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Report Highlights:

New Zealand's food and agricultural imports from the United States rose by 10 percent in 2019, totaling US\$ 587 million, US\$ 382 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 NZ\$ 40,096 in 2019, and the economy grew by 2.3 percent. While this growth is modest compared to projections, the economy is underpinned by its open and transparent trade and investment environment and vibrant trade links with emerging economies, particularly in Asia. COVID-19 is expected to impact GDP growth in 2020, however New Zealand has recovered relatively quickly compared to other countries.

Quick Facts CY 2019

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) Baked goods |
| 5) Sauces | 6) Wine |
| 7) Chocolate crumb | 8) Beer |
| 9) Sugar | 10) Beverages |

Consumer Orientated Food Sales (US\$)

Exports	\$23 billion
Imports	\$2.8 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\$*): 256

GDP per capita (*NZ\$*): 40,096

Sources: Reserve Bank of New Zealand,

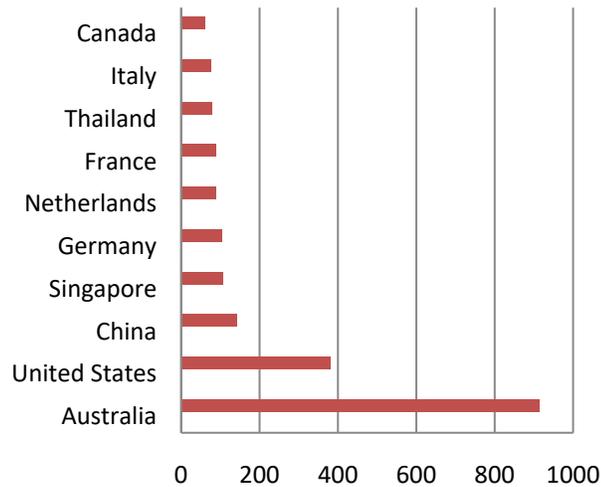
Retail Industry

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\$ 4.9 billion in agricultural and related products in 2019. US\$ 2.8 billion, or 57 percent of total imports, were of consumer-oriented products. The United States supplied US\$ 382 million of consumer-oriented products in 2019.

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



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.

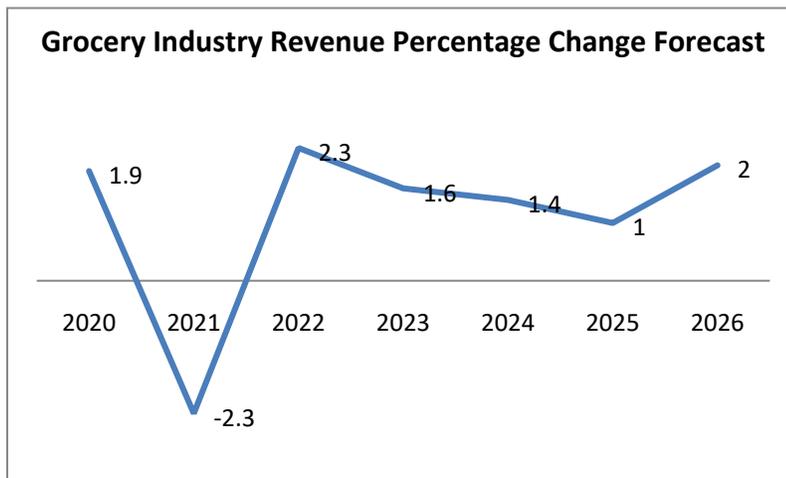
Overall, it has been a difficult period for the New Zealand retail market, but grocery sales have been strong. Supermarket and grocery surged during the first quarter of the year as New Zealand went into lockdown. Supermarkets were the only retail outlets that remained open and mixed in with this was some unprecedented panic buying. Despite these strong sales during early 2020, the economic impact of COVID-19 and its effect on consumer spending is expected to soften demand for the second half of 2020 and into 2021. As a result, although grocery revenue is still forecast to increase nearly 2 percent in 2020, it is forecast to fall a similar amount in 2021 before recovering (see Graph 2 below).

Graph 1. Seasonally Adjusted Retail Sales Volumes by Industry December to March 2020 NZ\$ Millions



Source: Statistics New Zealand, Retail Trade Survey

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



Source: Ibisworld.com New Zealand Food Sector Retail Report

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\$ 28 billion in total retail sales or 37 percent of the total New Zealand retail sales between September 2019 and March 2020. 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. 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.

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



Source: Statistics New Zealand, Retail Trade Survey

Costs are a factor when exporting to New Zealand, and it is important for exporters to remember New Zealand has strict biosecurity rules, some of which are outlined in section two. The certifications, shipping, and arrival costs do add to the price, as well as a Goods and Services Tax (GST) of 15 percent, which is applied on all imported and domestic goods. Another consideration is high in-country transport costs. These can become a challenge and, in some cases, add substantial costs to the final product price. To mitigate this, FAS/Wellington recommends exporters to choose import partners wisely and work with them on an in-country transport plan to minimize costs.

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, 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.

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 grew by 10 percent in 2019, reaching a new record.	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 2019 with consumer-oriented imports up another 11 percent.

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

Partner Country	2018	2019	Percentage Change
Australia	966	913	-5
United States	342	382	+11
China	140	143	+2
Singapore	120	107	-10
Germany	76	105	+38
Netherlands	105	89	-15
France	88	89	+1
Thailand	76	78	+2
Italy	67	76	+13
Canada	62	60	-3

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. For more information on the pet food market please see this [report](#).

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
Prohibited and restricted item import list	Prohibited and Restricted Import
Pirated or counterfeit items list	Pirated or counterfeit items
Hazardous substances information	Hazardous substances
List of customs brokers	Click here
Contacting MPI	info@mpi.govt.nz
Processed food industry	Click here
Sales and Marketing Agencies	Click here

Agricultural Affairs Office

Email: agwellington@usda.gov

Foodstuffs (North Island) Co-operative Society Limited

Tel: +64-9-621-0600

[Contact](#)

Foodstuffs (South Island) Co-operative Society Limited

Tel: +64-3-353-8700

[Contact](#)

Progressive Enterprises

[Contact](#)

Warehouse Group

26 The Warehouse Way

Northcote

[Contact](#)

Attachments:

No Attachments