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Report Name: Retail Foods

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Report Highlights:

U.S. food and agricultural products have continued to prove popular in the New Zealand market, and in 2022 the value of these products was a record US\$ 629 million, US\$ 413 million of which were consumer-oriented products. The New Zealand grocery and food retail sector continues to expand. New Zealand imports from the United States include packaged food, pet food, grapes, pork, cheese, animal feed, beer, and wine. FAS/Wellington expects demand to remain strong for consumer food products both manufactured in-country and imported.

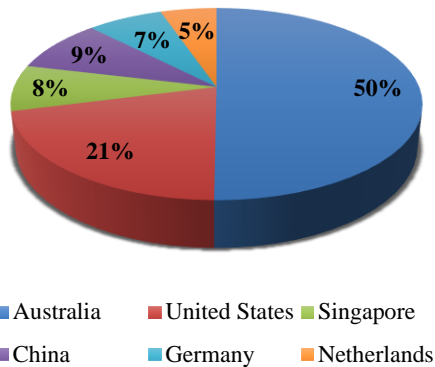
Market Fact Sheet: New Zealand

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



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.

Retail Food Industry

New Zealand's food retail sales reached US\$ 14 billion in 2022. The three largest retailers, Food Stuffs, Countdown and The Warehouse, plan to maintain investments in New Zealand's market. Together, the three groups represent 90 percent of retail revenues.

Costco opened in Auckland in September of 2022, with plans for further expansion in the future.

New Zealand continues to suffer both internal and external supply chain pressures. One of the key constraints on this is the cost of domestic coastal shipping within New Zealand. This makes the transport of goods from the North Island to the South Island very expensive.

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 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 having opened in Auckland in September 2022, will also increase competition in the sector as well as provide increased opportunities for U.S. food and beverages. If successful, Costco plans to expand into Wellington and Christchurch as well.

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; Pansare 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, delineated 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, as well as imports and 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.

As mentioned, in September 2022 Costco opened its first New Zealand store in the city of Auckland and industry sources indicate that it had the largest opening day of any store in Oceania and the memberships for the New Zealand store are growing at a rapid pace. This may cause some revenue pivoting away from neighboring competitors.

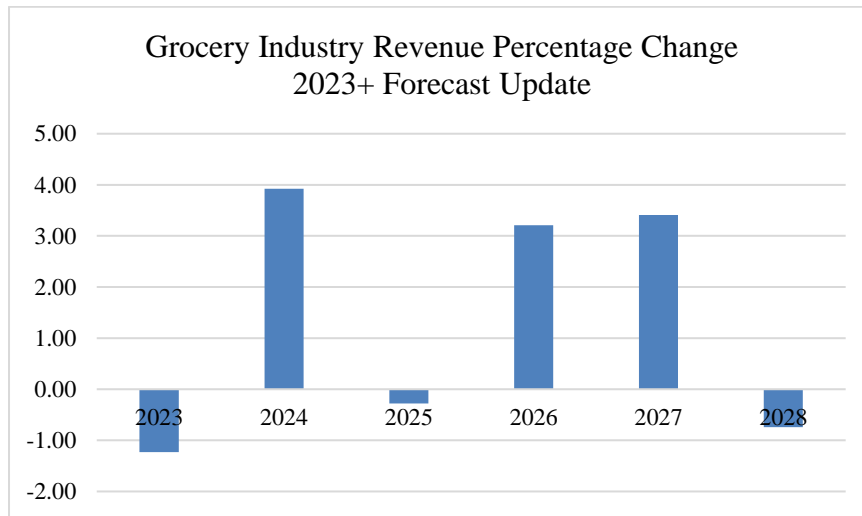
Graph 1.



Source: Statistics New Zealand, Retail Trade Survey

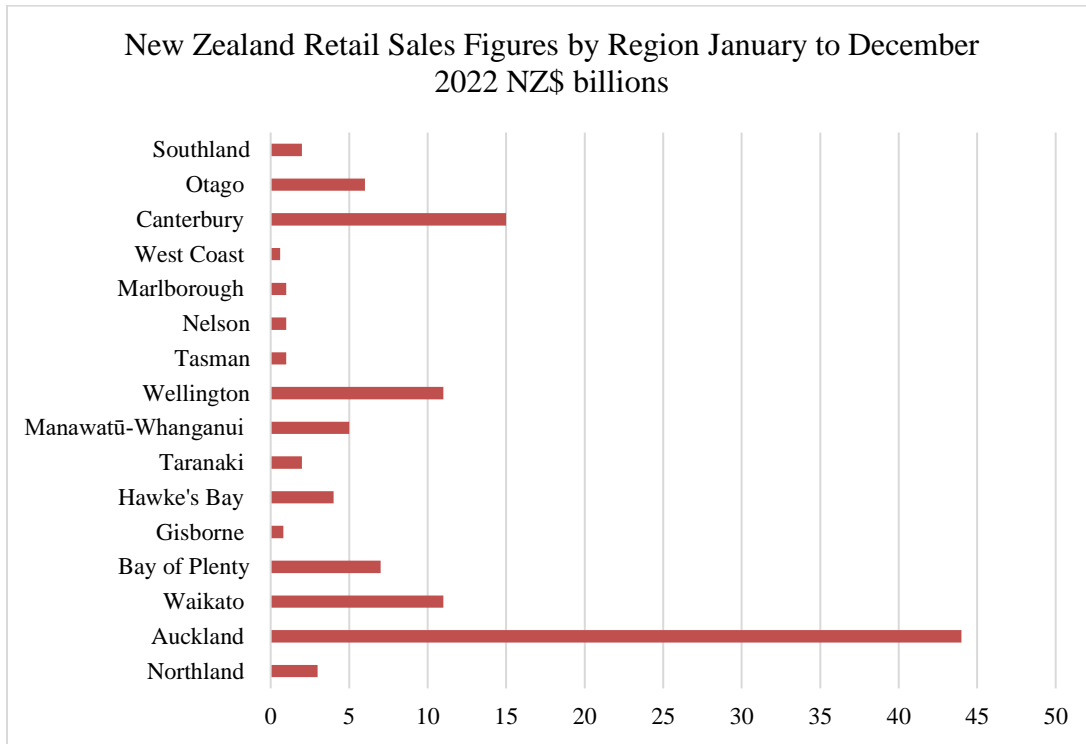
The New Zealand retail market has continued to show strong sales. Supermarkets and grocery sales continue to see rapid growth because of New Zealand's current inflationary environment. As New Zealand navigates 2023 it is faced with continued logistical challenges, high interest rates, and soaring household costs. As a result, consumer spending is beginning to soften, and grocery industry revenue is estimated to be falling in 2023, although recovery is expected in subsequent years (see Graph 2)

