

Required Report: Required - Public Distribution

Date: September 23, 2022

Report Number: NZ2022-0012

Report Name: Food Service - Hotel Restaurant Institutional

Country: New Zealand

Post: Wellington

Report Category: Food Service - Hotel Restaurant Institutional

Prepared By: Brendan Cody

Approved By: Levin Flake

Report Highlights:

The Covid-19 pandemic had a major effect on the Hotel, Restaurant, Institutional (HRI) sector in New Zealand. This is especially true of the tourism and hospitality sectors which have been severely hit by the closed international borders. In 2022, New Zealand began a process of normalizing its COVID-19 restrictions. This has seen tourism numbers improve over the short space of time since the re-opening of borders and is having a positive impact on the sector. New Zealand imports of U.S. food and beverage products have held up well so far this year and are on a similar pace to 2021, when a record US\$ 622 million of U.S. agricultural products were imported.

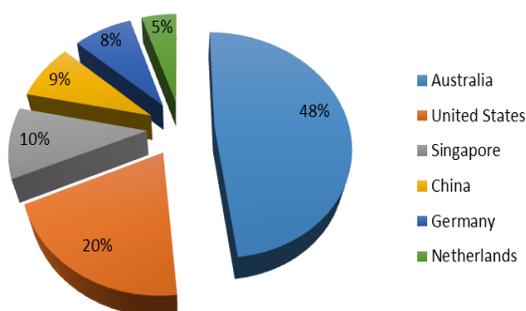
Market Fact Sheet: New Zealand

Executive Summary

New Zealand is a wealthy economy with a GDP per capita of US\$ 47,160. The economy grew by 3.0 percent in 2021 despite the impact of COVID-19. However strong headwinds are beginning to bite in 2022, house prices have fallen to thirty-year lows, interest rates are between 6-7 percent and second quarter inflation (April-June) sits at 7.9 percent, levels not seen since the early 1980s.

Imports of Consumer-Oriented Products

New Zealand Imports of Consumer Orientated Products 2021



New Zealand is an island nation with a small geographic area. This geographic area limits production and requires it to import large quantities of food products for all its food sectors. The country imported US\$ 3.4 billion of consumer orientated products in 2021. Primary suppliers were Australia, the United States, Singapore, China, Germany, and The Netherlands.

Food Processing

Food, beverage, and grocery manufacturing accounts for almost one-third of New Zealand's manufacturing sector. Food and agricultural related sales accounted for US\$ 29 billion and is a sector that is experiencing growth in several areas. Along with the HRI sector, manufacturing accounts for most of the food ingredients consumption in New Zealand.

Data and Information Sources: Trade Data Monitor LLC, Trading Economics. Statistics New Zealand, Reserve Bank of New Zealand.

Quick Facts CY 2021

Imports of Consumer-Oriented Products (US \$million)

US\$ 3.4 billion – Consumer Food Products

List of Top 10 Growth Products in New Zealand

- | | |
|----------------------|-------------------------|
| 1) Food preparations | 2) Dairy Products |
| 3) Baked Goods | 4) Cocoa Preparations |
| 5) Pork | 6) Wine |
| 7) Pet Food | 8) Processed Vegetables |
| 9) Distilled Spirits | 10) Processed Fruit |

Food Industry Gross Sales (US\$ billion) 2021

Food Industry Revenues

- US\$ 47 Food (Domestic market)

Annual Percentage Growth by Industry

Hotels and Resorts	percent	+5.5
Cafes/Restaurants	percent	+1.7
Catering Services	percent	+4.2

GDP/Population

Population (*millions*): 5.1

GDP (*billions USD*): 350

GDP per capita (*USD*): 47,160

Sources: Trade Data Monitor LLC, Trading Economics. Statistics New Zealand, Reserve Bank of New Zealand.

**GDP CY 2021

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 – New Zealand

Like many western countries New Zealand has a sophisticated HRI industry, driven (normally) by international tourism and large events. New Zealand's network of accommodation services is extensive ranging from low grade motels, right up to four- and five-star hotels and even the odd 6-star resort peppered across some secluded locations.

New Zealand is a real food nation, and it prides itself on how it presents its food as well as the range of food offerings. New Zealand follows many international food trends, and its restaurants reflect those styles. Recently U.S. BBQ trends have reached New Zealand and several BBQ themed restaurants have opened.

