THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 9/28/2018

GAIN Report Number: NZ 1821

New Zealand

Food Service - Hotel Restaurant Institutional

2018 HRI Food Service

Approved By:
Rey Santella – Agricultural Counselor

Prepared By:
Brendan Cody – Agricultural Marketing Specialist

Report Highlights:
New Zealand's $10 billion tourism sector continues to grow and is fueling demand for food and agricultural products. The food service and hospitality industries expanded by an estimated 6.8 percent while the food and beverage sector grew 42 percent in 2017. These expanding sectors are driving demand for consumer orientated products, particularly food preparations which are used to process meat-based foodstuffs, baked goods, sauces, wine, confectionary, etc. This sector is expected to grow 23 percent by 2024.

Table of Contents

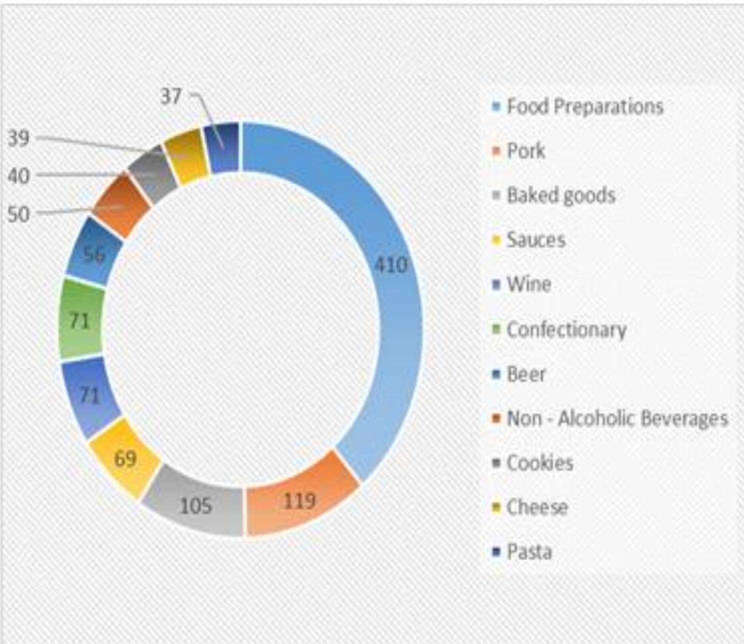
Market Fact Sheet: New Zealand

Executive Summary

New Zealand provides many opportunities for U.S. companies. New Zealand's economic and investment environment is open and transparent and it has strong trade and economic links with the United States. Stringent biosecurity regulations, however, are a challenge, but trade opportunities continue to grow. New Zealand is a wealthy economy with per capita GDP of $U.S.39,764 in 2017. New Zealand's economy is projected to grow by 3 to 3.5 percent in 2018.

Imports of Consumer Oriented Products

New Zealand imported $2.6 billion in consumer-oriented products in 2017. Primary suppliers were Australia, the United States, China, Singapore, Netherlands, and Thailand. While many of these goods enter the retail (grocery) channels, some of these products find their way into New Zealand's hotel and food service sectors.



$U.S.millions
Source: Global Trade Atlas

Food Processing Industry

Food, beverage, and grocery manufacturing accounts for almost one third of the country's manufacturing sector. The food and beverage processing sector accounts for U.S.$21 billion and is experiencing growth in a number of areas.

Quick Facts CY 2017

<u>Value of Tourism Sector:</u> $U.S.10 billion

<u>Combined Value of Hotels and Restaurant Industries:</u> $U.S.6.7 billion

<u>List of Top 10 Growth Consumer Ready Products in New Zealand</u>

1) Non-alcoholic beverages
2) Sauces
3) Wine (still)
4) Fresh cut roses
5) Tomato sauces/ketchup
6) Juice from single fruit
7) Soy sauce
8) Sparkling wine
9) Frozen orange juice
10) Beer

<u>Profit and percentage growth by industry</u>

Industry	**Profit**	**Growth**
Hotels and Resorts	$U.S. 142 mil	2.2 percent
Cafes/Restaurants	$U.S. 198 mil	4.0 percent
Catering Services	$U.S. 33 mil	2.6 percent