Graph 2.



Source: Ibisworld.com New Zealand Food Sector Retail Report

Graph 3:



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\$ 44 billion (US\$ 28 billion) in total retail sales or 37 percent of the total New Zealand retail sales between January 2022 and December 2022. 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 is also going through significant commercial redevelopments across the city, which are seeing new and or improved retail complexes rising. 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, 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. While this is still ongoing there are significant activities to improve port and transport logistics in both the short and medium terms.

Trends in Retail

Online shopping is beginning to play a more important role in the industry and will continue to 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 have expanded their online presence. Countdown opened several dark stores (i.e., store/distribution hub for fulfilling online purchases only). 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 minimum wage is now US\$14.31), 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 placed more importance on the provenance of their food and grocery products. Kiwi consumers expect their products to have a great story (provenance) of their pathway from the natural environment to their supermarket, include things like the natural ingredients and health benefits (if any), and state 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.

Pressure is growing on the discretionary income of New Zealand consumers, with price inflation running at 7 percent. What this means is New Zealand consumers are diverting a lot more of their discretionary food spend into more staple products. The result of this is a more considered approach to any luxury items they choose to purchase, and they will often look for products that have a significant point of difference or a major health benefit, such as products of both actual and perceived nutritional benefits. Home brands have exploded in popularity as consumers are trading away from premium brands to help make their grocery dollar go further, so there is a renewed interest in private label supply in New Zealand. Both [Countdown](#) and [Foodstuffs](#) operate large 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.

Potential Regulatory Change:

For the last thirty years New Zealand's grocery market has been dominated by two main companies. Food Stuffs New Zealand (split into two sub businesses of North and South Island's) and Woolworths New Zealand (Countdown Supermarkets). Since this situation began, both sides have amassed many

stores across the country, Food Stuffs have 400 and Countdown has 180. Late in 2021, the New Zealand Commerce Commission (the country’s company and industry watchdog) released a report that found that the lack of competition in the sector was not working well for consumers. The Commerce Commission also found major issues with the significantly high profits and issues facing suppliers as well. As this process unfolds, the supermarkets are cooperating with the Commission and recently the Commission made several recommendations, which are still under review by the Government.

The recommendations made by the Commission included;

- Increasing the number of grocery retailers in New Zealand;
- Government sponsorship of new entrants to spur competition;
- Develop a mandatory code of conduct to rebalance the relationship between suppliers and the retailers and to enforce best practice standards;
- Reduce the confusion on promotional pricing by introducing mandatory unit pricing.

The report documents are available [here](#)

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 a consolidated grocery sector that can make entry challenging.
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\$ 629 million in 2022.	Countries that signed the CPTTP may have price advantages over U.S. products.

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 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 are 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.

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](#).

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 • Gilmour's - Wholesale food warehouses • Trent's - Wholesale food warehouses • Liquor Land - Alcohol retailer • Henry's - Alcohol retailer • Four Square - Convenience grocery 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
Faros	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.

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

Partner Country	2022	2023	Percentage Change
Australia	1,038	944	-9
United States	424	413	-3
China	170	177	+4
Singapore	195	154	-21
Germany	155	140	-10
Netherlands	131	104	-20
France	116	102	-12
Thailand	108	114	+6
Italy	102	101	-.9
Indonesia	99	77	-22

Source: Trade Data Monitor

Section IV. Best Prospect Categories

Products such as functional beverages, natural vegetable products and anything with a sustainability angle are continuing to prove popular in the grocery basket. Functional beverages are beverages that convey a health benefit or performance enhancing substances such as vitamins, minerals, amino acids, and others. 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. Craft whiskey is growing in popularity in New Zealand, but importers are quite discerning about who they purchase from, so providence and brand are extremely important for success in this category.

Section V. Key Contacts and Further Information

Key information	Link
Import Health Standards	Click here
List of customs brokers	Click here
Sales and Marketing Agencies	Click here

Attachments:

No Attachments