

Required Report: Required - Public Distribution

Date: April 05, 2022

Report Number: NZ2022-0002

Report Name: Food Processing Ingredients

Country: New Zealand

Post: Wellington

Report Category: Food Processing Ingredients

Prepared By: Brendan Cody

Approved By: Levin Flake

Report Highlights:

Despite being a small country, New Zealand is a major exporter of food and beverage products, and many of these products are manufactured in-country requiring inputs imported from other suppliers. The United States is a key source of ingredients including pork, lactose, tree nuts, hops and other products. The United States also supplies ingredients for animal feed.

Market Fact Sheet: New Zealand

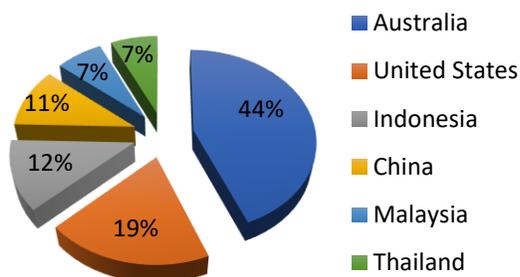
Executive Summary

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. Underpinning New Zealand's strong recovery is its 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 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\$ 5.9 billion total in agricultural and related products in 2021. Primary suppliers were Australia, the United States, China, Indonesia, Malaysia, and Thailand.

New Zealand Imports of Agricultural and Related Products 2021



Food Processing Industry

Food, beverage, and grocery manufacturing accounts for almost one-third of New Zealand's manufacturing sector. Sales of food and agricultural accounted for US\$ 34 billion and is a sector that is experiencing growth in several areas.

Food Retail Industry

New Zealand's food retail sales reached \$25.8 billion in 2021. 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.

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\$ 5.9 billion – Agricultural Products
US\$ 3.4 billion – Consumer Food Products

List of Top 10 Growth Products in Host Country

- | | |
|-----------------------|-----------------------------|
| 1) Food Preparations | 2) Palm Kernel |
| 3) Pet food | 4) Pork |
| 5) Soy bean products | 6) Baked goods |
| 7) Lactose | 8) Animal feed |
| 9) Cocoa Preparations | 10) Dried Distillers Grains |

Food Industry by Channels (U.S. billion) 2021

Food Exports	\$34
Food Imports	\$5.9
Domestic Market	\$47
Retail	\$25.8
Food Service	\$5.6

Food Industry Gross Sales (US \$Billion) 2021

Food Industry Revenues
- US\$ 47 Food (Domestic market)

Top Host Country Retailers

- New World	- Supervalu
- Pak n Sav	- Fresh Choice
- Countdown	
- Warehouse	
- Four Square	

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.

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

1. Economy and Trade

New Zealand is a prosperous country heavily reliant on trade. It is dependent on the primary sector with food and agricultural products accounting for a major share of total exports. New Zealand exports an estimated 80 to 90 percent of its primary production. Dairy remains New Zealand's largest exported product valued at US\$ 14 billion. Of the US\$ 34 billion in food exports from New Zealand, processed foods make up US\$ 27 billion (Source: Ministry of Business Innovation and Employment).

New Zealand's economy grew by 3.0 percent in 2021. In general, the country had performed well in the aftermath of the pandemic, with relatively few cases and only short lockdowns. However, the arrival of Omicron has set this relative calm back and is providing new challenges for the country. Because of a sharp spike in cases, the Government has switched to a strategy of beginning to live with COVID-19 transmission in the community, and New Zealand has decided to open its borders to international travelers by the end of July this year.