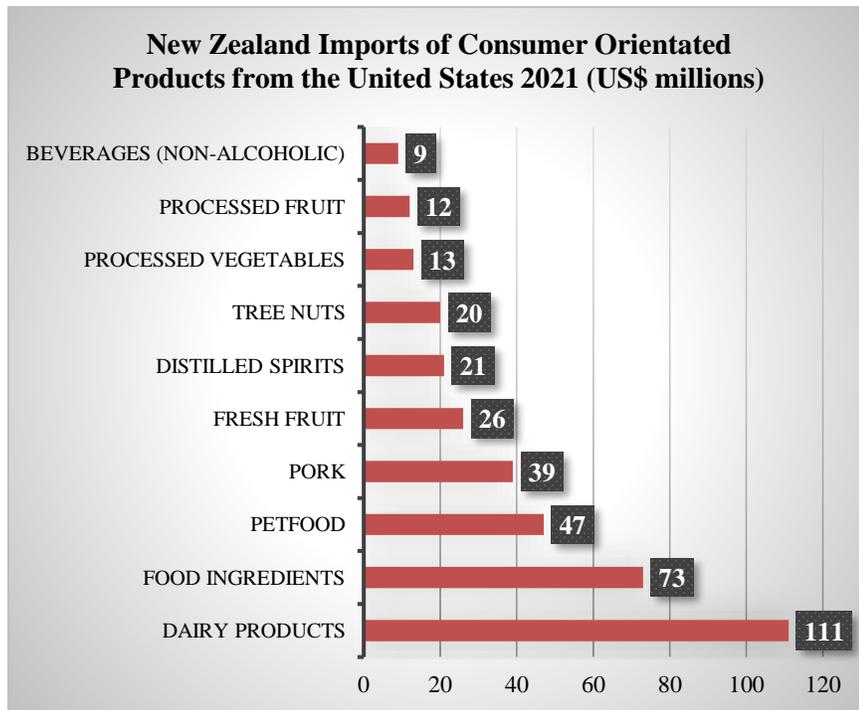
This year saw a sharp change in New Zealand's COVID response. With public pressure building and a looming recession, the government re-opened the borders in mid-July this year. So far, the re-opening is sluggish, with visitor numbers still down about 50-60 percent of their full capacity. However, these new international arrivals, coupled with existing domestic business, has seen the HRI sector begin to show signs of recovery. New Zealand's second quarter (April-June) GDP figures were released recently, and the economy grew by 1.7 percent, a surprise to most analysts and is reflective of the resilience of the New Zealand economy.

Logistical issues are also impacting hospitality and tourism, constraining the flow of goods. New Zealand is having supply chain challenges across the economy, from construction goods to food and produce. Import issues are a considerable concern, and many of the materials and foodstuffs are fundamental to the proper functioning of the New Zealand economy, which includes the hospitality, accommodation, and tourism sectors. On the plus side, New Zealand shipping companies and ports are developing better pathways and methods for goods to come in and out of the country, and industry analysts expect the situation to improve.

Falling revenue because of the COVID-19 pandemic has reduced industry employment numbers and wage costs over the past few years. Firms have cut staff in response to lower tourist numbers and the frequency of lockdowns during that time. Investment in new hotel complexes did increase during that time, driven by investment from large hotel chains. Industry revenue is set to increase over the next five years as tourist numbers recover. Sources estimate that overall industry revenue is set to increase on average by 5.4 percent over the five years to 2028.

New Zealand imported approximately US\$ 3.4 billion of consumer-oriented food products in 2021. The United States was the second largest supplier of consumer-orientated food products to this market with imports valued at US\$ 424 million. Imports from the United States were relatively steady in 2021 despite the impacts of several lockdowns due to COVID -19 and have continued strong in 2022.

Graph 1 – Top Consumer-Orientated Products Imported into New Zealand from the United States US\$ Millions 2021



Source: Trade Data Monitor

Advantages	Challenges
U.S. products enjoy a reputation for high quality in the New Zealand market.	Distance from United States results in high transportation costs.
The New Zealand hospitality market has many players and offers a lot of opportunities in different food trend spaces, such as organic and BBQ.	In recent years, the United States dollar has been strong against the New Zealand dollar, making imports more expensive.
The New Zealand hospitality sector already uses some U.S. products as chefs look to create a point of difference in a highly saturated market.	There is growing competition from Australia, China, and Singapore in the consumer-oriented food category.
New Zealand already has many established business relationships in the United States, which helps U.S. food trends take hold quickly in New Zealand.	New Zealand is privy to several international trade agreements, and this enables it to access some beneficial pricing from competitors.

