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Date: 12/17/2000

GAIN Report #NZ0065

New Zealand

Retail Food Sector

Report

2000

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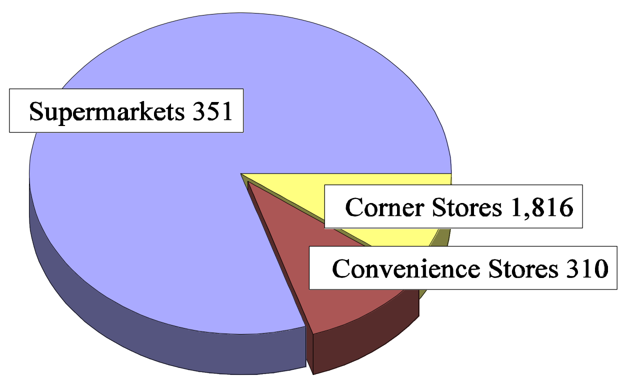
Report Highlights:
The New Zealand food retail sector has sales estimated at about US$3.4 billion. Supermarkets account for about 80 percent of these sales. The U.S. holds a 13 percent share of consumer oriented food imports.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Wellington [NZ1], NZ

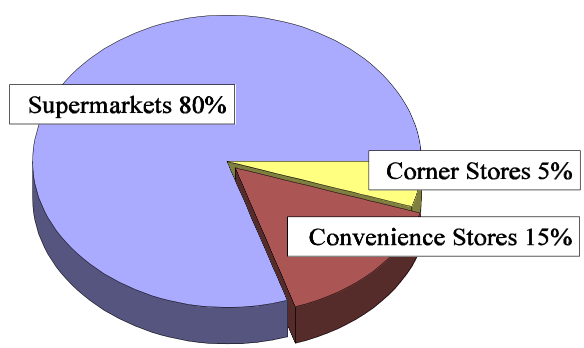
Section I. MARKET SUMMARY

- New Zealand is a small country (comparable in size to West Virginia) with a population of 3.8 million people. It is largely urbanized with two-thirds residing in the main urban areas, led by Auckland, Wellington and Christchurch**.**
- The United States is New Zealand's second largest trading partner. New Zealand is an importer of US$1.1 billion of agricultural products of which about two-thirds are consumer oriented products.
- New Zealand's supermarket sales are aprox. NZ$8 billion (US$ 3.4 billion), accounting for 80 percent of the total retail food market.
- New Zealand imported a total of US$732 million of consumer oriented foods in 1999, of which the United States holds a 13 percent market share. The U.S. share has declined slightly since 1997 due to the very strong U.S. dollar.
- This market is dominated by three supermarket groups: Foodstuffs, Progressive and Woolworths.
- In the past couple of years the supermarket retails and the gasoline stations have diversified sales to include ready-to-eat and hot-take-away foods.
- In New Zealand, there are 351 supermarket stores, 1,816 corner stores and 310 convenience stores, holding 80 percent, 5 per cent and 15 percent of retail sales respectively.

Breakdown of Store Number and Percent of Retail Sales



Percent of Retail Sales



Advantages	Challenges
Familiar business environment, including language, communication and customs	Weak New Zealand dollar against U.S. dollar increases import costs for U.S. products
Minimum barriers to trade including low tariffs	Closer economic ties with Australia eliminates tariffs on Australian products, while U.S. exports pay 0-7% tariffs.
U.S. products hold an image of ‘new’ and ‘high quality’	Strict phytosanitary/sanitary regulations with regard to some fresh produce and poultry.
U.S. counter seasonal production of fruits fills some market demand.	Large food multinationals, including U.S. firms, located in Australia supply many well-known brands of food products.