<u>Top New Zealand Hotel Chains</u>

- Westin
- Accor
- Hilton
- Hyatt
- Millennium
- Rydges
- InterContinental

<u>GDP/Population</u>

Population *(millions)*: 4.5
GDP *(billions USD)*: $185.00** (2017), $176.00 (2016)
GDP per capita *(USD)*: 39,889 PPP

Sources: Tradingeconomics.com, **Post:** FAS Wellington, brendan.cody@fas.usda.gov

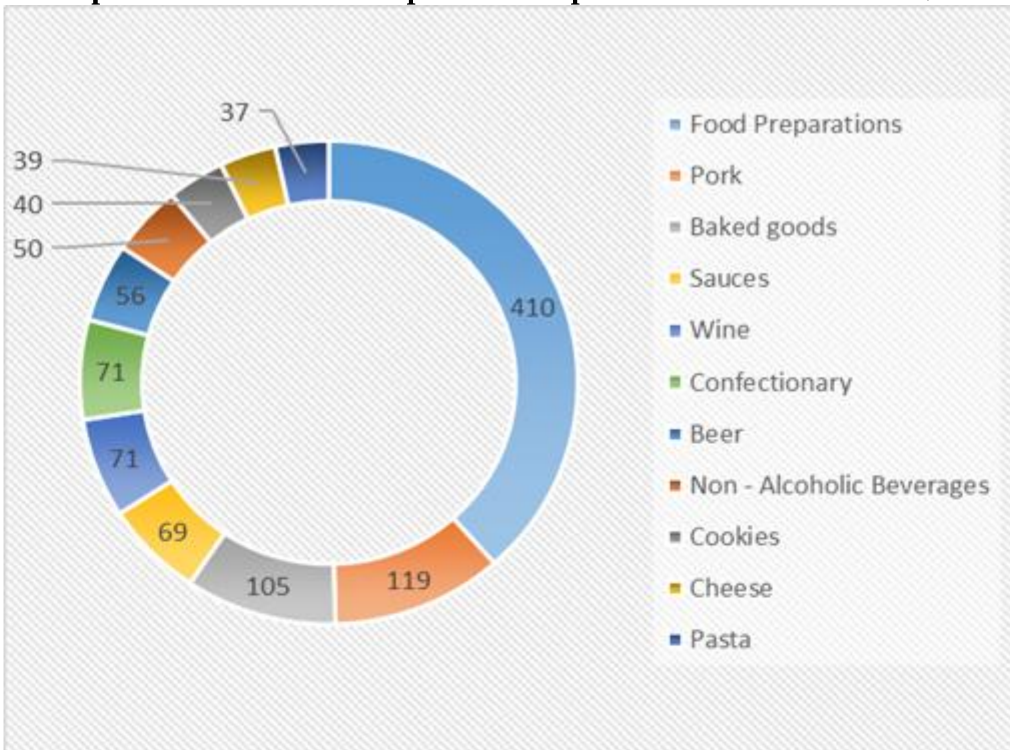
Strengths/Weaknesses/Opportunities/Threats

Strengths
NZ importers cater to the HRI sector.
Opportunities
Consumers are open to various international cuisines, providing opportunities fo a broad range of U.S. food and beverage (F&B) products.

Section I. Market Summary – New Zealand

New Zealand's tourism industry is valued at more than $10 billion and is the second largest revenue generator after the food and agricultural industry. This sector relies on the food service and hospitality industries to meet the rising consumer demand for food and beverage products and services. This growth presents numerous opportunities for U.S. exporters.

Chart 1 – Top consumer orientated products imported into New Zealand $U.S. millions



$U.S. millions
Source: Global Trade Atlas

New Zealand imported approximately $2 billion of consumer oriented food products in 2017. The United States was the second largest supplier of consumer-orientated food products to this market with exports valued at $330 million. Chart 1 illustrates the top consumer orientated products demanded by the tourism sector. The food service and hospitality industries expanded by an estimated 6.8 percent, while the hotel sector grew 42 percent in 2017. These expanding sectors are driving demand for consumer orientated products, particularly for food preparations, which totaled $410 million in 2017. These products are used to process meat-based foodstuffs, baked goods, sauces, wine, confectionary, etc. This sector is expected to grow 23 percent by 2024.

