



Agri-Food Past, Present & Future Report

New Zealand

August 2006



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New Zealand

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Overview

New Zealand is a small, but prosperous country of 4 million. Situated in the South Pacific, New Zealand is an accessible market and increasingly attractive to Canadian exporters, particularly those located on the Pacific coast.

New Zealand's export economy is heavily reliant the agricultural sector. Historically, Great Britain and other Commonwealth countries have been very important trading partners. However, more recently, New Zealand has seen growth in its exports coming from markets like Japan, China and other Asia/South-East Asian countries along with the United States.

New Zealand's closely tied with Australia. Both countries share trade agreements and mutual policies and regulations in regards to importing and marketing guidelines. Their close proximity and shared colonial ties has developed into a very strong interdependent market that can in certain instances be hard to penetrate. However, due to open trading policies exporting to New Zealand is reasonably straightforward and relatively free of heavy tariffs. In addition, New Zealand maintains very friendly ties with the markets of British Commonwealth, including Canada.

Canada – New Zealand Relations

New Zealand and Canada share excellent and longstanding relationship. Both countries are part of the British Commonwealth and share British colonial roots. Trade allowances within the Commonwealth provide preference towards Canadian-New Zealand bilateral trade against non-Commonwealth trading partners. New Zealand and Canada are also joint members of the United Nations, Asia-Pacific Economic Corporation (APEC), the World Trade Organization (WTO) and the Organization for Economic Corporation and Development (OECD) making trade relations easier and more efficient.

Overall relations between Canada and New Zealand are irritant and barrier free providing ample opportunity for bilateral trade.

Canada-New Zealand Bilateral Trade	
New Zealand Total Trade	
Exports	US\$21.7 billion
Imports	US\$25 billion
Trade balance	(US\$3.3) billion
Canada- New Zealand Trade	
Exports	US\$296 million
Imports	US\$462.7 million
Trade balance	(US\$166.7) million
Canada- New Zealand Ag Trade	
Exports	\$46 million
Imports	\$395 million
Trade balance	(\$349) million

Zealand was valued at over \$48 million.

Agricultural Trade

With a nearly 3% market share, Canada is New Zealand's fifth-largest agri-food supplier, behind Australia, the United States, Thailand and China. In 2005, Canada/New Zealand agricultural trade reached \$440.9 million; while New Zealand imported \$46 million in Canadian agricultural products, Canada imported \$395 million in New Zealand-produced agricultural goods. These numbers give New Zealand a \$349 million dollar agricultural trade surplus with Canada.

- Key exports to New Zealand in 2005 included: swine cuts (\$12 million), wheat nes and meslin (\$9.4 million), hams, shoulders and cuts thereof of swine, bone in, frozen (\$5 million), sauces and preparations nes and mixed condiments (\$3.7 million) and navy/white pea beans, dried and shelled (\$2.8 million).
- Bulk exports to New Zealand totaled \$10.5 million in 2005 and included wheat nes and meslin (\$9.4 million); decaffeinated, non-roasted coffee (\$315 thousand); and soya beans (\$273 thousand). That same year, intermediate exports to New Zealand totaled \$4.3 million and included shelled kidney and white pea beans (\$2.8 million); vegetable fats and oils (\$395,000); and canola, colza oil and its fractions (\$176,000). Consumer exports to New Zealand totaled \$31.2 million and included frozen swine cuts (\$12 million); frozen, bone-in hams, shoulders and cuts there of or swine (\$5 million); and sauces and preparations nes and mixed condiments (\$3.7 million).

Canada's Top 5 Agricultural Exports to New Zealand (2004)	
Swine cuts, frozen nes	\$12 million
Wheat nes & meslin	\$9.4 million
Ham, shoulders & cuts thereof of swine, bone in frozen	\$5 million
Sauces & preparations nes & mixed condiments	\$3.7 million
Kidney beans and white pea beans dried, shelled	\$2.8 million

- New Zealand consistently maintains a positive trade balance with Canada.
- New Zealand exports to Canada totaled US\$462.7 million in 2005 and included: meat; dairy, eggs and honey; and albumins.
- Canadian exports to New Zealand totaled US\$296 million and included: meat; dairy, eggs and honey; and machinery, reactors and boilers.
- In 2005, Foreign Direct Investment in Canada from New Zealand was valued at over \$48 million.
- Canada's agricultural imports from New Zealand in 2005 were valued at \$394.8 million.
- Bulk imports to Canada from New Zealand totaled \$2.6 million, intermediate imports reached \$37.7 million and consumer imports totaled \$354.6 million included boneless frozen bovine cuts, milk and cream powder, and frozen sheep cuts.

Complete statistical summary available:
http://www.ats.agr.gc.ca/stats/newzealand_e.pdf

Economy

Being one of the smallest but fastest growing economies in the Organization for Economic Cooperation and Development (OECD), New Zealand's economy is highly dependant on the export of agricultural products. Agricultural exports account for approximately 22% of annual GDP, and comprise 10% of the employment market.

