New Zealand imports from the United States include packaged food, pet food, grapes, pork, cheese, oranges, beer, and wine. FAS/Wellington expects demand to remain strong for consumer food products both manufactured in-country and imported.

NEW ZEALAND MARKET SUMMARY

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 returning reaching 3.5 percent, the economy is underpinned by its open and transparent trade and investment environment. COVID-19 is expected to have limited impact on GDP growth in 2021, and New Zealand has recovered relatively quickly compared to other countries.

Quick Facts CY 2020

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) Wine |
| 5) Cocoa preparations | 6) Sauces |
| 7) Whey | 8) Tobacco |
| 9) Confectionary | 10) Beer |

Consumer Orientated Food Sales (US\$)

Exports	\$24 billion
Imports	\$3.1 billion

Top New Zealand Retailers

- New World
- Pak N Sav
- Countdown
- The Warehouse
- Four Square
- Supervalue
- Farro

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.

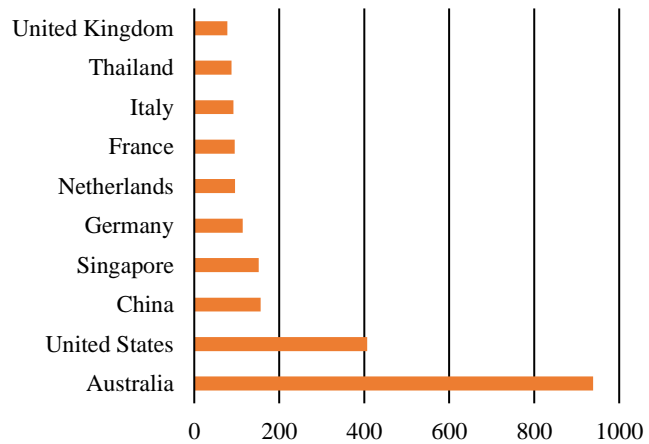
Retail Industry

The retail food, beverage, and grocery sector accounts for NZ\$ 22 billion in revenue. The sector consists of three main companies, as well as several smaller players. Forecasts are for modest growth in grocery retail sales in the medium-term.

Imports of Consumer Orientated Products

New Zealand imported US\$ 5.0 billion in agricultural and related products in 2020. US\$ 2.8 billion, or 57 percent of total imports, were of consumer-orientated products. The United States supplied US\$ 407 million of consumer-orientated products in 2020.

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



Source: Trade Data Monitor

SWOT Analysis

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 retail market is quite consolidated, and it is easy to access it using sales and marketing agencies (SMA).</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 retail market already has many U.S. products and retailers are looking for more products.</p>	<p>There is growing competition from Australia, China and Singapore in the consumer-oriented food category.</p>

Section I. Market Summary

The grocery industry is highly concentrated in New Zealand and the sector is made up of three major grocery retailers, several independents, green grocers, and small convenience stores. The two major supermarket groups are Foodstuffs New Zealand and Progressive Enterprises (using the name Countdown). In addition, a third major grocery retailer is the Warehouse Group, which is a general retailer such as Walmart, but with a large grocery component. Combined these three groups make up almost 90 percent of the entire grocery retail market in New Zealand. The arrival of Costco to New Zealand, with their first store expected to open in Auckland in early 2022, will also increase competition in the sector as well as provide increased opportunities for U.S. food and beverages.

Foodstuffs New Zealand is the market leader, representing 47 percent of the total grocery market, making them a significant player even by global standards. Their structure, however, is rather unique in that it is a cooperative and consists of many individual owners in the form of franchisees with each individual supermarket having its own owner/operator. Foodstuffs has a centrally controlled system where the stores can source their products, but individual stores can also source some products direct from suppliers.

The Foodstuffs supermarket brands are separated into three brands: New World which is a premium supermarket offering; PaknSave which is a low-cost bulk purchase offering; and Foursquare which is a local supermarket/convenience offering often located in smaller centers across New Zealand. Foodstuffs operates as two separate businesses, delimited by New Zealand's two islands. One business is Foodstuffs North Island, the other is Foodstuffs South Island, and the purchasing of products is primarily done separately by these two entities.

