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# *Exports of functional foods*

Food and Fibre Future Conference

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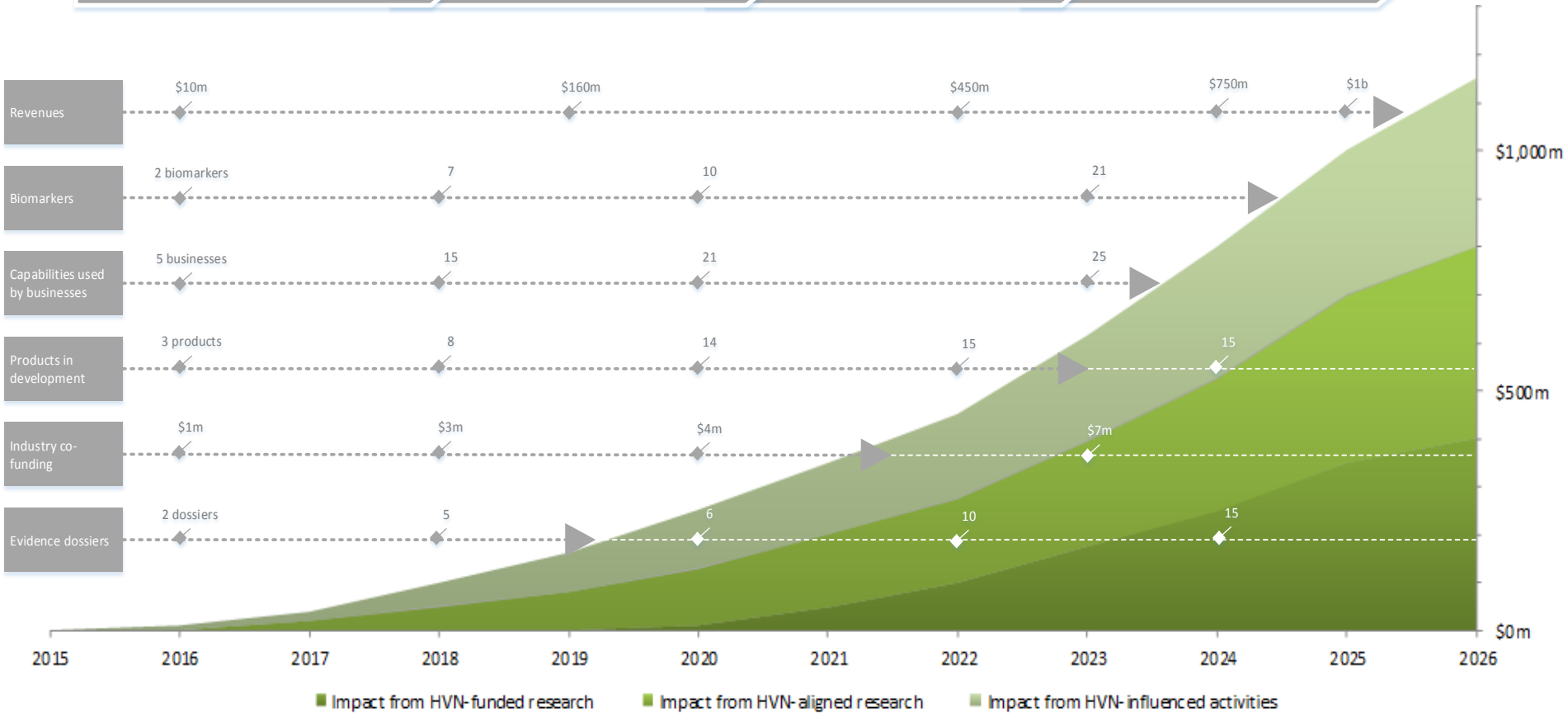


## *Key points*

- HVN/functional foods are a **small share** of New Zealand's exports
- HVN/functional foods are **concentrated** in one/a few products
- It's about **food trust** as much as health claims
- It's a **dynamic** market



