

An Investor's Guide to the New Zealand Food & Beverage Industry 2013

Final Report
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www.foodandbeverage.govt.nz

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**Ministry of Business,
Innovation & Employment**

Ministry for Primary Industries
Manatū Ahu Matua




NEW ZEALAND
FOREIGN AFFAIRS & TRADE

New Zealand
TRADE & ENTERPRISE 

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research • consulting • strategy

Coriolis is a strategic management consulting and market research firm

We work with organisations to help them grow. For corporations, that often means developing strategies for revenue growth. For governments, it means working on national economic development. For non-profits, it means helping to grow their social impact.

We address all the problems that are involved in growth: strategy, marketing, pricing, innovation, new product development, new markets, organisation, leadership, economic competitiveness.

We bring to our clients specialised industry and functional expertise. We invest significant resources in building knowledge. We see it as our mission to bring this knowledge to our clients and we publish much of it for the benefit of others.

A hallmark of our work is rigorous, fact-based analysis, grounded in proven methodologies. We rely on data because it provides clarity and aligns people.

However, we deliver results, not reports. To that end, we work side by side with our clients to create and implement practical solutions.

The Coriolis name

The coriolis force, named for French physicist Gaspard Coriolis (1792-1843), may be seen on a large scale in the movement of winds and ocean currents on the rotating earth. It dominates weather patterns, producing the counterclockwise flow observed around low-pressure zones in the Northern Hemisphere and the clockwise flow around such zones in the Southern Hemisphere. *To us it means understanding the big picture before you get into the details.*

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The objective of this document is to make a strong, factual case for investment in the New Zealand food and beverage industry

- This investment can come from existing investors or those new to the sector
- This investment can come from global sources or New Zealand

The document acts as an “entry portal” to the wealth of further information available in on the sector in the New Zealand Government’s Food & Beverage Information Project

www.foodandbeverage.govt.nz

EXECUTIVE SUMMARY

New Zealand is **well positioned to triple its food & beverage exports** over the next 15 years; investors will participate in this success

General

- New Zealand is a developed, temperate-climate country in the Asia-Pacific region. It is a stable democracy with strong economic freedoms (*Index of Economic Freedom #4*), excellent investor protection (*World Bank #1*) and low corruption (*Transparency International #1*). It is by almost all measures the most attractive investment destination in the temperate zone of the Southern Hemisphere.

Food & beverages

- Food and beverage exports are important to New Zealand and the country is a major F&B exporter. New Zealand's F&B exports are growing strongly and the country's export performance is strong and improving relative to peers.
- The country has demonstrated capability in the production of temperate-climate food and beverages. It is the largest exporter in the world of dairy products and lamb and a major exporter of beef, kiwifruit, apples and seafood.

Drivers

- The success of New Zealand in temperate foods is built around a natural environment conducive to agriculture. New Zealand – surrounded by the Pacific Ocean – has the light of Spain with the climate of Bordeaux. This climate will also moderate the effects of global warming going forward (relative to large continents).
- The country's farmers are highly productive and efficient. The country has no agricultural subsidies and regulation is generally rational and light handed.
- New Zealand has a supportive infrastructure for food and

beverages along the total value chain.

- New Zealand is a leader in food safety and product traceability. Customers and consumers around the world trust food and beverages produced in New Zealand.
- In science, New Zealand spends more than half a billion dollars a year on Agri-Food research across a wide range of areas, from fruit genetics to nutraceuticals. The country is also home to four major universities respected globally for their Agri-food research.

Opportunities

- While New Zealand is a major global F&B exporter, the country has significant untapped capacity to export more. New Zealand is a country the size of Italy with the population of Singapore. However Italy feeds a domestic population of 60m people and exports twice as much F&B as New Zealand.
- The New Zealand Government has set a target of tripling the country's food and beverage exports over the next 15 years. This will be achieved through both growth of existing major sectors and the newer emerging growth stars.
- New Zealand is a young country still discovering its comparative advantages and new industries continue to emerge. In the past twenty years New Zealand wine, honey, aquaculture and avocados have all emerged from almost nothing into world leading sectors.
- New Zealand has attracted investment in F&B manufacturing from around the world. Global leaders have already endorsed New Zealand by investing in manufacturing in the country and 25% of the F&B manufacturing sector is foreign owned.

NEW ZEALAND OVERVIEW

New Zealand is a developed, temperate-climate country in the Asia-Pacific region that is an **attractive investment destination**

Basic details on New Zealand
(2012)

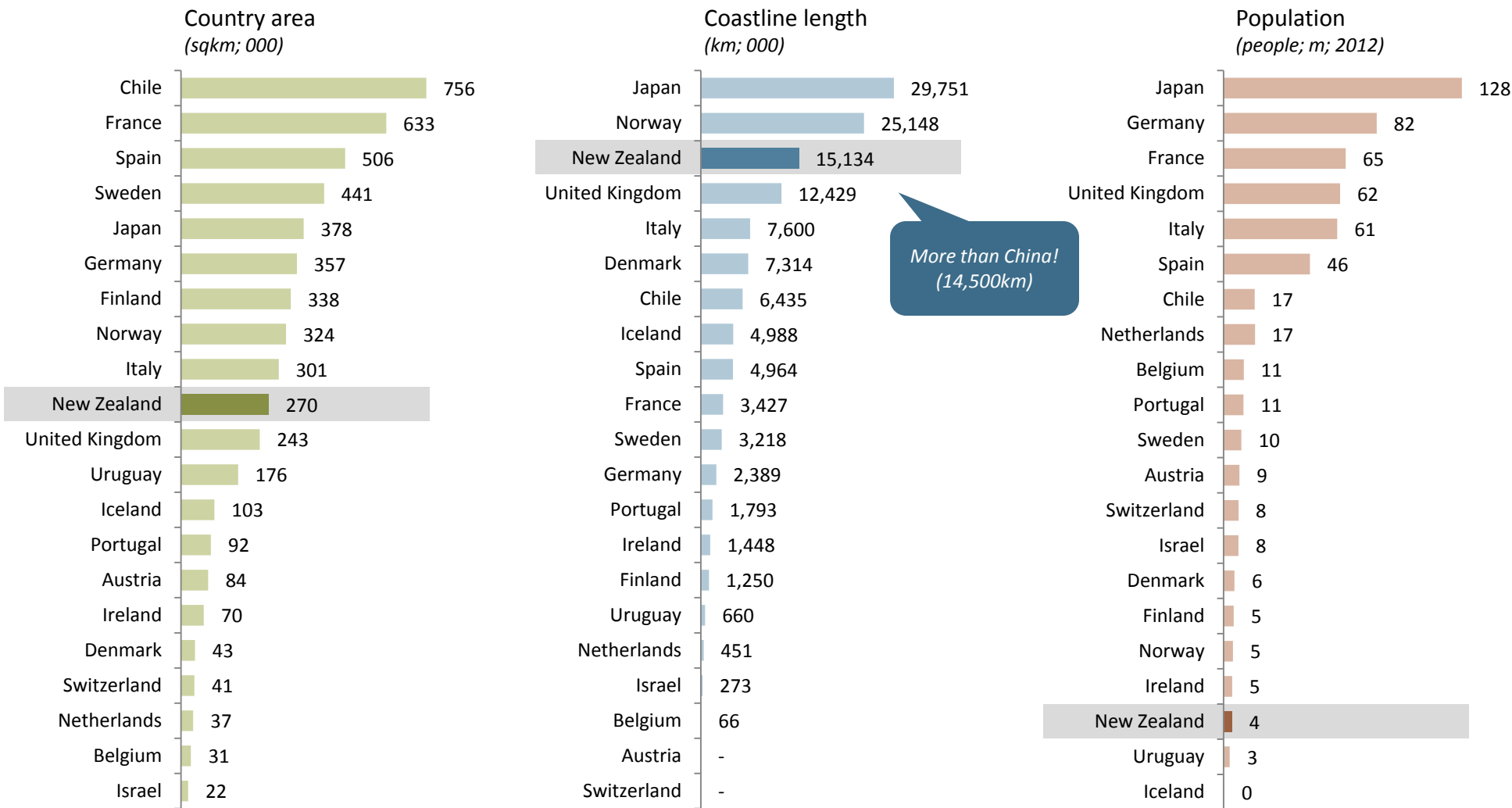


| | New Zealand |
|-----------------------------------------|-------------------------------------------------------------------------------------------|
| Population | 4.4m (2012) |
| Population growth rate | 0.86% (2012e) |
| Area | 267,710km ² (similar to Italy) |
| Coastline | 15,134km (more than China; less than the US) |
| Population density | 16/km ² 200 th highest in world |
| GDP | US\$156b (nominal) (similar to Kuwait) |
| GDP (PPP) per capita | \$28,000 (similar to Italy or Slovenia) 47 th highest in world ¹ |
| Currency | New Zealand dollar (NZD) US\$0.77 (11/2012) |
| Politics | Parliamentary democracy |
| Index of Economic Freedom | #4 in the world (above the US and Switzerland) |
| Corruption Index | #1 (tied with Singapore and Denmark) |
| Investor Protection (World Bank) | #1 |

LOTS OF LAND & COAST; FEW PEOPLE

New Zealand is a **mid-sized country** – similar in size to Italy and the UK – **with lots of coastline but a relatively small population**; as a result it **produces more food than it consumes** and exports the surplus