IA. Overview of the New Zealand Hospitality Industry

The New Zealand government forecast visitor arrivals to New Zealand to grow 4 to 5 percent by 2024. Australians make up the largest group of international visitors with an estimated 1.5 million tourist visiting New Zealand in the year ending July 2018. Visitors from China, U.S., UK, Germany, and Japan are also increasing. For instance, in the past year, the number of tourist from the United States rose by 5 percent, the United Kingdom 10 percent, and China 12 percent. This expanding tourist base is fueling demand for a multitude of food and beverage products.

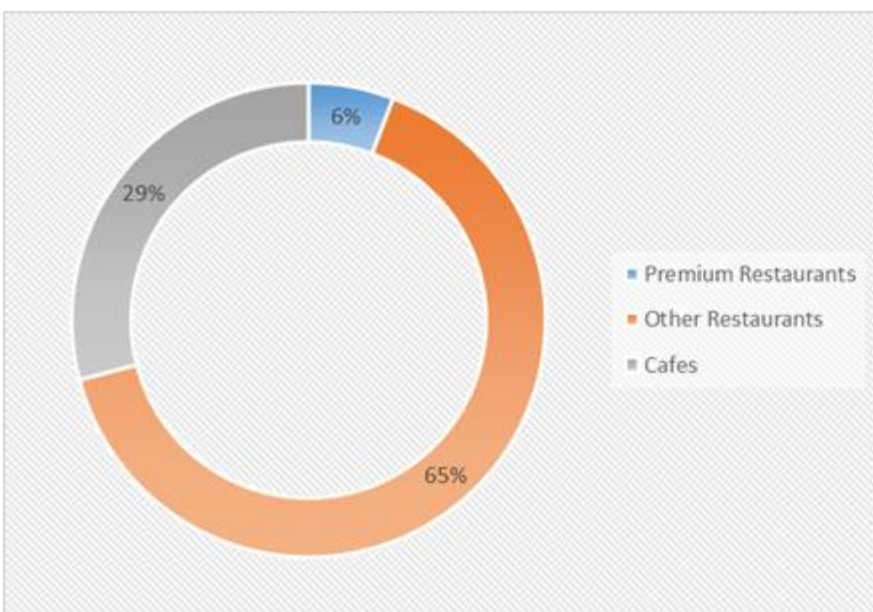
The majority of international visitors stay in hotels and motels, with Auckland and Queenstown being the most popular destinations. Holiday parks and backpacking establishments round out the top four commercial accommodations in New Zealand.

The growing number of visitors and continued rise in local discretionary incomes are likely to enable New Zealand's foodservice industry to expand and is likely to fuel demand for fresh and processed food products such as food preparations, meat products, baked goods, sauces, wine, and confectionary. It's estimated that tourist expenditures could exceed $11 billion. Due to limited production of high quality food inputs and ingredients, New Zealand food manufacturers are increasingly turning to international suppliers to address these shortfalls.

IB. Overview of the New Zealand Food Service (Cafes and Restaurants) Industry

New Zealand's food service industry is made up predominately of small-to-mid-range cafes and takeaway restaurants. The other categories are premium restaurants, 1 to 2 Michellen star restaurants, and diner style cafes. There are opportunities in all segements of the food service sector and it's best to enter the New Zealand market via importers and distributors.

Chart 3 – Foodservice Industry (Cafes and Restaurants) Product Segmentation



Source: IBISWorld Industry Report, Cafes and Restaurants in New Zealand. Ibisworld.com

Table 1 – Key Food Service and Accommodation Regions in New Zealand

Foodservice by Location	Percentage of Outlets (average)
Auckland	16 percent
Wellington	6 percent
Waikato	4 percent
Bay of Plenty	3 percent
Canterbury	6 percent
Otago	5 percent

Source: IBISWorld Industry Report, Cafes and Restaurants in New Zealand. Ibisworld.com

The table above identifies the cities with the highest concentrations of food outlets and hotels, which includes Auckland, Wellington, Tauranga, Hamilton, and Christchurch. The city of Otago in 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 enable exporters to capitalize on companies that have nation-wide distribution networks. Post recommends conducting the appropriate due diligence when selecting importers and distributors.