New Zealand has experienced a growth in overall industrialization in the past 20 years, and is heavily dependant on commodity trade to drive its economy. No longer reliant on "concessionary British market access", New Zealand has developed a free market economy that is resilient, with promises by government to increase expenditures on health, education and pensions as output continues to grow. In 2005/2006, the budgetary surplus stands at 4.5% of overall GDP.

The labour market remains buoyant, despite a small lift in the unemployment rate which was relatively low at 3.75% in 2005. Although consumer confidence has fallen in the past few years, on the whole, consumers remain reasonably optimistic. Commodity prices are still close to record highs, which is providing support to farmers' incomes.

Gross Domestic Product (2005)		
GDP(2005)	US\$108.5 billion	
GDP growth	3.2%(2006)	3%(2007e)
GDP/ capita	US\$26,400	

Current

- GDP reached US\$108.5 billion in 2005. The contribution per sector to the GDP was 4% agriculture, 27% industry and 69% services
- 2005 GDP per capita stood at US\$26,400.

- US\$22.2 billion worth of commodities were exported from New Zealand in 2005 versus US\$24.6 billion worth of imported.
- The labour market is comprised of 10% agriculture, 25% services and 65% services.
- Key exports are dairy products, meat, wood and wood products, fish and machinery.
- Key imports are machinery and equipment, vehicles and aircraft, petroleum, electronics, textiles and plastics.
- Major business centers include Auckland, Wellington and Christchurch which houses nearly two thirds of the total population of 4 million.

Forecast:

- GDP is expected to grow to 3.2% in 2006 and slow to 3% in 2007.
- New Zealand is expected to experience a budgetary deficit in 2007; however, consumer confidence will stay optimistic and employment will stay relatively stable and strong.

Consumer Market

The New Zealand consumer market is a small, but prosperous 4 million people. With busier on-the-go lifestyles, convenience foods and pre-packaged foods are increasingly attractive. The market itself has seen a drop in fertility rates as well as an overall aging of the population.

Both healthy and easy to prepare food categories are attractive and growing markets within New Zealand as New Zealanders become increasingly aware of food safety and health issues. Health trends, such as an increase in demand for fresh fruits and vegetables and fish have been partnered with demand for products that are also easy and fast to prepare. Canadian exporters can expect further growth in these areas. Best market potential lies with nuts and dried fruit, prepared/frozen meals, soups, sauces and dressings, health, organic and functional foods, canned salmon, fruit juices and carbonated drinks.

Demographics and Lifestyles

- Mirroring the trends of many developed Western countries, New Zealand is experiencing an aging of their population as the “baby boomer” generation reaches retirement age and birth rates decline.
- New Zealand’s small population is quite diverse. Ethnic groups include: Maori (15% of the total population) Asian (6% of the total population), and Pakeha (72% of the total population).
- In 2003, 57% of working aged women were classed as part of the labour market, and women comprised 48% of salary and wage earners. This is significantly higher than even 1997 figures, where woman constituted 45% of the labour force. As a result of these busier lifestyles, pre-packaged and convenience foods are becoming increasingly attractive.
- New Zealand’s older consumers typically have a higher level of disposable income and a product’s perceived quality has become a key purchase decision influencer. Products and services marketed toward this demographic, such as specialised health foods, will have a higher rate of success than those marketed to the younger demographic with less disposable income.

Spending Habits and Expenditures

- Most New Zealanders shop once a week and spend their entire food budget in this trip. A smaller, yet significant number will shop once every two weeks, especially those who live in rural areas.
- Food is primarily purchased from large supermarket chains. Urban dwellers have access to a large variety of supermarket chains, while rural shoppers have a somewhat limited choice of supermarkets in their vicinity. Independent food markets thrive in these regions, as the population base does not have the numbers necessary to support large supermarket chains.
- Small shopping trips throughout the week are primarily made by those who shop once every two weeks. These trips are usually made to purchase such perishables as milk, eggs and bread
- Between 1998 and 2005, average weekly grocery spending has risen from NZ\$113 to NZ\$142, an increase of roughly \$90 to \$115 CDN.
- A rise in food expenditure levels can be attributed to the rise in inflation levels. While the value of food sales has risen since 1998, the total household net expenditure actually decreased from 16.6% in 1998 to 16% in 2004. Household net expenditure did, however, increase in foods that were prepared away from the home.
- The level of expenditure on foods prepared outside of the home is highly dependent on income. The households in the top income brackets spend on

average NZ\$92 per week on food prepared outside of the home while households in the lowest income brackets average just NZ\$13 per week.

- Foods prepared outside of the home (take-away foods and pre prepared grocery meals), along with meat, sweet products, spreads and beverages have made the most increases in weekly food expenditures. Since 1998 these products have had a 26% overall increase in market share.

Competitors

Being both geographically linked and historically linked, New Zealand's closest trading partner is Australia. Their close trade ties are supported by the Treaty of Closer Economic Cooperation, providing Australian suppliers with a competitive advantage over other foreign suppliers. Annually, Australia accounts for over 50% of total agri-food imports to New Zealand.