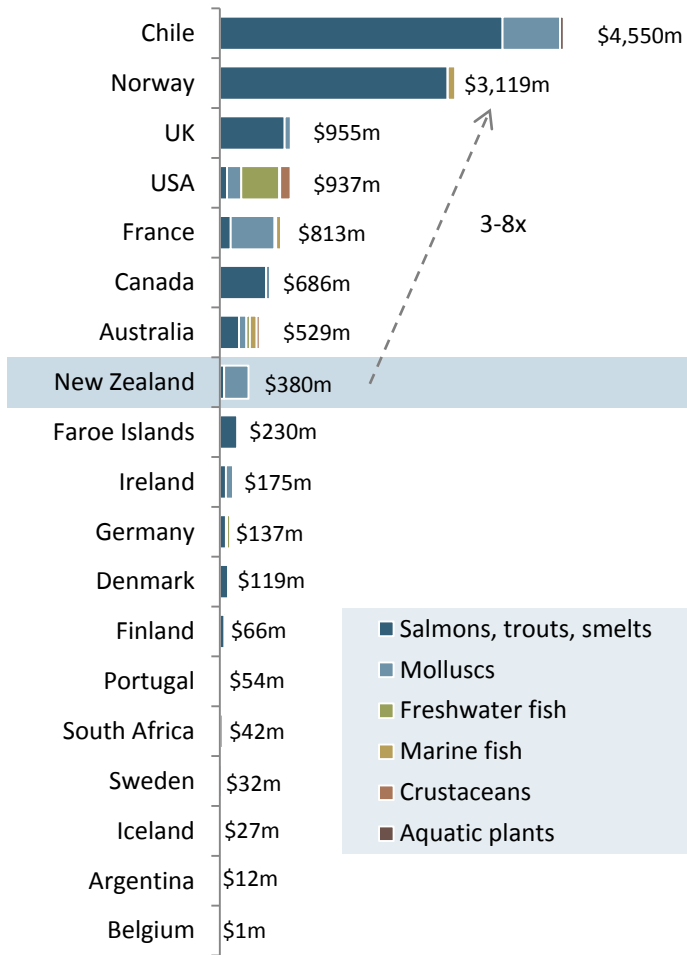
New Zealand vs. twenty select peers
(2012)



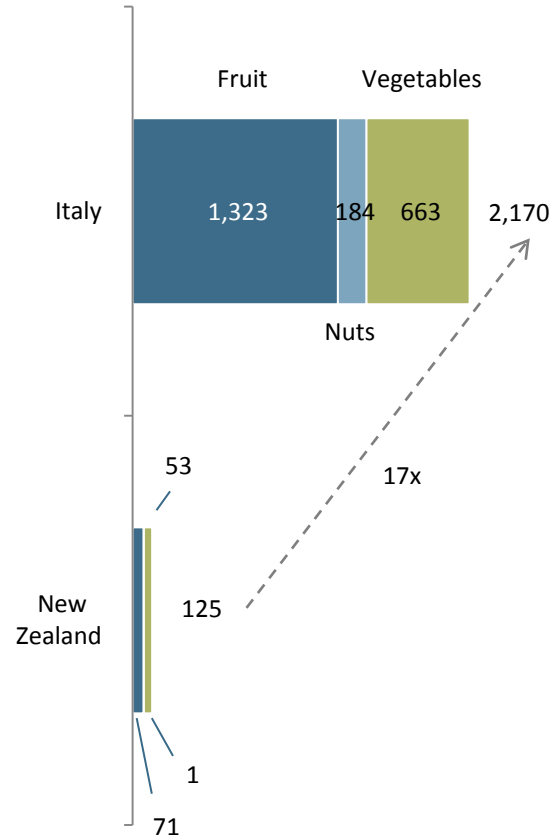
GROWTH UPSIDE

Many food & beverages categories – including aquaculture, horticulture and wine – have strong growth upside

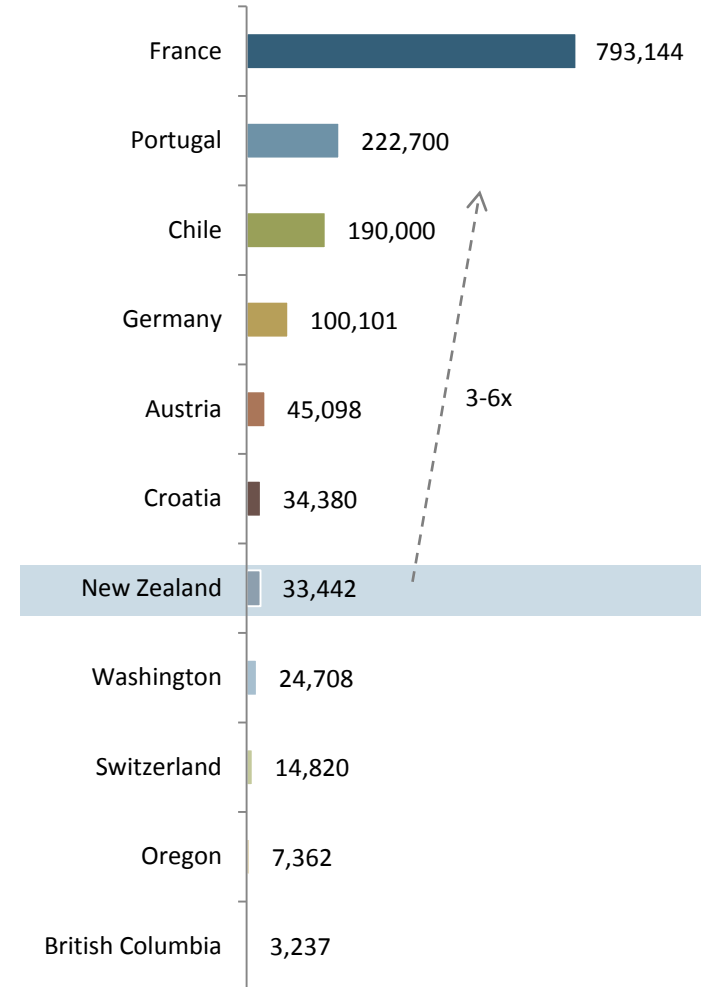
Value of aquaculture production by species (US\$m; 2008)



Hectares in fruit, nuts & vegetables (ha; 000; 2009)



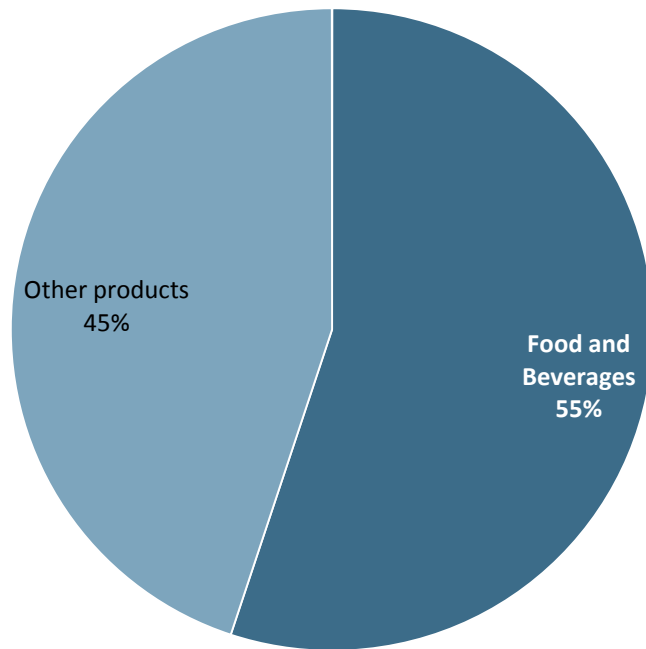
Total Grape area by country/region (ha; actual; 2009)



MAJOR F&B EXPORTER

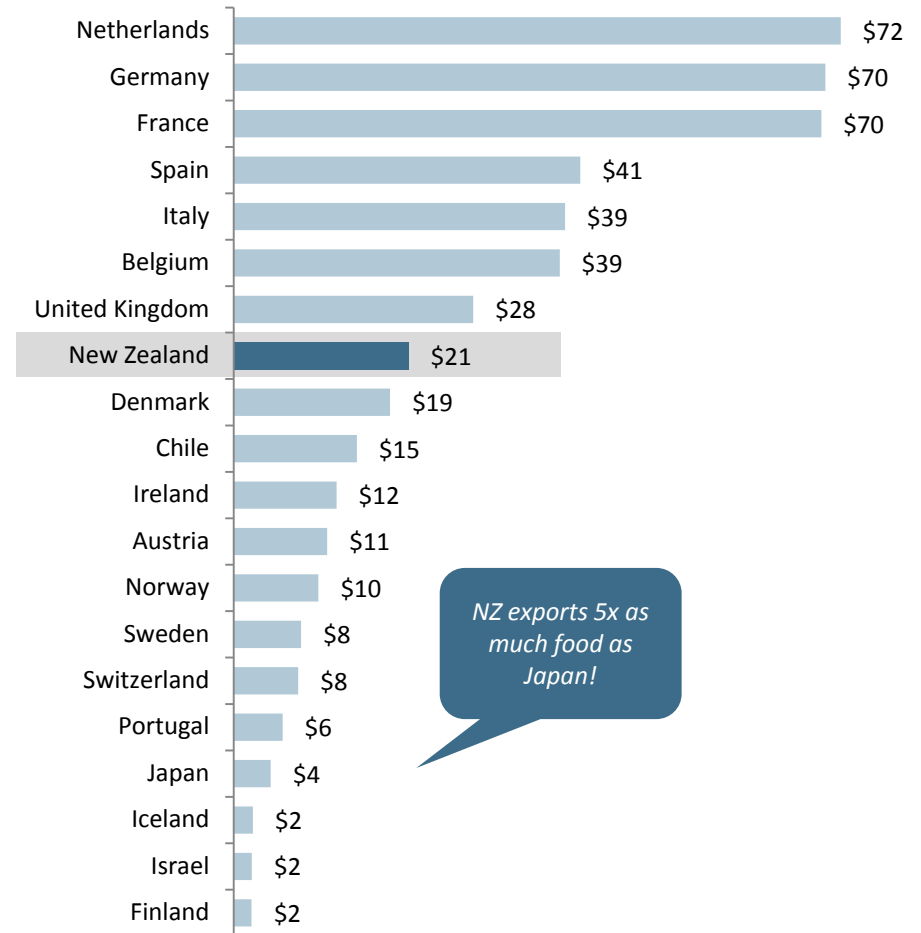
Food & beverage exports are important to New Zealand and the country is a major F&B exporter