Overview of the New Zealand Hospitality and Accommodation

New Zealand re-opened its border to international visitors in July 2022. International visitors account for 30 percent of the revenue for the accommodation sector and COVID-19 has had a severe impact.

However, domestic consumers partially compensated for this, particularly those who had spare money to spend because they were not able to travel internationally themselves.

Now that normal operations are resuming in New Zealand, the country finds itself with a severe labor shortage, and in fact many industry sources are calling it a crisis. Some hotels have had to reduce number of rooms available because of a lack of labor, and also guests are experiencing much less frequent cleaning of their rooms and other services.

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

New Zealand's food service industry is made up of predominately small-to-mid-range cafes and restaurants. Like the accommodation sector, labor shortages are playing their part in adding constraints to the sector. New Zealand consumers are very familiar with U.S. food trends and U.S. brands. New Zealand has a large concentration of U.S. restaurants and fast-food establishments. Some of these include McDonalds, KFC, Pizza Hut, Taco Bell, Carl's Junior, Burger King, Denny's, Wendy's, Krispy Kreme, and others.

Early in 2021 the New Zealand government increased the minimum wage to NZ\$ 21.10 (US\$ 12.68) per hour. New Zealand's largest trading bank, ANZ, released a report on the hospitality industry citing this as having one of the largest potential impacts on profitability (through price) for the sector.

Consumers have become more health conscious and aware of health issues associated with a poor diet. The increase in the health value of food in the minds of consumers has led to a shift in the types of products cafes serve. Increasingly, cafes are shifting to meat alternatives, coconut-based sweet foods, and a rise in the variety of salads on offer.

COVID-19 Alert Levels and Their Impact on Hospitality

Up until recently, New Zealand operated a four-tiered alert system for COVID-19 control, very similar in nature to the one used in the United Kingdom. There are four levels, one being very open and (almost) business as usual and four being locked up and closed. Since early September, all restrictions in New Zealand were removed as New Zealand moved away from a COVID-19 elimination system to a herd immunity strategy. The plus side of this is businesses across the country can operate normally and offer services people were accustomed to pre-pandemic.

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 hotels and corporate caterers have their own distribution centers and national transportation networks, which are contracted via a third party. Specialized distributors or wholesalers may also be approached.
- Product promotion – menu promotions with hotels, restaurants or large corporates is a great way to expose the consumer to your products. Promotional formats may vary.

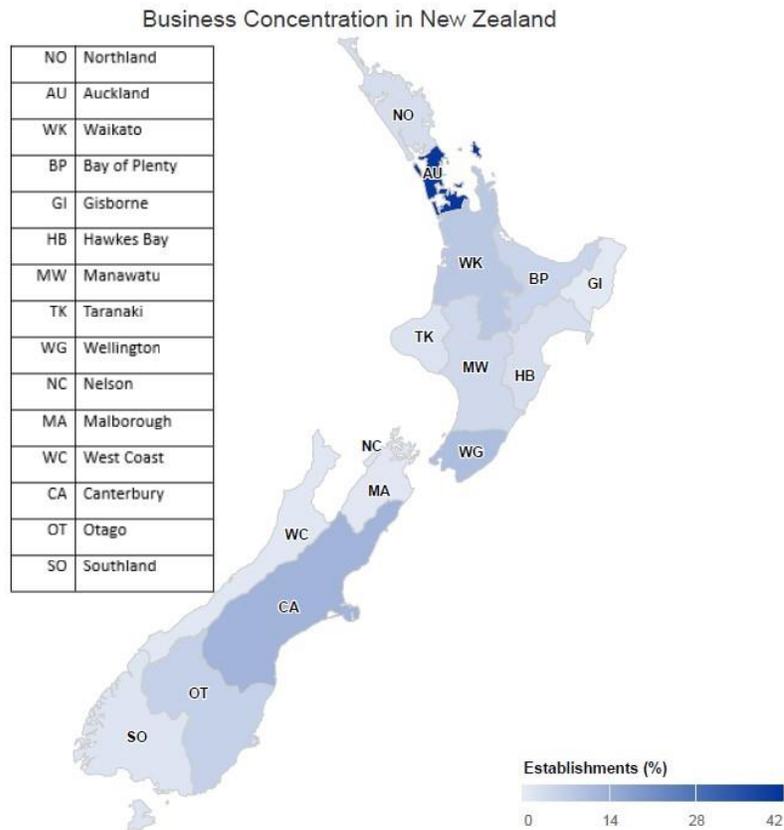
- To enhance marketing activities, exporters should consider combining promotions with advertising in major industry magazines. Advertising in newspapers, television, radio, and public transportation are also effective promotional channels.
- Exhibiting at New Zealand food shows. [Fine Food New Zealand](#) 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 five 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.
- 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 for Primary Industries performs random inspections on any imported food. High-risk foods can be targeted for inspection at a higher frequency.