Average Household Food Expenditure

- According to the 1997-98 household survey, an average New Zealand family spends NZ$113.50 weekly on food; this is 16.6 percent of the net expenditure which is 4.5 percent higher than the previous survey.
- Following are the food expenditures by an average New Zealand family:

Household Food Expenditure (March 1998)

Commodity	Average per Household NZ$	% of total net expenditure %	% Change from 1997 %	Annual Expenditure by all households NZ$(millions)
Fruit	8.20	1.2	9.9	496
Vegetables	9.10	1.3	8.5	553
Meat	11.90	1.7	5.6	721
Poultry	3.60	0.5	10.3	215
Fish	2.20	0.3	4.8	131
Farm Products, fats, oils	12.90	1.9	0.7	781
Cereals, cereal Products	14.70	2.2	-0.5	893
Sweet Products, beverages	12.80	1.9	-0.1	774
Other foodstuffs	13.00	1.9	10.7	791
Meals Out, take- aways	25.10	3.7	4.6	1,522
Total	113.50	16.6	4.5	6,878

Source: Statistics New Zealand

Section II. Road Map for Market Entry

A. SUPERMARKETS

Overview

The New Zealand food retail sector is a NZ$8 billion (US$3.4 billion) industry. About 80 percent of the retail product food sales are made through supermarkets and 15 percent through gasoline stations/convenience stores and 5 percent through corner stores called dairies. There are three major players which dominate the New Zealand grocery market.

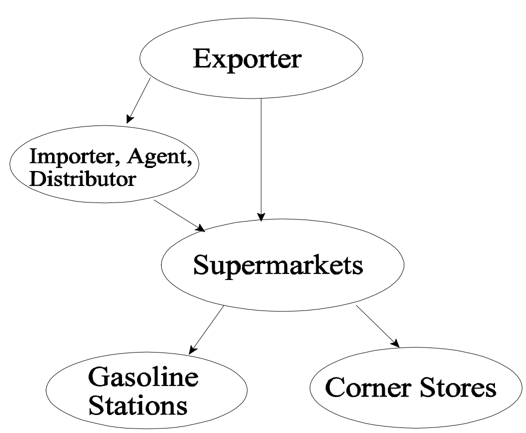
Market Structure

Supermarket Structure in New Zealand

Name of the company	Share of Sales	Name of the Stores
Foodstuffs Ltd	53%	New World, Pak N Save & Write Price
Progressive	27%	Foodtown, Coutdown, Fresh Choice and 3 Guys
Woolworths	18%	Big Fresh, Price Chopper and Woolworths
Super Value Ltd	02%	Super Value

Distribution Channel

New Zealand's supermarket distribution channels are relatively simple. The owners of the individual supermarket chains have distribution centers throughout New Zealand which distribute to each store. To get the products to the distribution centers the supermarkets either import directly from a foreign food exporter; or go through an import agent/ distributor, who generally distributes to all food retail outlets; supermarkets will also purchase directly from New Zealand food manufacturing companies.



Entry Strategy

- U.S. food products hold an image of ‘new’ and ‘high quality’.
- U.S. exporters can appoint agent, distributors or import brokers who then target food category/merchandise managers at major wholesalers and supermarkets chains. About 90 percent of imported retail food products are distributed through agents/distributors.
- Specialty importers/wholesalers may also be approached. For example, there are several importers who specialize in importing dried nuts or fruits and others who specialize in other consumer ready products.
- Bulk dry products can be supplied to a New Zealand distributor/importer, who in turn repackages them into retail sizes.
- New Zealand importers also make purchases from suppliers met at international food shows (e.g. FMI, ANUGA, SIAL).
- Advertising and sampling of the product in supermarket chains will help promote new items. Product also can be introduced/advertised through retail magazines in New Zealand (e.g. Retail Today and Grocers’ Review).
- Fresh products can be marketed directly through speciality importers who can approach produce managers at the major supermarkets.

