

NEW ZEALAND

Market Overview

USDA's Foreign Agricultural Service (FAS) Office of Agricultural Affairs (OAA) in Wellington, hereinafter referred to as "Post," reports that New Zealand is an important market in the Pacific for U.S. agricultural products. In 2021, despite logistical and other challenges because of COVID-19, New Zealand's imports continued strong and included US\$528.7 million of U.S. agricultural products. Despite its relatively small population size, New Zealand is already a top 10 market for a number of U.S. exports, including dairy ingredients like lactose and whey, certain types of fresh fruit such as mandarins and peaches, and dried distillers' grains. It is also a key market for consumer-oriented products, including grocery products.

In February 2023, the north island of New Zealand was severely impacted by a significant rain and flood event caused by a tropical cyclone (hurricane). It has been described as the biggest climate event in New Zealand's history. Flooding and subsequent landslides have impacted local food production with many farms going underwater, causing ground crops and livestock to be washed away. Tree crops including apples and pears have also been devastated. The impact on supply chains is yet to be quantified; however, conversations with Post indicate it could take a number of years to revegetate. Imports of U.S. apples and other agricultural products are likely to fill the supply chain gap.

Of the 2021 U.S. exports of agricultural products to New Zealand, US\$369.1 million or about 70% were of the consumer-oriented variety, with a decline of 4%. The U.S. exported US\$303.9 million of processed food products to New Zealand in 2021, a drop of 2% and 57.4% of the agricultural total. Top U.S. processed food exports included food preparations and ingredients, syrups and sweeteners, processed/prepared dairy products, dog and cat food, alcoholic beverages, prepared/preserved meats and snack foods.

Market Opportunities and Challenges to U.S. Food Exporters in New Zealand

Opportunities:

- Low tariffs ranging between 0% and 5% on U.S. products.
- There are opportunities to market U.S. fresh products during New Zealand's countercyclical seasons.
- Some supermarkets make individual buying decisions, and this allows importers to approach them directly.
- New Zealand and Australia share a joint labelling standard.

Challenges:

- Strict phytosanitary/sanitary regulations regarding fresh produce and meats.
- New Zealand's retail market is highly consolidated, dominated by two supermarket chains.
- Distance from U.S. results in high transportation costs.

Retail Sector

According to Euromonitor, retail sales in the packaged food market in New Zealand reached nearly US\$9.4 billion in 2021. That represents a growth rate of 16.5%, or US\$1.3 billion, since 2017. By the year 2026, the retail sales in the packaged food market in New Zealand are expected to reach US\$11.1 billion, a growth rate of 14.7%. High-growth products in the forecast include rice, pasta, noodles, ready meals, processed meat, seafood, meat alternatives, processed fruits and vegetables, savory snacks, edible oils, ice cream, and frozen desserts.

Post reports that New Zealand often follows the U.S. 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 is functional beverages. These are beverages that convey a health benefit or performance enhancing substances.

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 has been selling well, and new flavors are always being sought. 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 done well in New Zealand. Fresh fruits are in high demand, where the U.S. benefits from being a counter-seasonal supplier are in demand. Pet food is another major import from the U.S. Others include cheese, beverages, spices, sauces, and confectionary.

Foodservice Sector

Post reports that although New Zealand has been less impacted by COVID-19 than most countries around the world, it still has had a major effect on the hotel, restaurant, and institutional (HRI) sector. This is especially true of the tourism and hospitality sectors, which have been severely hit by the closed international borders, as well as the outbreak of the Delta variant in August 2021. In general, relatively short and limited lockdowns in New Zealand have allowed domestic spending at HRI establishments to support the sector.

As a result of the negative economic impact of COVID-19, and the effect on consumer's purchasing power, this has shifted consumer preferences while eating out, and they are increasingly making menu choices in the mid-price range (US\$15-21) rather than the higher-end. For consumer-oriented products, there has also been some tendency to move away from the premium end of the market. Despite some reduction in consumer spending, demand for imported foods remains robust including meat, sauces, beverages, and confectionary.

Food Processing Sector

Post reports that New Zealand is a prosperous country heavily reliant on trade. It is dependent on the primary sector with food and agricultural products accounting for approximately 41% of total exports. New Zealand exports an estimated 80% to 90% of its production. Dairy remains New Zealand's largest exported product, valued at NZ\$9.3 billion. Of the US\$29 billion in food exports from New Zealand, processed foods make up US\$2.3 billion.

The U.S. is a key supplier of pork, sausages, and edible offal to New Zealand. The “low and slow” U.S. barbecue cooking trend has grown in popularity in New Zealand, and this has opened opportunities for specialty cuts of U.S. meat as well as sauces and spices. In 2020, New Zealand imported US\$239 million of meat products, of which the U.S. was the second largest supplier at US\$36 million.