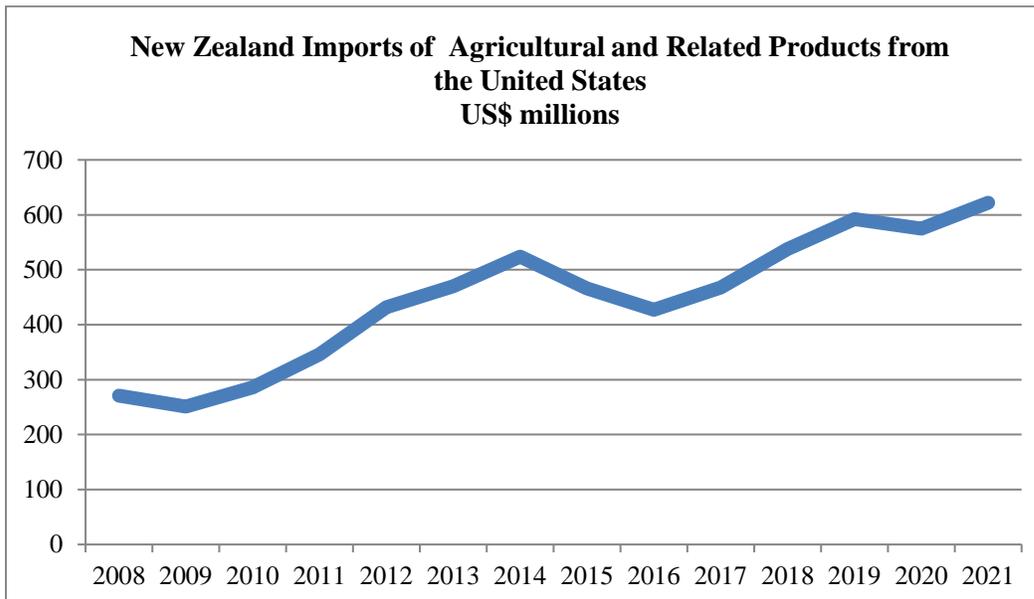
Wholesale trade and business services have increased, and food service is trying to return to normal operating levels. Manufacturing and exports have continued to drive New Zealand's performance, and there has been continued strong import numbers for food ingredients and preparations. While New Zealand enjoys a large trade surplus of agricultural goods with the United States, imports from the United States are strong, with New Zealand importing a record US\$ 622 million of agricultural and related products in 2021.

Table 1. United States and New Zealand Bilateral Agricultural Trade, Including Fish and Forestry Products. (US\$ millions)

	2018	2019	2020	2021
NZ Imports from United States	535	587	571	622
NZ Exports to United States	2,812	2,698	2,895	3,435

Source: Trade Data Monitor LLC

Graph 1.



Source: Trade Data Monitor LLC

Table 2. Economic Indicators-New Zealand 2018-2021

Economic Indicators				
	2018	2019	2020	2021
Population	4.92 million	4.98 million	5.0 million	5.1 million
Per Capita GDP (US\$)	42,655	41,555	40,096	47,160
Unemployment Rate (percent)	4.3	3.9	4.9	3.2
GDP Growth (percent)	2.6	2.7	-2.9	3.0
Minimum Wage Rate (US\$)	10.38	11.98	13.53	14.02*
Consumer Price Inflation (percent)	1.0	1.0	1.6	5.9
Food Price Inflation (percent)	1.0	2.4	2.9	4.5

Source: Statistics New Zealand's website

* New minimum wage effective from April 22 2022

1.2. Food Processing and Manufacturing in New Zealand

New Zealand's agricultural imports are categorized into three main groups. The first are ingredients or inputs for New Zealand's sophisticated food manufacturing sector. The second are consumer-ready products, such as baked goods and confectionary for the retail market. New Zealand consumers are becoming more discerning and anxious to consume a wide variety of products from other markets. The third group is ingredients for animal feed, which are used in the livestock and dairy sectors.

Despite being a small country, New Zealand is a major exporter of food and beverage products, and many of these products are manufactured in-country requiring inputs from other countries. New Zealand's food sector is large, and in fact, it accounts for 46 percent of all goods exported by New Zealand (Source: Ministry of Business, Innovation and Employment (MBIE)).

Dairy manufacturing - New Zealand's dairy sector, which is the largest agricultural sector in the country, utilizes an array of inputs, including lactose from the United States. Dairy is New Zealand's top export earner, generating more than US\$44 billion in export sales. Fonterra Cooperative Ltd dominates the dairy processing industry and is New Zealand's largest company responsible for an estimated 83 percent of domestic milk production. New Zealand exporters supply an estimated three percent of the world's total supply in dairy products, and U.S. lactose is added to New Zealand milk powders for export. Major players are Fonterra Cooperative Group and Goodman Fielder who have over 50 percent of the domestic retail market share between them.

Processed/cured meat products - The United States is one of the main suppliers of imported pork to New Zealand. Pork is imported for a variety of reasons, but one of the main reasons is that it is an ingredient for further processing. Most U.S. pork is further processed into bacon to supply the domestic market. U.S. casings are also imported for the production of sausages. Major players are Heller's with 35 percent market share and Premier Beehive NZ with 13 percent.