The United States and the United Kingdom round out the top three agriculture exporters to New Zealand, with neighbouring Pacific-Asian states also ranking high as they continue to build on their share of the New Zealand food import market.

Canadian exporters also face intense competition from New Zealand's domestic manufacturers, as local food and beverage industries concentrate on improving and diversifying domestic production to increase their share of the food market at home, and in the global market.

Access Issues

New Zealand is an open market with relatively low tariffs placed on agricultural imports. Certain areas are under quarantine in regards to importing certain animal and agricultural products; however, this is the only significant barrier to trade in this country. New Zealand also plans on phasing out most tariffs by 2010, an initiative due in part to their association with the World Trade Organization (WTO).

Compliance with the New Zealand food standards and labeling regulations is of paramount importance, and Canadian exporters should familiarize themselves with these guidelines, particularly the Joint Food Standards Code New Zealand shares with Australia. This code sets regulations for food entering both Australia and New Zealand. These regulations can be found at <http://www.foodstandards.gov.au/foodstandardscode>. As well, Canadian exporters should team up with a customs broker to ensure conformity to all other regulations in effect. More information can be found at the New Zealand Customs Service Website at <http://www.customs.govt.nz/importers/default.asp>.

Canadian exporters are encouraged to register with the Virtual Trade Commissioner Service, to gain easy access to Canadian embassies and posts abroad. Canadian exporters are also encouraged to use the services of Export Development Canada (EDC) and the Department of Foreign Affairs, both of which offer trade information and financial and risk management services to Canadian exporters.

- Overall, Canadian trade with New Zealand is trouble free with no significant trade barriers.
- New Zealand is a member of the Asia-Pacific Economic Corporation (APEC), Asian Development Bank (AsDB), the Commonwealth, the Organization for

- Economic Cooperation and Development (OECD), the United Nations, UNESCO and the WTO; and as such, all regulations and co-operations within these organizations apply to New Zealand's trading policies.
- In general, materials needed by New Zealand farmers that are not available domestically are not subject to duty upon entry into the country.
 - Tariff concessions are usually made for goods which are not available to New Zealand manufacturers.
 - Most tariffs range between 0 and 14%.
 - All goods imported to New Zealand are subject to a Goods and Services tax (GST), which currently stands at 12.5%.
 - Items entering New Zealand such as fruits, plants and seeds must be accompanied by certificates from Canadian authorities ensuring that the items have been inspected and declared free of disease.

Business Travel Tips

- New Zealand business practices are similar to North American business practices.
- Food or plant items contained in luggage must be declared upon arrival in order to uphold New Zealand's biosecurity standards aimed at protecting their domestic agricultural industries.
- A valid Canadian passport is required for Canadians visiting New Zealand. The passport should be valid for at least three months beyond the date of your expected departure from the country. Canadians must also be in possession of a return or onward airline ticket, a visa for the next destination, and proof of sufficient funds (NZ\$1,000 per person per month).
- Visitor visas are not required; however, if you intend to do business in New Zealand you will require a visa.

Agriculture Sector & Policies

New Zealand has a temperate climate and is rich in fertile farmland. These factors allow for the production of a variety of fruit and vegetable crops and other traditional agricultural products such as beef cattle, dairy cattle deer and sheep.

Agriculture is New Zealand's largest industry and comprises 6% of its GDP with almost 10% of the labour force is active in this industry. Because of fertile geography, agriculture has historically been at the forefront of the New Zealand economy. Given the size of the domestic market and the size of the sector, roughly 90% of all agricultural production is exported. New Zealand is a global leader in the production of dairy products, sheep meat and horticulture produce.

Dairy farming has been on the rise over the last decade while the amount of sheep and beef farming has been decreasing. Overall, cattle and sheep farming fell 4% from 2003-2004, while dairy farming rose 8%. This shift is related to an increase in dairy prices and a decrease in sheep and cattle prices. Further, subsidies for farmers were removed in 1985, and since then, livestock producers/farmers have been subject to a more competitive market where prices fluctuate.

The New Zealand agricultural sector represents roughly 50% of New Zealand's total land usage. Main dairy regions include Waikato, Taranaki and Southland at the bottom of the South Island. Beef cattle and sheep farms are stationed primarily in the Far North regions of the country. An interesting trend on the increase is "hobby

farming” in rural areas, where blocks of land are used for residential purposes with small parcels used for farming. This trend is helping to increase the percentage of land used for agricultural purposes.

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Canadian Consulate - Trade Office
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New Zealand Consulate General
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Food Standards Australia New Zealand
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Internet: www.foodstandards.govt.nz

Ministry of Agriculture and Fisheries (MAF)
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Wellington, New Zealand
Phone: 64-4-474-4100
Fax: 64-4-474-4111
Internet: www.maf.govt.nz

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<http://strategis.gc.ca>

Statistics New Zealand
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