Food & Beverages as a percent of New Zealand's total merchandise export value
(%; 2011)



Total exports = US\$37.6b

Total F&B export value: New Zealand vs. peers
(US\$b; 2011)

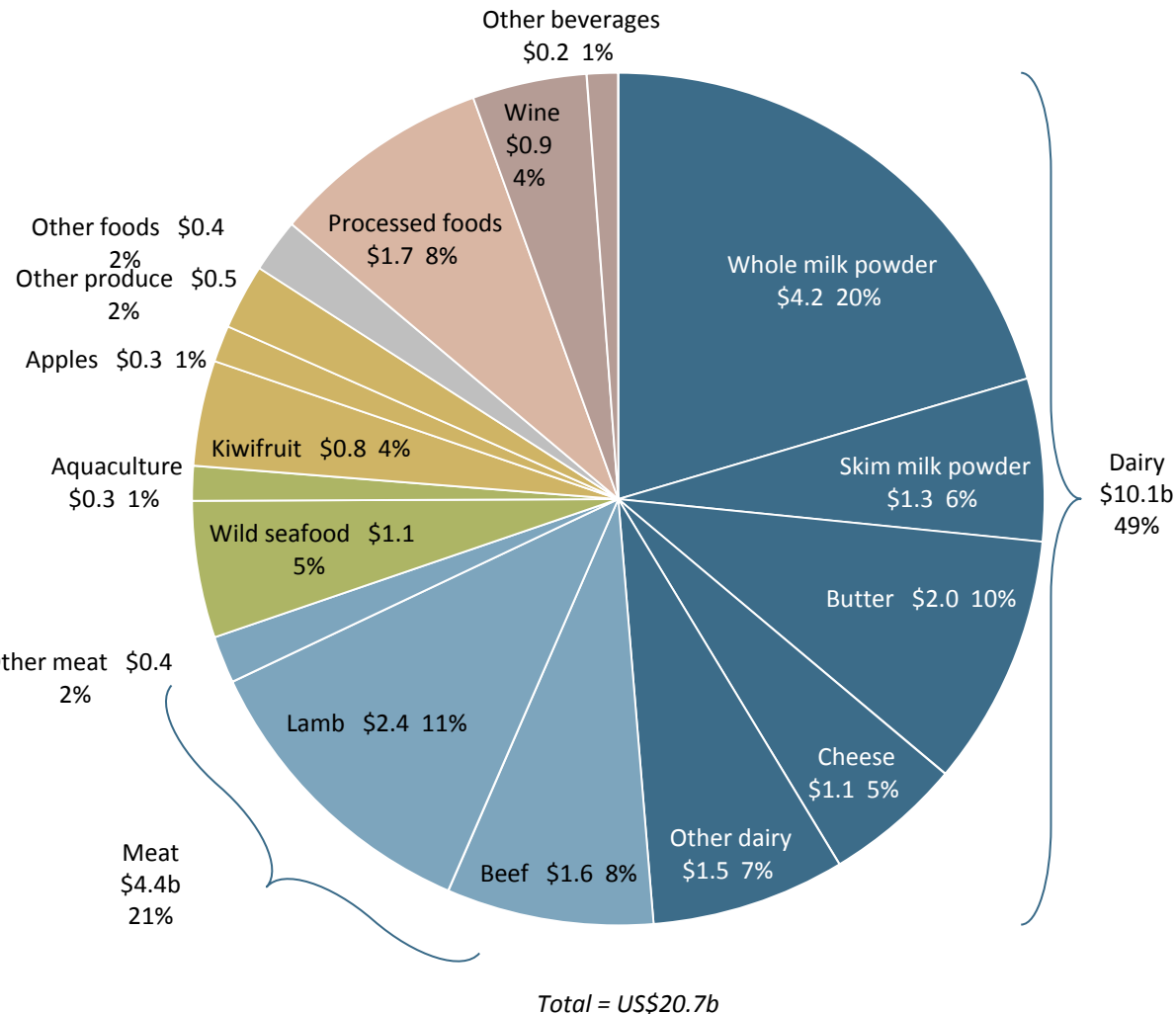


NZ exports 5x as much food as Japan!

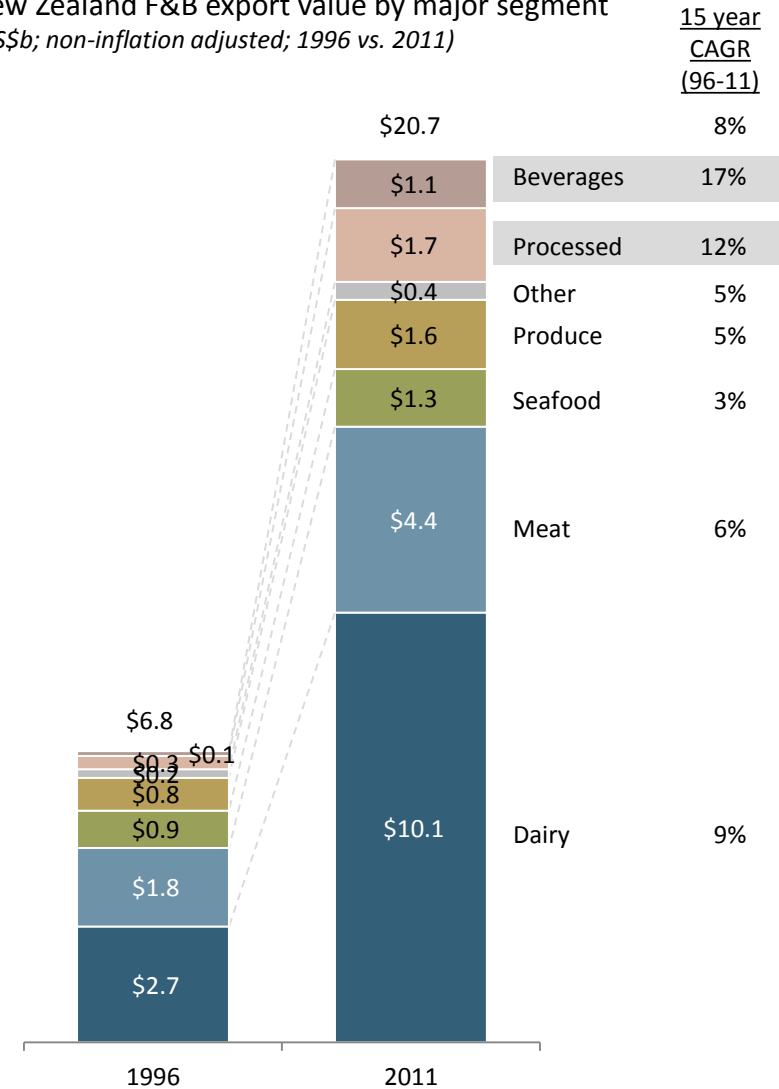
RANGE OF SECTORS

New Zealand food exports are spread across a range of product sectors; while all are achieving export value growth, **processed foods** and **beverages** stand out as **growth stars**

New Zealand F&B export value by major segment
(US\$b; 2011)