Tree nuts for processing – Imported tree nuts are a popular ingredient in food manufacturing and feature heavily in specialty health foods. They are often found in muesli bars and other health-based bars and snack items. New Zealand imports a significant amount of almonds from the United States. Almonds are used in two main ways – for the manufacture of chocolate confectionary and the production of dairy-alternative milk. New Zealand chocolate exports are worth approximately US\$ 65 million per annum. The export value represents a significant volume of manufactured chocolate. Almonds, particularly from the United States, are a key ingredient in many New Zealand chocolate manufacturers' product portfolios. Whittaker's, which is New Zealand's largest chocolate manufacturer, sells several almond products and is a regular importer of almonds as an ingredient. Almond milk has increased in popularity in New Zealand as consumers look for alternatives to dairy that some consumers may perceive as more sustainable. Major players for chocolate are Whittaker's

with 38 percent market share and Mondelez with 15 percent market share. Major players for almond milk are So Good, and Almond Breeze from the United States.

Beer production –The United States and New Zealand share a vibrant trade in hops. The United States is the number one supplier of hops to New Zealand and in fact last year the value of hops imported was the highest ever at US\$ 7.2 million. New Zealand beer consumers enjoy American beer styles; the most popular are the American Pale Ale and the New England Pale Ale. These styles require a bold, flavorsome hop that can be supplied by the United States. Also, consumers enjoy the flavor therefore breweries are expected to continue to use them well into the future. New Zealand also imports yeast from around the United States to go into the brewing and distilling processes. Yeast varieties that offer unique and different beer flavor experiences are highly sought after in New Zealand and offer a good opportunity for anyone wishing to export. Major players are Lion Breweries with 30 percent market share and Dominion Breweries with 20 percent market share.

Logistical Challenges

International supply chain issues continue to be one of the main problems for the ingredients sector and is impacting product landings in New Zealand for all ingredient and sector types. The largest challenge faced for U.S. exporters and their counterpart New Zealand importers is finding a ship with space available for products. In addition, freight prices have risen sharply. Even after arrival at port there has been further delays getting the products to their final destination. This has resulted in some of the industry retracted their product development and cutting back additional spending on extra products. Nevertheless, despite these logistical issues, imports from the U.S. have remained strong and opportunities remain for new U.S. products in this market.

Advantages and Challenges

Advantages	Challenges
New Zealand is a large importer of lactose used in the milk powder production process.	The U.S. dollar exchange rate is strong vis-à-vis the New Zealand dollar.
New Zealand consumers view products from the United States as high-quality.	New Zealand has more stringent market access requirements.
The United States is a large producer of dairy ingredients.	Transportation costs are high.
New Zealand food processors already have long standing relationships with ingredient suppliers from the United States.	Biosecurity protocols can cause issues for importing from the United States, due to MPI having different certificate language in its Import Health Standards to that of the United States .

Section II. Road Map for Market Entry

Customs

Prior to exporting, exporters should do the following:

- Submit an electronic import entry or electronic cargo entry (ECI) lodgment.
- Pay applicable Customs duties and Goods and Services Tax (GST);
- Pay other applicable charges and levies; and
- Submit appropriate documentation if you are bringing in any including:
 - [pets and domestic animals](#);
 - weapons and firearms and hazardous substances

Exporters are recommended to ask customs brokers and freight forwarders for help in importing products. To search for a New Zealand Customs Broker by area [click here](#).

Advice for Food Importers

The Ministry of Primary Industries (MPI) publishes recall information and warnings for domestically produced and imported foods. There are additional import requirements for foods that are deemed higher risk for food safety.

Food Standards Australia New Zealand administers [the Code](#) and it contains requirements relating to food composition, including foods requiring premarket assessment such as novel foods, irradiated foods and foods produced using genetic modification. It is broken down into four chapters: general food standards; commodity standards; food safety standards (Australia only); and primary production and processing standards (Australia only). Only the chapters on general food standards and commodity standards are applicable to New Zealand.