Unlike Foodstuffs, Countdown operates like a traditional grocery chain and purchases like a traditional chain. Countdown also imports fresh produce directly, and imports as well as processes and packs its own meat. Countdown is the second largest player in the New Zealand market, with a market share of 32 percent.

The Warehouse group is the third largest player in the market with a market share of 12 percent. The Warehouse is a similar retail model to Walmart in that it sells general merchandise with about one-quarter of the store footprint dedicated to grocery items.

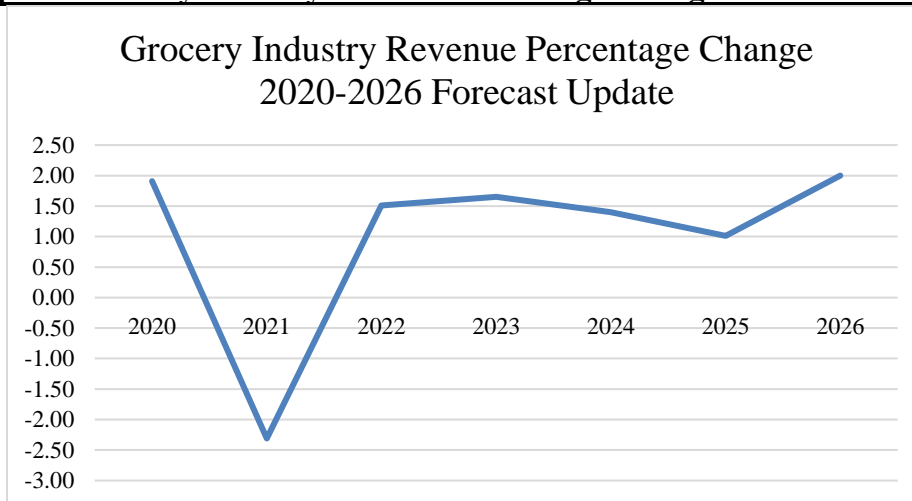
Graph 1. Seasonally Adjusted Retail Sales Volumes by Industry December to March 2021 NZ\$ Millions



Source: Statistics New Zealand, Retail Trade Survey

The New Zealand retail market has continued to show strong sales. Supermarkets and grocery sales volumes have returned to pre-COVID-19 levels, after the highs for the 2020 lockdown, where the supermarkets were the only foodservice businesses of any kind allowed to open. Despite these strong sales during 2020, the economic impact of COVID-19 and its effect on consumer spending is expected to soften demand. Forecasts for 2021 are for revenues to soften and this is anecdotally what the market is reporting. However, growth in grocery sales is expected to quickly return in subsequent years.

Graph 2. Grocery Industry Revenue Percentage Change Forecast 2020-2026



Source: Ibisworld.com New Zealand Food Sector Retail Report

Graph 3: New Zealand Retail Sales Figures September 2019 – March 2020 NZ\$ Millions



Source: Statistics New Zealand, Retail Trade Survey

In terms of total retail sales in New Zealand, Auckland dominates by a substantial margin. The region, made up mainly of the city, accounted for approximately NZ\$ 29 billion in total retail sales or 37 percent of the total New Zealand retail sales between September 2020 and March 2021. Auckland's share of retail sales is higher than its share of population because its residents have a higher discretionary income than other population centers. Auckland also benefitted from a quick COVID recovery which saw consumers return to normal habits quite quickly and this included increasing retail spending. Wellington and Canterbury are the other centers with the highest retail spending, and so the testing of new food and beverage products are best focused in these areas. They also have widest variety of taste preferences and they are the markets where the most volume can be gained quickly. According to the Statistics New Zealand Retail Trade Survey, the North Island accounts for about three-quarters of total retail sales, with the South Island accounting for the other one-quarter.

Distance to market has always been a challenge for sending products to New Zealand, but since COVID this challenge has grown. The number of ships that come down to New Zealand has been reduced as well as New Zealand faces significant challenges getting products off the wharves at its two main ports Auckland and Tauranga. Delays from products leaving these ports are anywhere from 1-2 weeks and that's on top of international shipping delays. While the shipping and port situations are challenging at this point industry sources report this it is likely to improve in the medium term.