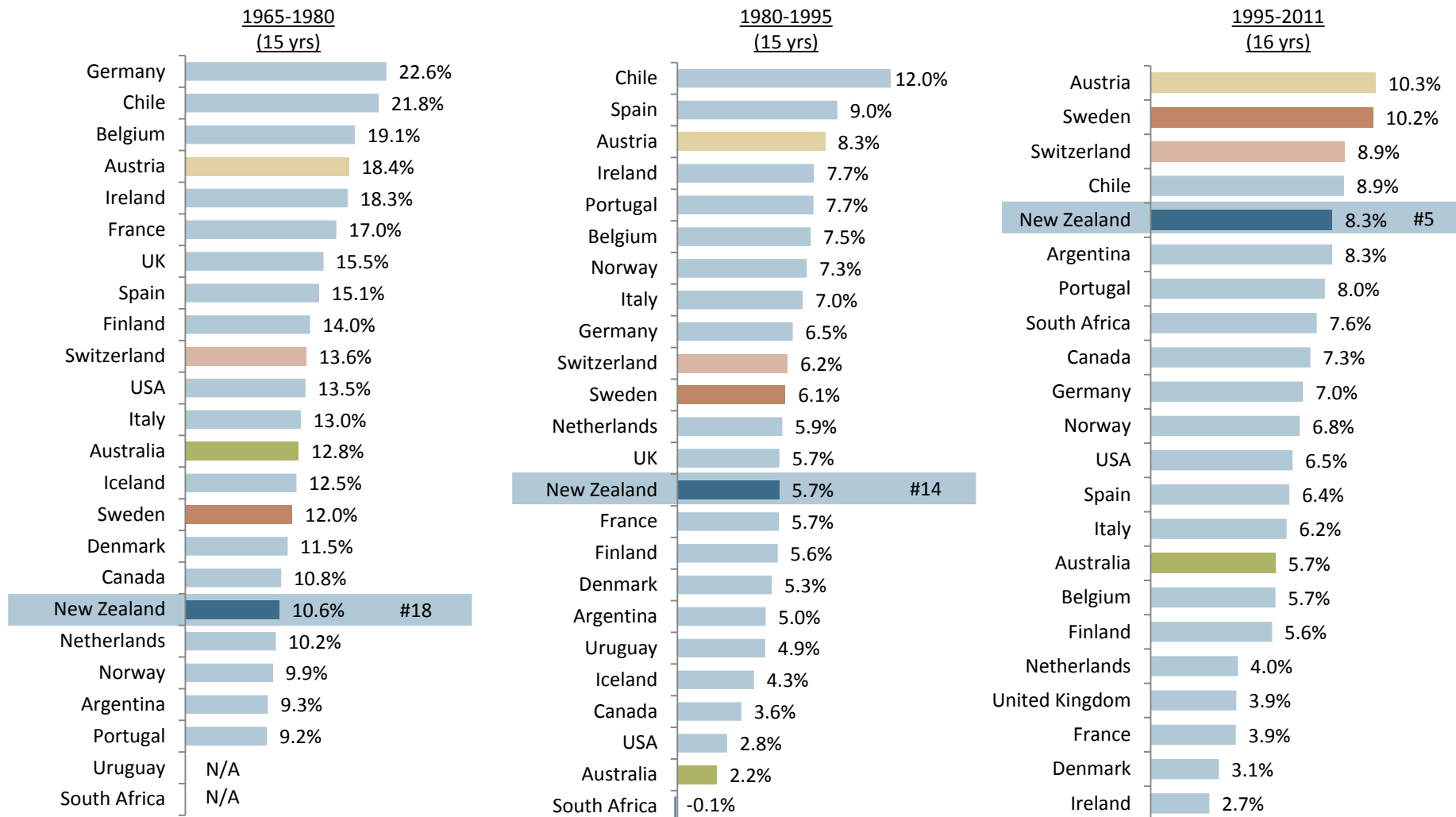
New Zealand F&B export value by major segment
(US\$b; non-inflation adjusted; 1996 vs. 2011)



GROWING STRONGLY

New Zealand's food & beverage **exports** are **growing strongly** and the country's relative **performance** is **improving**

15 year compound annual growth rate (CAGR) in total food & beverage export value: New Zealand vs. identified climatic peers
(%; US\$; non-inflation adjusted; 2011 or latest available)



WHAT IS ENABLING GROWTH?

Six factors are driving the growth of New Zealand's food industry

A. Comparative advantage

B. Strength in Research, Development and Science

C. New Zealand is a trusted partner; strong Biosecurity & Food Safety

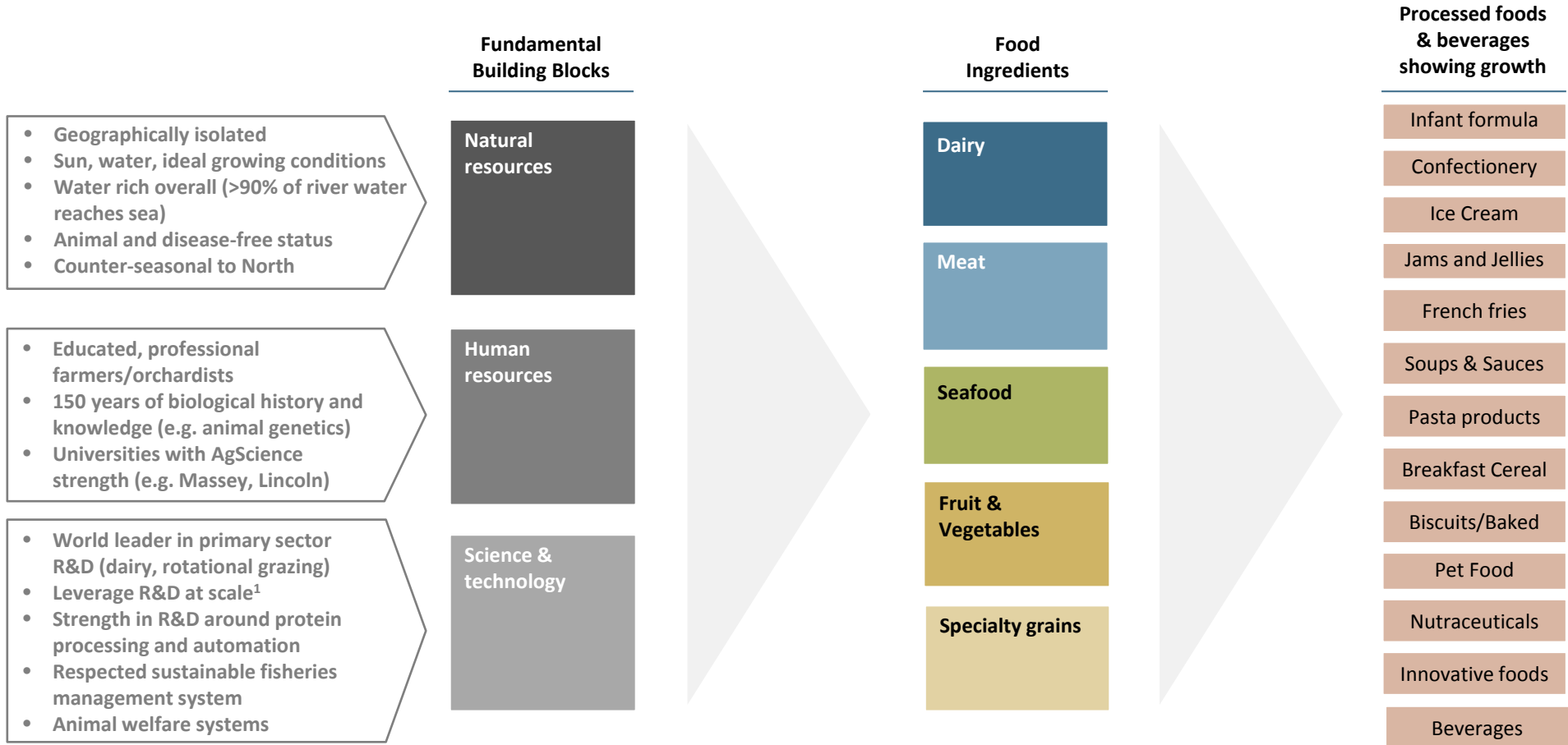
D. Business-friendly environment

E. Supply of temperate foods to Asia

F. Business investment

A. COMPARATIVE ADVANTAGE

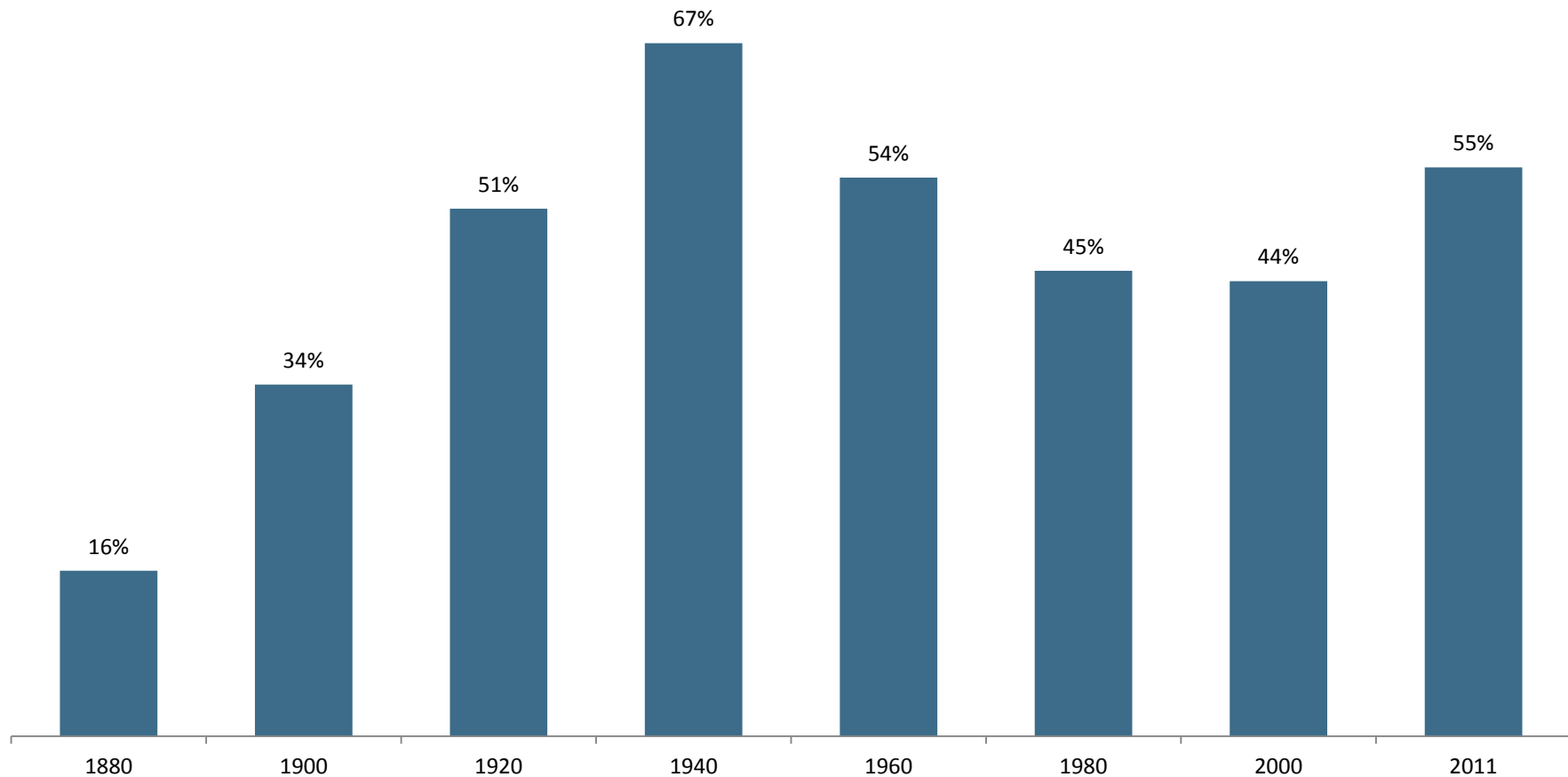
New Zealand has clear comparative advantage in food & beverages