Section III. Competition

Table 3: Value (US\$ millions) Imports of Agricultural Related Products

Partner Country	2020	2021	Percentage Change
Australia	1,355	1,592	+17
United States	571	622	+9
Indonesia	268	396	+47
China	304	374	+23
Malaysia	215	264	+22
Thailand	177	207	+16
Singapore	161	205	+27
Germany	130	178	+37
Argentina	174	168	-3
Netherlands	144	166	+15

Source: Trade Data Monitor

Products imported from the United States are viewed favorably in New Zealand and import demand has remained strong. However, robust competition from Australia, Asia, and the EU exists. In addition, New Zealand companies are price sensitive and affected by currency volatility, which causes them to shop around for substitute products. In recent months there has also been consolidation in the food ingredients category with some companies hesitant to look at new products. Despite this, New Zealand continues to have very high demand for many products it requires for its manufacturing sector, which is still going strong.

Section IV. Best Product Prospect Categories

The growth of New Zealand imports of products from the United States are mostly high-value consumer-oriented products. Animal feed and other ingredient products are also available in the New Zealand market and have experienced significant growth.

Table 4. Key Product Areas for U.S. Exporters

Product Category	Imports From U.S. In 2021 (US\$ million)	Year-On-Year Percentage Change	Key Constraints over Market Development	Market Attractiveness for the United States
Dried Distillers Grains	80	+31	High transportation costs and port delays in-country	New Zealand animal feed manufactures are more and more shifting to a more sustainable product than palm kernel as a supplemental animal feed.
Food preparations	72	+12	High transportation costs.	New Zealand manufacturers rely on U.S. food ingredients and view their products as high quality and safe.
Lactose	65	+1	Imports from the United States face competition from the European Union.	The United States is the number one supplier of lactose to New Zealand.
Pet Food	47	+27	New Zealand produces large amounts of pet food domestically.	The United States is the number two supplier for imported pet food into New Zealand and its products are trusted in retail stores.
Pork	29	+7	Distance to market.	Pork from the United States is a popular choice for consumers and also used for

				further processing.
Other Dairy Products	23	+76	Biosecurity requirements are strict for dairy products.	The United States a growing supplier of dairy ingredients to New Zealand. Uses include in the production of chocolate and other confectionary products.
Corn (Maize)	7	+40	Obtaining bookings on ships to New Zealand is a challenge for exporters.	New Zealand is more and more relying on feed alternatives to pasture and the manufacturing sector is producing products to meet this demand.
Hops	7	+17	Competition from local suppliers is strong in hops.	Hops from the United States are growing in popularity and more are being imported because of the craft beer boom.

Source: Trade Data Monitor

New Zealand is increasing its reliance on food imports from the United States. The quality of the products, as well as the high level of trust between the two countries, is making it easier to process transactions. Looking at the table from a year-on-year perspective the biggest growth, by percentage increase was in dried distillers drains (+31 percent), other dairy products (+76), pet food (+27) and corn (+40).

New Zealand continues to offer great food ingredient opportunities. New Zealand also offers relatively easy access for products, other than the biosecurity protocols that follow some (not all) products as they can be strict. However, freight forwarding companies can help exporters manage any potential challenge on customs clearance.

Section V. Key Contacts and Further Information

Key information	Link
Import Health Standards	Import Health Standards
Food Act 2014	Food Act 2014
Food Safety	NZ Food Safety
Contacting MPI	info@mpi.govt.nz

Food Ingredients Companies - New Zealand

Davis Food Ingredients: Started in 1967, Davis Food's is one of New Zealand's largest food ingredients suppliers and importers. They have nine large warehouses throughout New Zealand and annual revenue more than US\$145 million. [Website](#) [Contact](#)

Sherratt Ingredients: Started in 1986, Sherratt ingredients is the second largest food ingredient supplier in New Zealand, and they have a broad range of products with warehouses nationwide. [Website](#) [Contact](#)

Pacific Flavors and Ingredients: Started in 2003 they focus on importing enzymes and proteins for specialized food manufacturing. [Website](#) [Contact](#)

Bidfood: Started in 2000, it is the largest food and food distribution company in New Zealand. They operate over 300 temperature-controlled vehicles and 30 locations throughout the country which includes a specialist imports distribution center. [Website](#) [Contact](#)

Hibiscus Solutions: Started in 2002, the products they focus on are food and beverage, pharma and nutraceutical. [Website](#) [Contact](#)

Other Key Contacts

Agricultural Affairs Office

Foreign Agricultural Service

U.S. Department of Agriculture

Embassy of the United States of America

Email: agwellington@usda.gov

Attachments:

No Attachments