Section 1.2: Trends in Retail

Online shopping is anticipated to play a more important role in the industry over the next five years, with the major players already improving their online channels. Moving to a greater online presence was where the market was already slowly shifting to, but COVID-19 and the resulting lockdown greatly accelerated demand from New Zealand consumers for online shopping. Both supermarket groups are looking at expansion of their online presence and in early May 2020, Countdown opened its first dark store (i.e. store/distribution hub for fulfilling online purchases only). Also, they removed their paper-based mailer and took this online. Industry sources note that New Zealand is likely to see a warehousing boom as the need for storage and distribution capacity increases because of the growth of online purchases.

Because of high labor costs, the grocery retail industry is also increasing automation. Both Foodstuffs and Countdown have had self-service checkouts as part of their stores for several years and this is expanding. Adding to this, the Foodstuffs brand Pak N Save now has scan as you go, so you can keep track of your grocery spending as well as save time at the checkout by handing them the scan wand so they can instantly download the final total.

Since the pandemic hit New Zealand consumers are placing more importance on the provenance of their food and grocery products. Kiwi consumers expect their products to have a great story of their pathway from the natural environment to their supermarket, include things like the natural ingredients, health benefits (if any) and if the packaging is recyclable or compostable. The result of this are the big three supermarkets, Foodstuffs, Countdown, and the Warehouse Group, have increased their level of requirement for the provenance of products and are prepared to work closely with suppliers to develop an approach instore.

Private label products are also increasing in New Zealand. Countdown and Foodstuffs operate private label businesses in New Zealand, and these are commonly referred to as the supermarket's own brands. They include the Natural Beverage Company, Pam's, and Countdown. These brands range across most food categories and retailers report that private labels can have an 8-10 percent positive increase on product margins.

Advantages and Challenges

Advantages	Challenges
The United States is one of the main suppliers for New Zealand food imports.	The United States can face increased shipping costs due to the distance to New Zealand.
New Zealand consumers view U.S. products as high-quality.	New Zealand has more stringent biosecurity requirements.
New Zealand is a follower of U.S. food trends.	The exchange rate can be volatile and can make products from the United States more expensive for New Zealand importers.

The United States has favorable trading with New Zealand and imports of U.S. products were US\$ 575 million in 2020.

Countries that signed the CPTTP may have price advantages over U.S. products.

Section II. Road Map for Market Entry

2.1 Entry Strategy

- Enter the market through a distributor, importer, agent or broker who then targets specific food categories or merchandise managers at major wholesalers and major supermarket chains. Major chains and wholesalers have their own distribution centers and national coverage. Specialist distributors or wholesalers may also be approached.
- Product promotion - product launches for supermarkets are popular and effective. Provide agent/distributors with promotional material and product suitable for in-store demonstrations. Promotional formats may vary.
- Australia and New Zealand share food standards and labelling requirements so sending products to both markets is a lot easier than other parts of the world, particularly for consumer goods.
- To enhance marketing activities, exporters should consider combining promotional advertising such as in-store displays and store catalogues, major industry magazines (e.g. FMCG business), and digital platforms.
- Exhibit at New Zealand food shows. Fine Food New Zealand is a bi-annual event which brings together major buyers and importers from all over the country and region.

2.2 Market Structure

- New Zealand is a well-developed market. Establishing good working relationships with importers/distributors and [sales and marketing agencies](#) is the key to entering the New Zealand marketplace. Approximately 90 percent of all imported food products are purchased and distributed within New Zealand by importers/distributors.
- New Zealand supermarkets mainly purchase imported products from importers and distributors rather than importing directly. In the case of Foodstuffs (NZ) Limited, they use sales and marketing agencies to facilitate the selling process of new products as well as their activation in store.
- Tariffs assessed on U.S. food products range from zero to 5 percent. Tariff rates can be found on the New Zealand Customs website: [New Zealand Working Tariff Document](#).
- The cost of international freight is a significant percentage of the final cost of a product. 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 go to the following link: [New Zealand customs duties 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 retail shelves during winter in the Southern Hemisphere.
- Innovative, environmentally friendly packaging has an advantage in retail 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 (MPI) performs random inspections on any food imported. 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](#).