A. COMPARATIVE ADVANTAGE – LONG TERM

Food & beverage exports have been **core to New Zealand's** exports for **over 100 years** – it is the country's core competency

Food & Beverages as a percent of New Zealand's total export value over last 131 years
(% of exports; 1880-2011)



B. STRENGTH IN F&B R&D – ORGANISATIONS

New Zealand has a **long history of R&D** and Science in the food industry, supported by **publicly funded** Crown Research Institutes, Centres of Research Excellence and Universities

Government-funded research and science organisations & universities with strong food & beverage activities
(2013)

Research and Science Organisations



Universities



B. STRENGTH IN F&B R&D – NEW ZEALAND FOOD INNOVATION (NZFI)

New Zealand Food Innovation (NZFI) – a network of four **open access** commercial scale R&D and **pilot plant** centres – demonstrates the Government’s commitment to the food and beverage industry

New Zealand Food Innovation Network

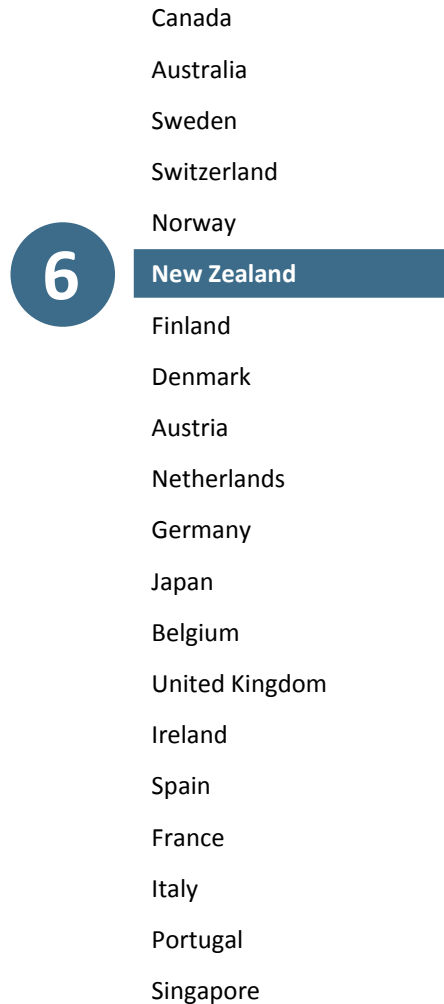


| Location | Focus | Capability |
|------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Auckland | Processed/FMCG foods Space/equipment for hire Export registrations ~1000 kg/shift | <ul style="list-style-type: none"> - Extrusion & milling/blending - UHT/Beverage - High pressure processing - Freeze drying - General processing - Multiple packaging styles - Production kitchen |
| Waikato | Dairy & Infant Formula ~500 kg/hour | <ul style="list-style-type: none"> - Spray dryer - Evaporator - Other dairy equipment - Packing |
| Palmerston North | Dairy Fruit & vegetables All Food and Beverage | <ul style="list-style-type: none"> - Same equipment range as Manukau (1/5th scale) - Same equipment range as Waikato (1/20th scale) - Post harvest technologies - Meat and small goods pilot plant |
| South Island | All Food and Beverage | Sourcing of: <ul style="list-style-type: none"> - pilot equipment - technical expertise - business expertise |

C. TRUSTED PARTNER – BRAND NEW ZEALAND

Global benchmarking shows **high value** in “Brand New Zealand”

Reputation Institute rank of the top 20 most reputable countries
Survey of 36,000 people in G8 countries; 2012



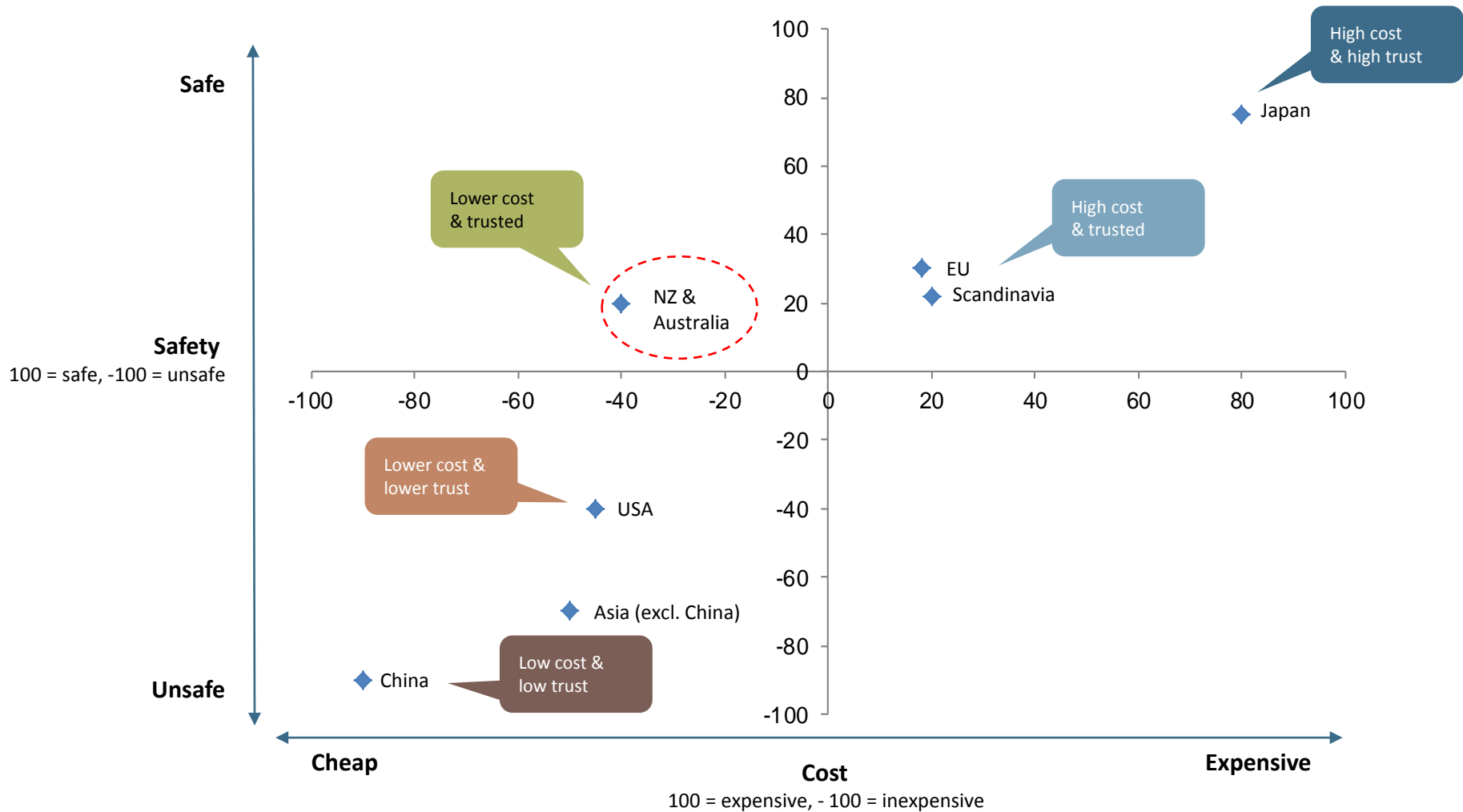
FutureBrand top 20 Country Brand Index global brand perceptions
Survey of 3,600 opinion formers in 18 countries; 2012