Table 2 – Advantages and Challenges for U.S. Exporters

Advantages	Challenges
New Zealand has an established base of experienced importers that cater to the HRI sector.	The high cost of shipping makes imported products more expensive.
The foodservice sector is familiar with the availability, quality and applications of U.S. F&B products.	Strong competition from Europe, Australia and China for F&B products.
Consumers are open to various international cuisines.	Consumers are price-sensitive.
The United States produces large volumes of products that New Zealand producers cannot supply domestically.	The recent appreciation of the U.S. dollar compared to the New Zealand dollar makes U.S. F&B products more expensive.

Section II. Road Map for Market Entry

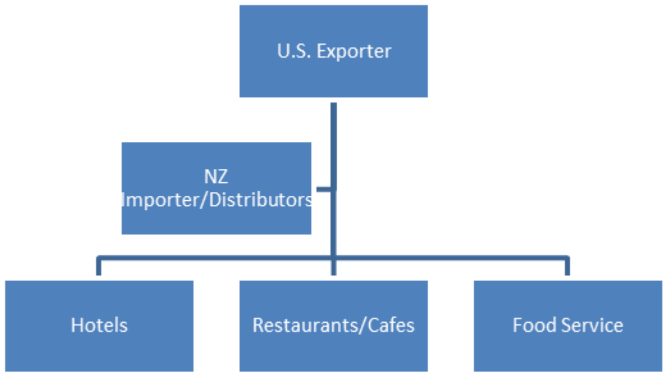
ENTRY STRATEGY

- Enter the market through a distributor, importer, agent or broker who then targets specific food categories or food importers and distribution companies. Major chains and wholesalers have their own distribution centers and national transportation networks. Targeting major chains through an agent/distributor will reduce the risk of entering an inappropriate channel. Specialized distributors or wholesalers may also be approached.
- Product promotion - product launches for supermarkets are popular and effective. Promotional formats may vary.
- To enhance marketing activities, exporters should consider combining promotional advertising with in-store displays, store catalogues, and 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 5 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.
- For a complete guide on import duties and charges, please check this link: https://www.customs.govt.nz/personal/import-allowances-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 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 of Agriculture performs random inspections on any imported food. High-risk foods can be targeted for inspection at a higher frequency.
- As of May 2018, Food Standards Australia New Zealand requires mandatory allergen labelling requirements for products containing lupin. Allergy Information for Industry.

Chart 4: Food Distribution Network for Hotels, Food Service and Restaurant/Café



Sub Sector Profiles

Sub Sector	Company	Links
Hotels		
	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
Restaurants		
	Blackstone Group	https://blackstone.co.nz/hospitality-management/
	Barworks Group	https://www.barworks.co.nz/
	Wellington Hospitality	https://whg.co.nz/
	Good Group Hospitality	http://www.goodgroup.co.nz/
	Kiwi Hospitality	http://www.kiwihospitality.com/
	Lawrenson Group	http://www.lawrensongroup.co.nz/
	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/
Institutional		
	Compass Group	http://compass-group.co.nz/our-brands/medirest/
	Spotless Group	https://www.spotless.com/services/catering-hospitality/

Section III. Competition

Table 4. Value ($U.S. millions) of New Zealand Imports for Food Ingredients and Consumer Related Products

Partner Country	2016	2017	Percentage Change
Australia	1,259,673,661	1,434,279,138	+13.86
United States	425,361,722	464,281,610	+9.14
China	231,232,215	252,258,930	+9.09
Indonesia	157,019,917	224,600,266	+43.00
Malaysia	178,822,851	193,809,742	+8.38
Thailand	146,471,856	159,857,209	+9.14
Argentina	113,151,411	127,127,335	+12.35
France	122,484,406	125,090,277	+2.13
Netherlands	92,782,746	122,039,892	+31.5
Singapore	111,363,707	116,805,311	+4.89

Source: Global Trade Atlas.

Generally speaking, 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.

New Zealand's food processing sector comprises an estimated 8 percent of the country's food sector and is valued at more than $20 billion. A large percentage of New Zealand's exports are produced using a variety of inputs not readily available in the country. This lack of capacity provides opportunities for U.S. exporters and New Zealand wholesalers and distributors.