Company Profiles

Retailer Name and Outlet Type	Ownership	Sales (US$Mil)	No. of outlets	Purchasing Agent Type
Foodstuffs Limited- distributor to Pak’n’Save, New World, Write Price and 4 Square supermarkets	New Zealand owned	1,802	186	Direct, Agent, Importer
Progressive- distributor to Foodtown, Countdown, Fresh Choice and Supervalue supermarkets	Australian owned	986	95	Direct, Agent, Importer
Woolworths- distributor to Woolworths, BigFresh, and Price Chopper supermarkets	Hong Kong owned	612	63	Direct, Agent, Importer

Food Trends

Retail food sales are being affected by New Zealander’s changing lifestyles and emerging trends like:

- New Zealand consumers are open to 'new' or 'unique' U.S. food products. Consumer ready foods continue to dominate the import market.
- The traditional N.Z. 'starting from scratch' meals are in decline and heat & eat, frozen foods and ethnic carry-out food consumption is increasing.
- The aging population and high media focus on health and diet foods will mean a shift towards a health conscious consumer with a desire for fresh foods, diversity of product, and a sophistication of choice.
- The multi-cultural population will mean an increase in consumption of ethnic foods at home. Supermarkets are responding to this with increased shelf space and range of ethnic products with fresh, frozen and ready-to-eat meals.
- The trend towards meat-free meals is growing, with one in two New Zealand consumers eating at least one meat-free meal per week.
- The frozen meal category is growing. Frozen foods made up 5.8% of scanned grocery products. Of this, frozen poultry comprised 26.6%, frozen vegetables 23.9%, frozen meals 7.7% and processed fish 7.6%.
- A household spends an average NZ$113.50 (US$51.00) per week on food (77.9% is spent on home meals). Over the last 2 years this reflects a decline in spending on dairy and sweet products (spreads, beverages) while there has been an increase in vegetable, fruit and fish purchases.
- Almost 60% of New Zealanders have access to the Internet. More than one in five internet users have purchased a product or service via the internet with a 46% increase in people who have purchased a product or service on-line. Food purchases by internet, however, are very limited.
- Due to busy lifestyles and demanding workplaces, the trend to eat out or use ready-to-eat and heat & eat meals are on the rise. Microwave ovens are present in 70 percent of homes. There are opportunities for U.S. exporters of prepared or microwave-ready meals, frozen and pack-to-plate foods and snacks but strong competition exists from Australian and New Zealand products.

B. CONVENIENCE STORES/GAS STATIONS

Overview

Gasoline stations in New Zealand are the main players in the convenience store market. These are generally the large petrol stations, open 24 hours a day, seven days a week. They sell fast food, snack food and a limited number of grocery items. There are five main players in the petrol station/convenience store market, and the competition is extremely fierce.

More and more petrol stations are turning the food retail section into a branded retail store. These stores are positioned at the petrol outlet and can be immediately identified with the petrol company.

Entry Strategy

- Appoint a local agent/distributor in New Zealand to ensure distribution, availability of product and product promotion.

- Convenience stores generally sell a limited grocery range, gasoline and ready-to-eat hot foods, and are open 24 hours.
- Convenience stores generally buy their products from the supermarket or directly from the distributor/importer/manufacturer of the product.

COMPANY PROFILES

There are five competing Gasoline companies in New Zealand, four of which have brand names for their retail convenience stores. The number of outlets mentioned are the number of convenience outlets and not the total number of gasoline stations.

Retailer Name (Store Name)	**Ownership**	**No. of outlets**	**Purchasing type**
Shell (Select)	New Zealand & Australia	95	Wholesalers/Manufacturers/Agents
Caltex (Star Mart)	U.S.	92	Wholesalers/Manufacturers/Agents
BP (Express)	British	60	Wholesalers/Manufacturers/Agents
Mobil (On the Run)	New Zealand	39	Wholesalers/Manufacturers/Agents
Challenge!	New Zealand	24	Wholesalers/Manufacturers/Agents

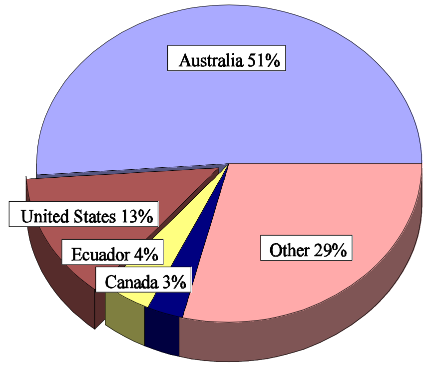
C. TRADITIONAL MARKETS, SMALL INDEPENDENT GROCERY STORES

In New Zealand number of corner stores are declining because of the popularity of gasoline stations/convenience stores, which are open 24 hours and seven days a week.