C. TRUSTED PARTNER – TRUSTED BY CONSUMERS

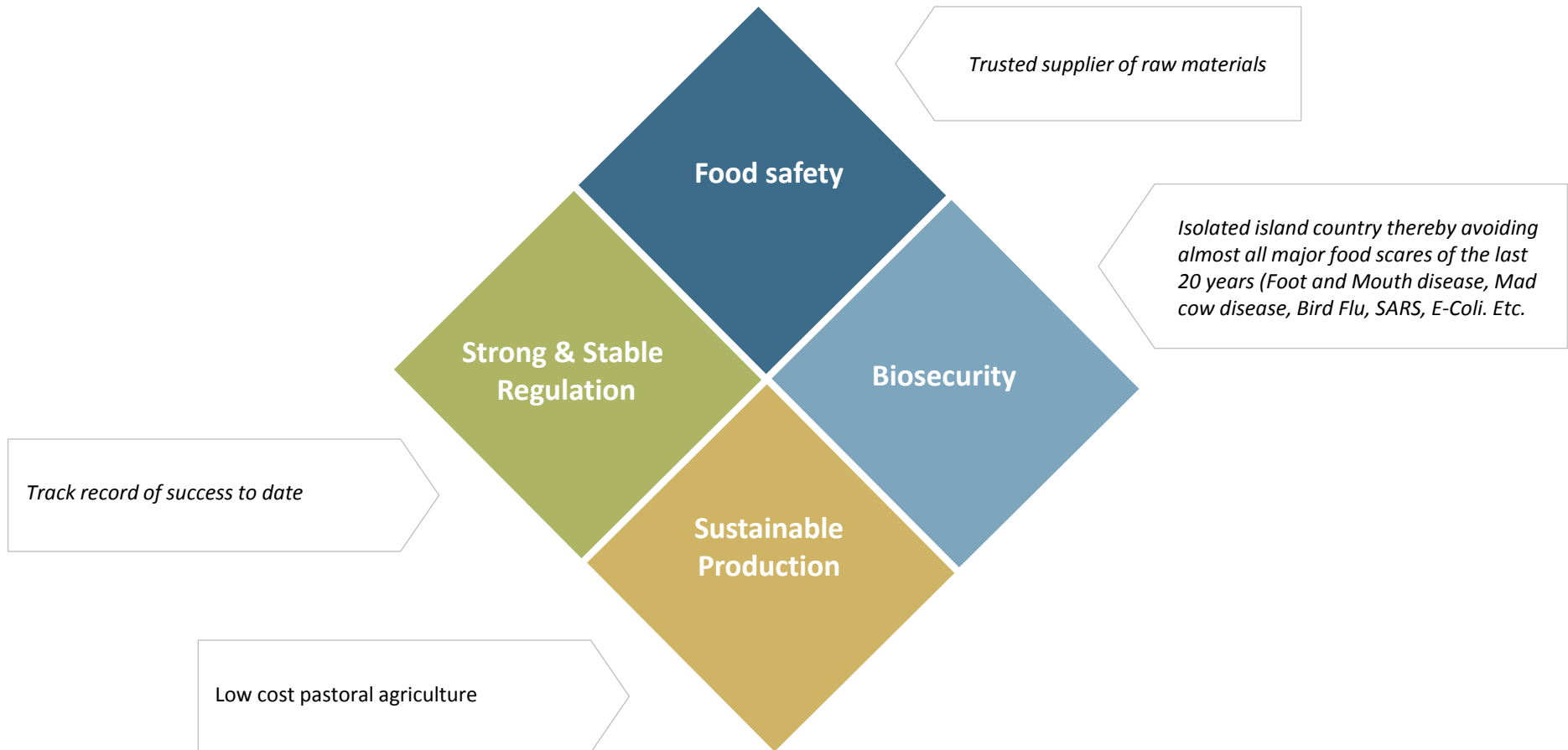
Consumers in key markets – particularly Asia – trust New Zealand food and beverages

Japanese public image of foreign products
(Index; 2009)



C. TRUSTED PARTNER – WHY?

New Zealand is trusted because **all** the **elements** of the food & beverage industry ecosystem **work together**



D. BUSINESS FRIENDLY

Multiple global surveys show NZ Inc. **leading** in international **business friendly** rankings

Corruption Perception Index (2011)

New Zealand

1

Denmark
Finland
Sweden
Singapore
Norway
Netherlands
Australia
Switzerland
Canada
Luxembourg
Hong Kong
Iceland
Germany
Japan
Austria
Barbados
United Kingdom
Belgium
Ireland

Investor Protection¹ (2011)

New Zealand

1

Singapore
Hong Kong
Malaysia
United States
Ireland
Canada
Israel
Colombia
United Kingdom
South Africa
Kazakhstan
Thailand
Mauritius
Kyrgyz Republic
Albania
Saudi Arabia
Georgia
Japan
Macedonia

Forbes: Best Country for Business (2012)

New Zealand

1

Denmark
Hong Kong
Singapore
Canada
Ireland
Sweden
Norway
Finland
United Kingdom
Australia
United States
Belgium
Netherlands
Switzerland
Taiwan
Chile
Luxembourg
Estonia
Luxembourg

Ease of Doing Business (2011)

New Zealand

3

Singapore
Hong Kong
United States
Denmark
Norway
United Kingdom
Korea, Rep.
Iceland
Ireland
Finland
Saudi Arabia
Canada
Sweden
Australia
Georgia
Thailand
Malaysia
Germany
Japan

Economic Freedom (2011)

New Zealand

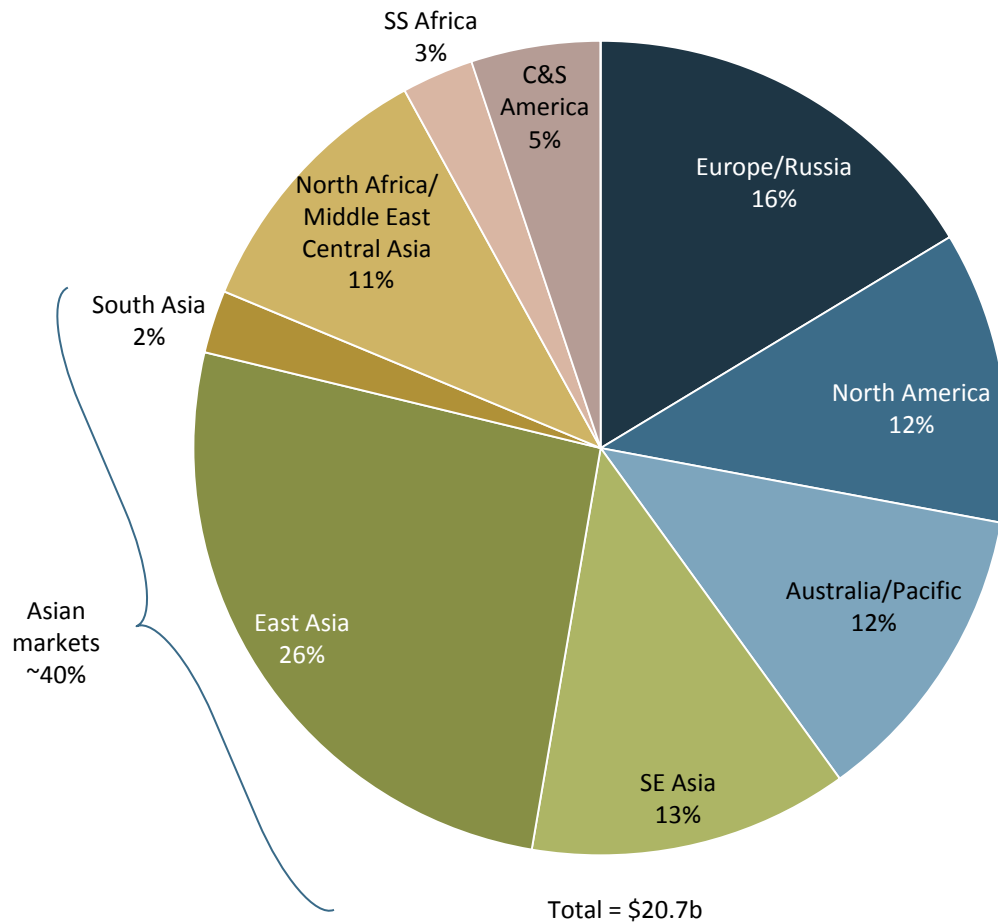
4

Hong Kong
Singapore
Australia
Switzerland
Canada
Chile
Mauritius
Ireland
United States
Denmark
Bahrain
Luxembourg
United Kingdom
The Netherlands
Estonia
Finland
Taiwan
Macau
Cyprus

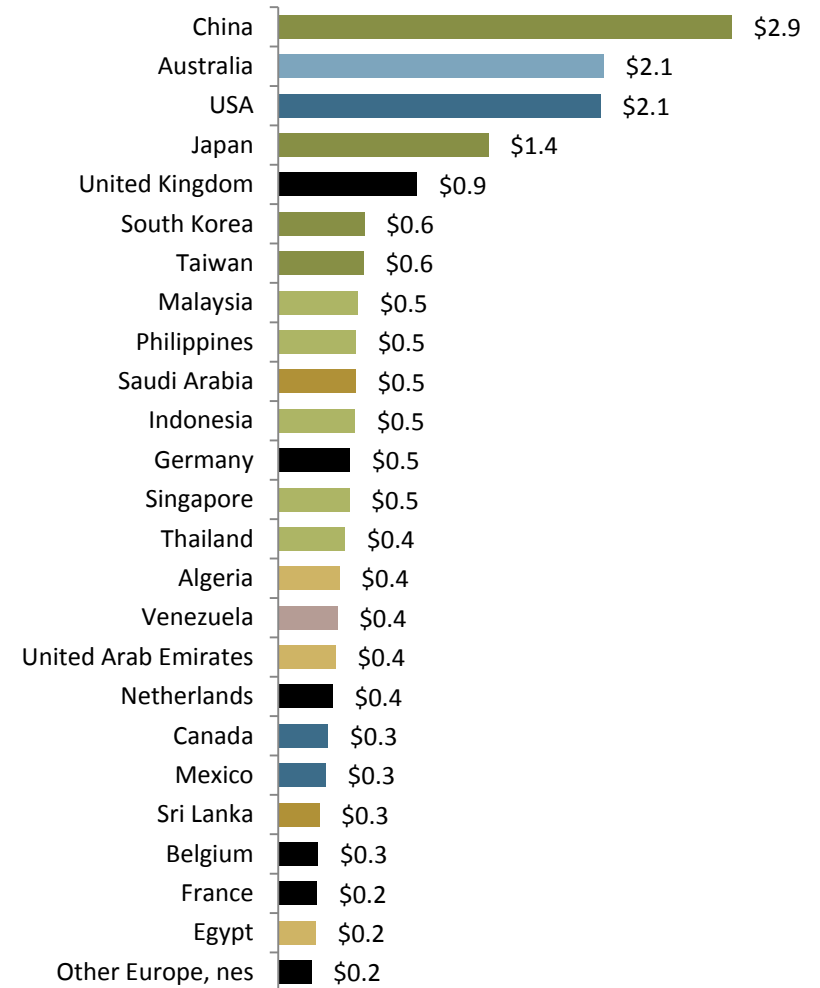
E. TRADE TO ASIA

New Zealand exports food and beverages to a wide range of destinations; **Asia is now the largest destination** region taking ~40%; **China** is the **single largest** destination and Asian countries 10 of top 25 destinations