Table 5. Competition in retail food product categories

Product Category	Major Supply Sources	Advantages and Disadvantages of Local Suppliers
Fresh Grapes	1. U.S. 56%	

Total Imports: 12,431 metric Tons Total Value: $31.7 million (U.S.)	2. Australia 22% 3. Chile 14%	New Zealand is a producer of wine grapes, however, it is more economical to import table grapes.
Fresh Fruits (Apricots, cherries, peaches, plums, nectarines) Total Imports: 710 metric tons Total Value: $U.S. 1.7 million	1. U.S. 87% 2. Chile 13%	New Zealand is a producer of these fruits, however, during May through October local fruit is unavailable creating a window of opportunity for U.S. fruits.
Red Meat (Chilled/Frozen) Total Imports: 58,109 Total Value: US$184 million	1. Australia 26% 2. Spain 21% 3. Canada 12% U.S. (5th largest market and 8% market share)	New Zealand does not meet local demand for pig meat at a competitive price. U.S. pig meat is imported for further processing in New Zealand.
Citrus Fruit (Mandarin, orange, grapefruit, lemons) Total Imports: 19, 945 metric tons Total Value : $U.S. 28 million	1. U.S. 56% 2. Australia 42%	New Zealand has a small citrus industry and the quality is inconsistent.
Fruit and Vegetable Juices Total Imports: 21, 061 metric tons Value: $U.S.36 million	1. Brazil 25% 2. Australia 24% 3. Thailand 10% (U.S. is the 4th largest market and 5% market share)	New Zealand has limited production of fruit concentrates/juices.
Dry Fruit (Dates, Figs, raisins cranberry, prunes, apricots, peaches)	1. Turkey 30% 2. U.S. 29%	No local producers of dates, figs, raisins and prunes.

Imports: 12,224 metric tons Total Value: $U.S. 25 million	3. China 10%	
Dry Nuts (almonds/ walnuts/pistachios) Imports: 12,068 metric tons Total Value: $U.S. 78 million	1. Vietnam 35% 2. U.S. 24% 3. Australia 23%	New Zealand is not a producer of dry nuts.

Source: Global Trade Atlas

Section IV. Best Product Prospects

Table 6. New Zealand Market Product Opportunities With Sales Potential

Category	**Total Value of Imports ($U.S. million)**	**Total U.S. Export Value ($U.S. million)**	**U.S. 3 Year Growth Rate (Percent)**
Chocolates	11.8	1.02	5
Preserved Fruit/Bars	0.885	0.234	3
Pet Food	10.7	0.78	4
Beverages(non-alcoholic)	7.6	0.86	18
Chocolate Bars	3.9	0.293	8
Meat and Seafood Extracts	219	9	2
Fresh Cheese	9.4	0.148	11
Innovative Foods	32.1	2.3	6
Wine	17	1.9	54
Soy Sauce	6.8	0.316	23
Sauces and condiments	69	6.7	9.8
Food Preparations	410	66	0.37

Source: MBIE, Emerging Growth Opportunities in New Zealand Food and Beverage 2017.

Processed or snack foods in New Zealand is also a growing market and it provides opportunities for U.S. exporters who sell prepacked food and ingredients for manufacturing. Table 7 illustrates the additional food ingredients and consumer ready products demanded by New Zealand customers.

Table 7. Products Not Present In Significant Quantities But Have Good Sales Potential

Top 5 Small Quantity Products With Large Growth	
Category	**Market Growth 16/17 (percent)**
Pasta	303
Fresh Apples	56
Chocolate preparations in blocks	81
Frozen Strawberries	409
Cheese curd	1316

Source: Global Trade Atlas

Section V. Key Contacts and Further Information

Agricultural Affairs Office
American Embassy
29 Fitzherbert Terrace
Thorndon Wellington
Tel: +64-4-462-6030
Email: agwellington@usda.gov

Foodstuffs (North Island) Co-operative Society Limited
PO Box CX12021
Auckland, New Zealand

Foodstuffs (South Island) Co-operative Society Limited
167 Main North Road, Papanui
Christchurch, New Zealand

Progressive Enterprises
Private Bag 93306
Otahuhu, Auckland, New Zealand

Food Standards Australia New Zealand (FSANZ)

108 The Terrace
Wellington 6036
New Zealand
Tel: 64-4-978-5631
Fax: 64-4-473-9855
Internet Homepage: www.foodstandards.govt.nz

Restaurant Association of New Zealand
Phone: 64-9- 378-8403
Fax: 64-9- 378-8585
Internet Homepage: www.restaurantnz.co.nz

Davis Food Ingredients
Website   **Contact:** Irene Cahill Product Development Manager, icahill@davis.co.nz