U.S. exporters have an extremely limited opportunity for sales of U.S. food products to this market.

SECTION III. COMPETITION

Competition for NZ's Consumer Oriented Food Products

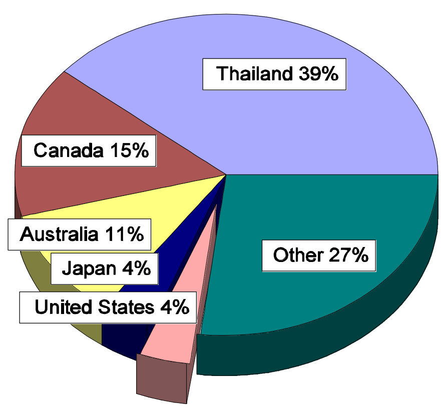


Source: FAS Global Agricultural Trade System using data from the United Nations Statistical Office

Australia is the major competitor to U.S. consumer oriented food imports. Australia supplies more than 50 percent of the consumer oriented food products mainly because of the Closer Economic Relations Agreement between Australia and New Zealand, which eliminates tariffs on Australian products. U.S. food products pay between 0-7 percent tariffs.

Many multinational companies, including American firms, have a manufacturing base in Australia and supply well known brands of food products. After Australia, there is limited competition to U.S. exports of consumer oriented food products, as the U.S. holds the next largest market share. However, there is some competition from certain Canadian products, especially from canned fish *(salmon)* and a few other food products like mayonnaise, pickles and syrups. Canadian products pay no tariffs.

Competition for NZ's Imported Fish & Seafood Products



Source**:** FAS' Global Agricultural Trade System using data from the United Nations Statistical Office.

The U.S. is New Zealand's fifth largest supplier of fish and seafood products with a 4 percent market share. The U.S. market share is largely composed of canned salmon sales. This product makes up 80 percent of U.S. exports of fish and seafood products. Sales of other U.S. fishery products are dependent on their price competitiveness. Thailand with a 43 percent market share is the largest supplier, however, their main products are frozen shrimp and canned tuna. Canada, the third largest supplier, is a direct competitor with the U.S., as 76 percent of their market share is also composed of canned salmon sales. Japan supplies mostly shell-fish, and Australia, mostly crustaceans.

SECTION IV. BEST PRODUCT PROSPECTS

A. PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL

- Fresh fruits, especially grapes, stone fruits (nectarines, peaches and plums), oranges, and pears during New Zealand's off-season;
- Snack foods, including nuts (almonds, pistachios, walnuts) and dried fruits (raisins, mixed fruit, dates, figs);
- Canned salmon
- Pet food, especially high quality or high nutrition.

B. PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL

- Health foods, such as high energy bars and drinks;
- Niche market food preparations, especially new products or those offering special nutrition or other benefits or conveniences
- Ethnic foods
- Wine: high end product could grow with promotion

C. PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS

- Uncooked poultry parts: disease and salmonella concerns currently block exports but further work on an import risk assessment is in progress.
- Miscellaneous fresh fruits; these products could have access if an import health standard is conculded.

SECTION V. POST CONTACT AND FURTHER INFORMATION

United States Embassy/Wellington
Foreign Agricultural Service
PSC 467, Box 1, FPO AP, 96531-1001
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e-mail: agwellington@fas.usda.gov
Internet homepage: http://www.usia.gov/posts/wellington

List of Useful Government Agencies and Trade Associations

Australia New Zealand Food Authority (ANZFA)
Internet Homepage: http://www.anzfa.govt.nz

Ministry of Agriculture and Fisheries (MAF)
Internet Homepage: http://www.maf.govt.nz

Ministry of Health
Internet Homepage: http://www.moh.govt.nz

Ministry of Foreign Affairs and Trade
Internet Homepage: http://www.mfat.govt.nz

Statistics New Zealand
Internet Homepage: http://www.stats.govt.nz

New Zealand Grocers Review
Internet Homepage: http://www.grocersreview.co.nz

New Zealand Grocery Marketers' Association
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