2.3 Company Profiles

Supermarket Group	Ownership	Market Share (approximate)	Store Names
Foodstuffs (NZ) Ltd	New Zealand owned; made up of three independently owned co-operatives	47 percent	<ul style="list-style-type: none"> • New World - Full-service supermarkets • Pak'n'Save - Retail food warehouses • Gilmours - Wholesale food warehouses • Trent's – Wholesale food warehouses • Liquor Land – Alcohol retailer • Henry's – Alcohol retailer • Four Square- Convenience grocery stores • Raeward Fresh – Greengrocer • On the Spot- Convenience stores
Progressive Enterprises	Owned by Woolworths Limited (Australia)	32 percent	<ul style="list-style-type: none"> • Countdown- Full-service supermarkets • Supervalu - Convenience grocery stores • Fresh Choice -Fresh and gourmet food stores
Warehouse Group	New Zealand Owned	12 percent	<ul style="list-style-type: none"> • The Warehouse
Other independent and convenience stores	New Zealand Owned	09 percent	<ul style="list-style-type: none"> • Night N Day
Farros	New Zealand Owned	03 percent	<ul style="list-style-type: none"> • Farro Fresh

Section III. Competition

Products from the United States are viewed favorably in New Zealand, but strong competition from Australia, Asia, and the EU exists. Due to its proximity, Australia is by far the largest supplier of consumer-oriented food products to New Zealand, with the United States being second. New Zealand firms are price sensitive and affected by currency volatility, which causes them to shop around for

substitute products. In recent years, despite a strong U.S. dollar, imports from the United States have shown strong growth, and this continued in 2020 with consumer-oriented imports valued at US\$ 407 million.

Table 4. Value (US\$ billions) of New Zealand Imports for Consumer Orientated Products

Partner Country	2019	2020	Percentage Change
Australia	947	939	-84
United States	419	407	-2
China	148	156	+5
Singapore	197	152	-22
Germany	109	104	-4
Netherlands	99	96	-3
France	100	95	-5
Italy	80	92	15
Thailand	80	88	10
United Kingdom	80	78	-2

Source: Trade Data Monitor

Section IV. Best Prospect Categories

New Zealand often follows the United States and Australia in food trends. To-date there are several products that New Zealand food retailers are looking for, as part of their range expansion. One product area that supermarkets are on the lookout for is functional beverages. Functional beverages are beverages that convey a health benefit or performance enhancing substances such as vitamins, minerals, amino acids, and others.

Contactless shopping is a new theme in New Zealand stores so anything that has the perception of contact is not in favor. As a result, packaged foods are in high demand. For example, both pre-prepared and microwave popcorn have been selling well, and new flavors are always being sought because it is a growth category. Other packaged consumer goods of any type are likely popular choices as shopping trends move to online.

Premium ice-cream is a category that has also gone well in New Zealand, as well as several others in recent years. These include cheese, beverages, spices, sauces and confectionary. Other products in high demand are fresh fruit, where the United States benefits from being a counter-seasonal supplier. Pet food is another major import from the United States, with the United States being the number one supplier.

According to the major supermarkets, since the COVID-19 situation has receded in New Zealand, New Zealand shopping habits went from buying basics and necessities, such as goods for baking at home, to returning to buying their regular items. As people normalized their shopping they started to trend towards health and wellness products. Products such as functional beverages, natural vegetable products and anything with a sustainability angle are proving popular in the grocery basket.

Section V. Key Contacts and Further Information

Key information	Link
Import Health Standards	Click here
Food Act 2014	Food Act 2014
Food Safety	Click here
List of customs brokers	Click here
Contacting MPI	info@mpi.govt.nz
Sales and Marketing Agencies	Click here

Agricultural Affairs Office

Email: agwellington@usda.gov

Foodstuffs (North Island and South Island) Co-operative Society Limited

[Contact](#)

Progressive Enterprises

[Contact](#)

Warehouse Group

[Contact](#)

Attachments:

No Attachments