The diagram below identifies the regions with the highest concentrations of food outlets, which includes Auckland, Wellington, Tauranga, Hamilton, and Christchurch. The region of Otago in the 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, enables exporters to capitalize on companies that have nation-wide distribution networks. FAS/Wellington recommends exporters to conduct the appropriate due diligence when selecting importers and distributors.

Diagram 1: Key Café/Restaurant Regions in New Zealand



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

Sub Sector Profiles

Company	Links
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
Joy Lab Group	https://joylab.co.nz/
Kapura	https://www.kapura.co.nz/
Good Group Hospitality	http://www.goodgroup.co.nz/
Kiwi Hospitality	http://www.kiwihospitality.com/
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/

Compass Group	http://compass-group.co.nz/our-brands/medirest/
Spotless Group	https://www.spotless.com/

Section III. Competition

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

Partner Country	2020	2021	Percentage Change
Australia	939	1,038	+ 11 percent
United States	407	424	+ 4 percent
Singapore	152	195	+28 percent
China	156	170	+9 percent
Germany	114	155	+36 percent

Source: Trade Data Monitor.

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.

Although there is a strong “*buy New Zealand made*” push, which was amplified during the lockdowns, demand remains robust for imported food products. In fact, the impact of New Zealand’s logistical challenges and container shortages had the effect of increasing demand for imported products as New Zealand finds itself having supply shortages in some areas.

New Zealand consumers demand a wide variety of food, not all of which is produced locally. These consumers typically have traveled overseas frequently and are familiar with a wide range of cuisines and tastes. This continues to be reflected in the trends and product types that are on the shelves in the supermarkets.

Section IV. Best Product Prospects

Previous COVID -19 measures influenced consumers purchasing power, and this had shifted consumer preferences away from eating out, and they increasingly made menu choices in the mid-price range (NZ\$23-33/US\$ 15-21) rather than the higher end. Now, with restrictions lifted New Zealand is beginning to return to normal and traditional hospitality habits and preferences are returning.

Table 2. Competition and Opportunities in Products Used by HRI Sector – 2021

Product Category	Major Supply Sources	Opportunities and challenges for exporters
Dairy Products Total U.S. Import Value: \$111 million (US\$)	1. United States 29% 2. Australia 21% 3. Germany 17%	New Zealand has a comparative advantage in food production and manufacturing, however its heavy reliance on exporting requires New Zealand to import a lot of dairy ingredients to meet domestic demand.
Food Preparations Total U.S. Import Value: \$73 million (US\$)	1. Australia 28% 2. Singapore 22% 3. United States 6%	New Zealand has a comparative advantage in food production, but it lacks sufficient scale to produce everything it needs. To meet its ingredients needs, demand for food production New Zealand must rely on imports.
Pork Total U.S. Import Value: \$39 million (US\$)	1. Germany 21% 2. United States 19% 3. Poland 14%	While New Zealand has a well-established local pork industry, New Zealand imports pork for further processing. The United States is the second major supplier of imported pork, and the Asian community values it because of a preferable flavor profile.
Fresh Fruit Total U.S. Import Value: 26 million (US\$)	1. Ecuador 30% 2. Australia 26% 3. United States 20%	Counter-seasonal fresh fruit from the Northern hemisphere is popular in New Zealand, as it fills a hole in New Zealand’s nutritional deficit during the Southern hemisphere winter months. The United States is a key supplier of citrus, stone fruit, and cherries.
Distilled Spirits Total U.S. Import Value: \$21 million (US\$)	1. United Kingdom 27% 2. Australia 15% 3. United States 14%	The United States faces stiff competition from Australia and the United Kingdom. New Zealand consumers are increasing their preferences towards craft spirits, particularly from the United States. Big brands such as Jack Daniels and Jim Beam remain very popular as well.

Source: Trade Data Monitor

Section V. Key Contacts and Further Information

For a list of key HRI contacts please see the subsector profiles on page 7.

Agricultural Affairs Office

American Embassy, 29 Fitzherbert Terrace, Thorndon, Wellington

Tel: +64-4-462-6030

Email: agwellington@usda.gov

Attachments:

No Attachments