New Zealand F&B export value by region
(US\$b; 2011)



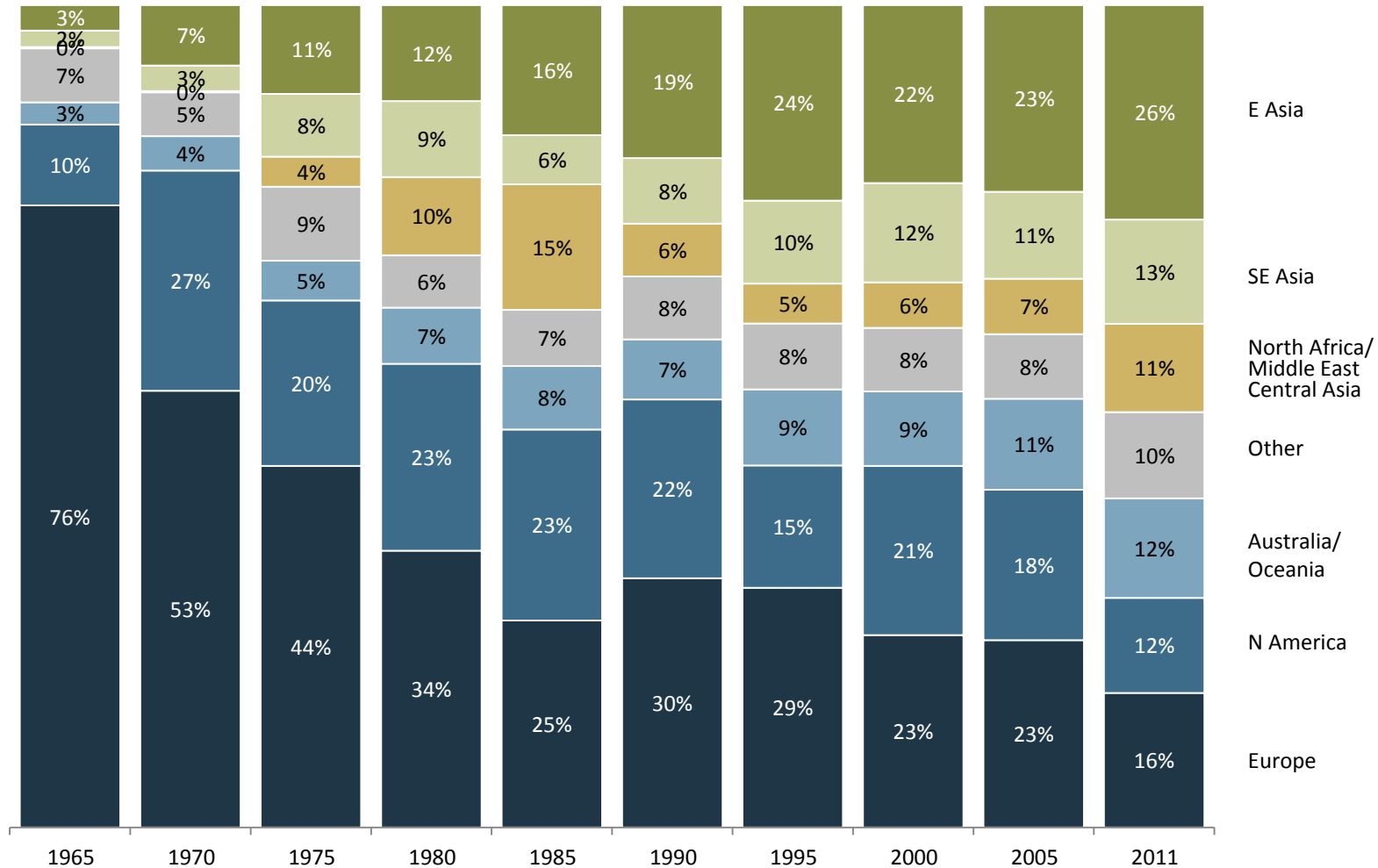
Top 25 F&B export country destinations by value
(US\$b; 2011)



E. TRADE TO ASIA

New Zealand in the middle of a fundamental **transition** from feeding Westerners to **feeding the Asia-Pacific** region

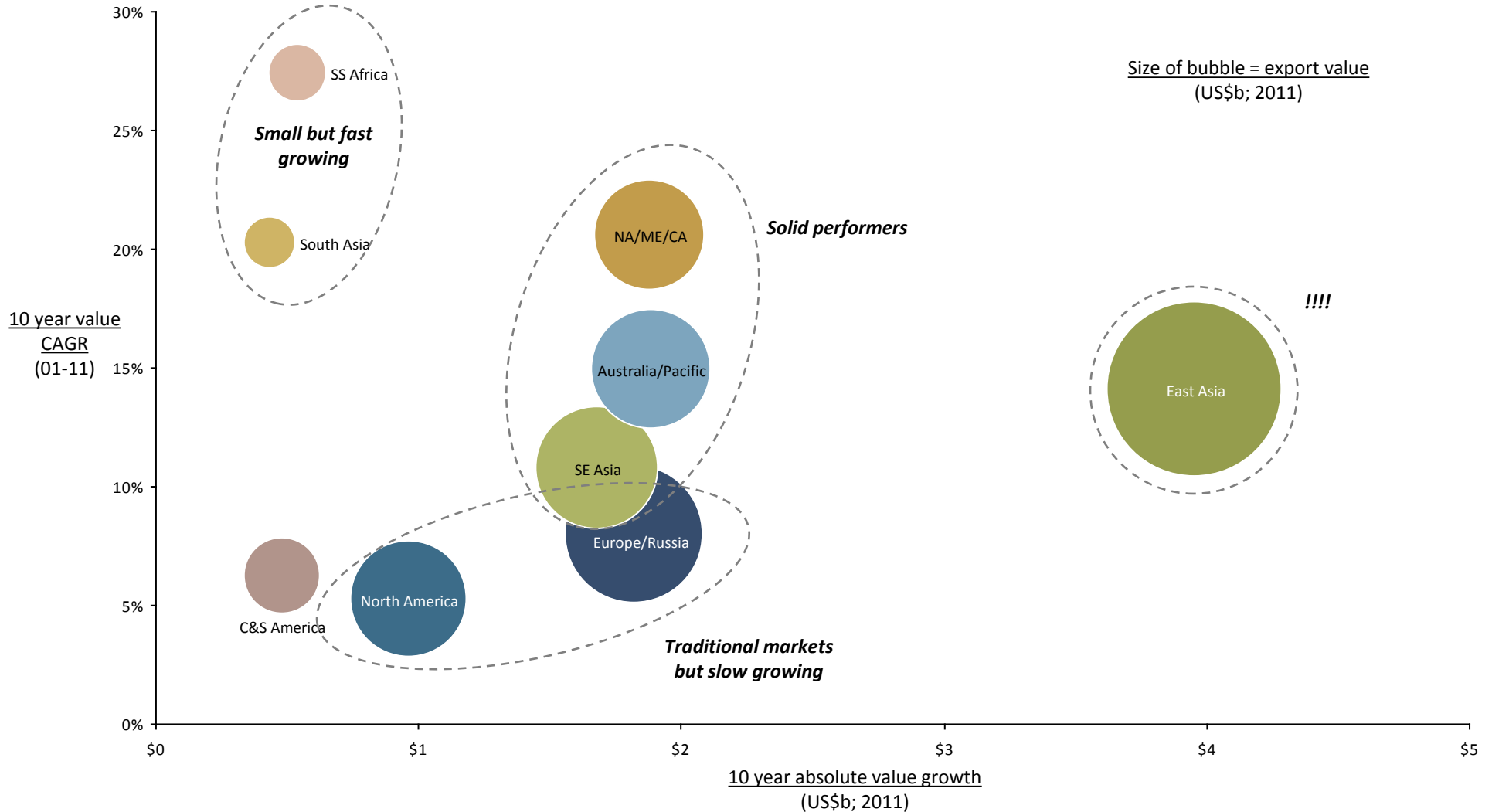
Share of New Zealand F&B export value by region
(% of US\$; 1965-2011)



E. TRADE TO ASIA - GROWTH MATRIX

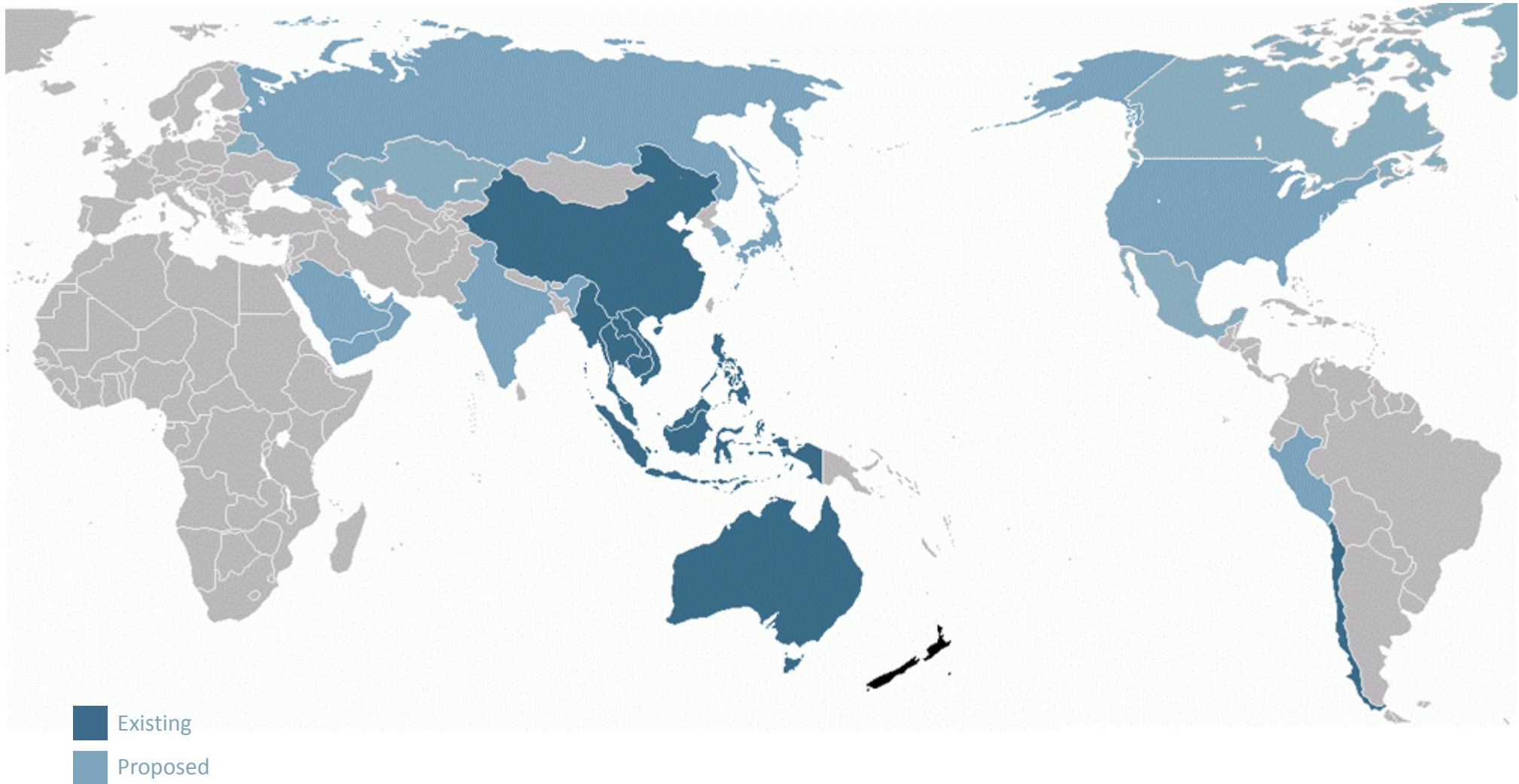
Growth is being driven by the Asia-Pacific region and other markets of the future

F&B export value growth matrix
(2001-2011)



E. TRADE TO ASIA - FREE TRADE AGREEMENTS

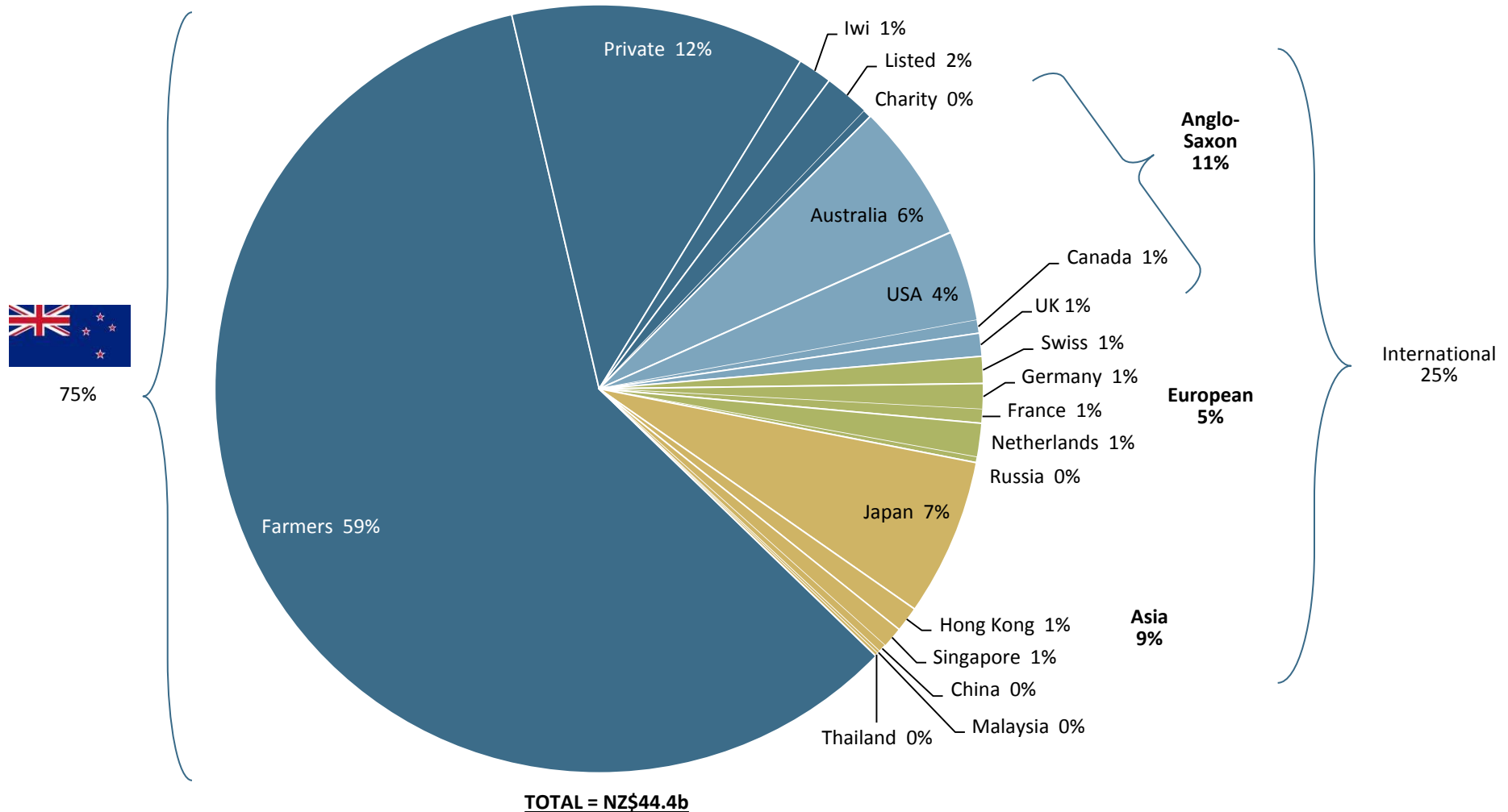
New Zealand has **free trade agreements** – either in place or proposed – with **most of the Asia-Pacific region**



F. ATTRACTING GLOBAL INVESTMENT - MAJOR F&B FIRM TURNOVER BY OWNERSHIP

The NZ F&B industry has **attracted investment** from a wide range of sources; **25%** of the investment in the New Zealand food & beverage industry is **from outside the country**

Turnover of top 78 New Zealand F&B firms by ownership type/country
(% of NZ\$m; 2011e)



F. ATTRACTING GLOBAL INVESTMENT

The New Zealand Food & beverage manufacturing sector has **attracted investment from around the world**

EXAMPLES: Significant investors in F&B manufacturing in New Zealand
(Current as of 2011)

Asia



Australia



South America



Europe



North America



F&B INFORMATION PROJECT

Depending on your area or areas of interest, the Food & Beverage Information Project has an **extensive** and highly **detailed** range of sector level **analysis available**

Structure of information available to investors under the New Zealand Food & Beverage Information Project
(November 2012)

You are here

Investor's Guide

Your next stop

Dairy Sector

Meat Sector

Seafood Sector

Produce Sector

Processed Foods Sector

Beverages Sector

Nutraceuticals Sector

Emerging Growth Opportunities

Markets

FOR MORE INFORMATION

For more **information or assistance** in investing in the New Zealand food and beverage industry **contact:**

| Agency | Key areas of responsibility and support for investors in NZ F&B | Contact details |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  Ministry of Business, Innovation & Employment | <ul style="list-style-type: none">- Economic Development Policy- Research goals & priorities- Scientific research funding- Labour market/employment relations | <p>http://www.mbie.govt.nz/contact-us www.foodandbeverage.govt.nz</p> |
|  New Zealand TRADE & ENTERPRISE | <ul style="list-style-type: none">- Trade promotion- Export development | <p>http://www.nzte.govt.nz/about-nzte/pages/new-zealand-offices.aspx</p> |
|  NEW ZEALAND FOREIGN AFFAIRS & TRADE | <ul style="list-style-type: none">- Trade relationships- Trade policy, including trade negotiations and offshore market access barriers | <p>http://mfat.govt.nz/About-the-Ministry/Contact-us/index.php</p> |
|  Ministry for Primary Industries Manatū Ahu Matua | <ul style="list-style-type: none">- Biosecurity- Agricultural production- Food safety | <p>http://www.mpi.govt.nz/AboutMPI/ContactUs/tabid/94/Default.aspx</p> |



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