# High-Value Nutrition targets



# ***Estimating export values***

## Summary of our approach

**Analysis of official export statistics**  
*(Lincoln University)*

**Interviews with New Zealand companies**  
*(PwC Wellington)*

**Validation in Asian markets**  
*(PwC Singapore)*

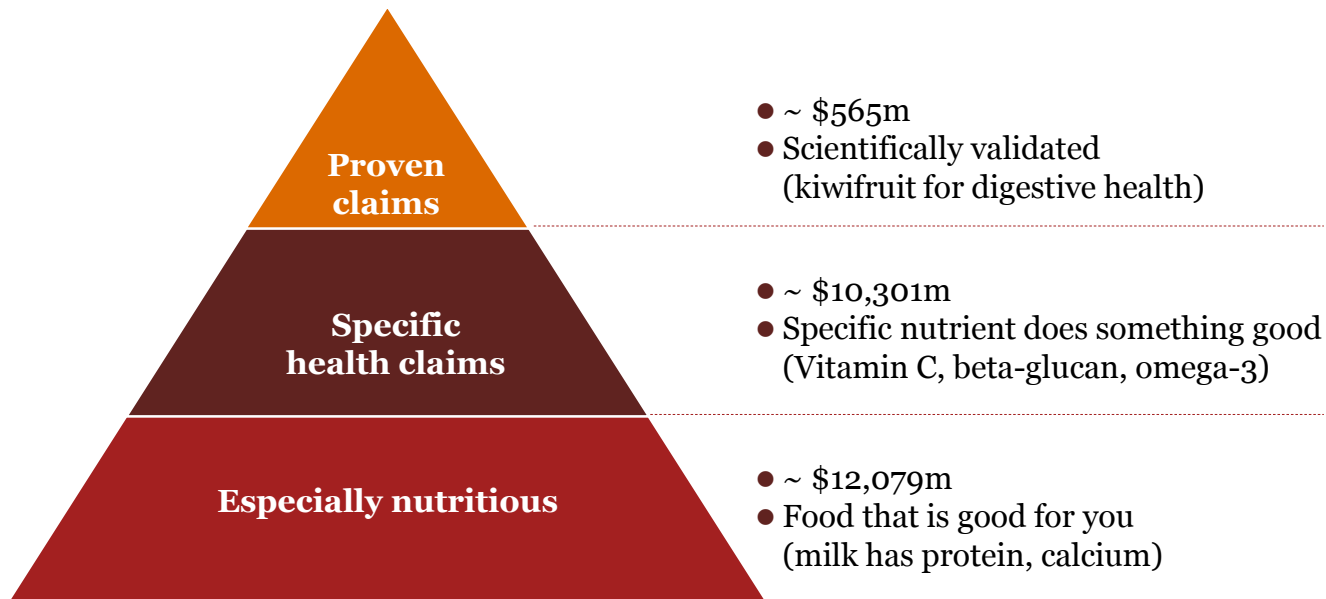
### **Produce estimates**

- Allocate export figures to HVN
- Check countries / commodities against known products
- Verify that target markets are receiving products

# *Overall value depends on what you measure*

Level of health claims affects the results

## *High-Value Nutrition exports, 2014*



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## ***Export statistics tell us something***

- No data source for High-Value Nutrition food exports
- Start with export data from Statistics NZ
  - We selected products from more than 600 HS codes (down to 6-digit level)
  - Selection of relevant products/ HS codes was validated by literature and HVN documents
  - We have been as inclusive as possible, e.g. all meat then sub-categories; all dairy, sub-categories from powders, all kiwifruit


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## ***Survey of NZ companies gives us some detail***


- Interviewed 21 food and beverage organisations across the supply chain on functional foods and exports
- Scientifically validated health claims virtually non-existent
  - Some reported exporting functional food exports based on
    - food products being especially nutritious
    - having claims about the ingredients in their products
  - Others reported no functional food exports, as they had no validated proprietary claim about their food product
  - One reported having a scientifically validated health claim on their product

# Search data verifies interest in New Zealand functional foods

## Top 11 countries, by search interest level<sup>1</sup> by product<sup>2</sup>

Milk powder 		
Rank	Country	Interest level
1	Sri Lanka	100
2	Singapore	81
3	New Zealand	55
4	Malaysia	42
5	UAE	39
6	Bangladesh	32
7	Hong Kong	31
8	Australia	29
9	India	28
10	Pakistan	26
11	Philippines	22

Manuka honey 		
Rank	Country	Interest level
1	New Zealand	100
2	Singapore	94
3	Australia	50
4	Ireland	48
5	Hong Kong	41
6	United Kingdom	39
7	Malaysia	28
8	UAE	19
9	Canada	13
10	United States	11
11	Philippines	8

Kiwi fruit 		
Rank	Country	Interest level
1	New Zealand	100
2	Kenya	56
3	Australia	42
4	India	33
5	Singapore	26
6	Pakistan	23
7	UAE	21
8	South Africa	17
9	Philippines	16
10	United Kingdom	15
11	Hong Kong	13

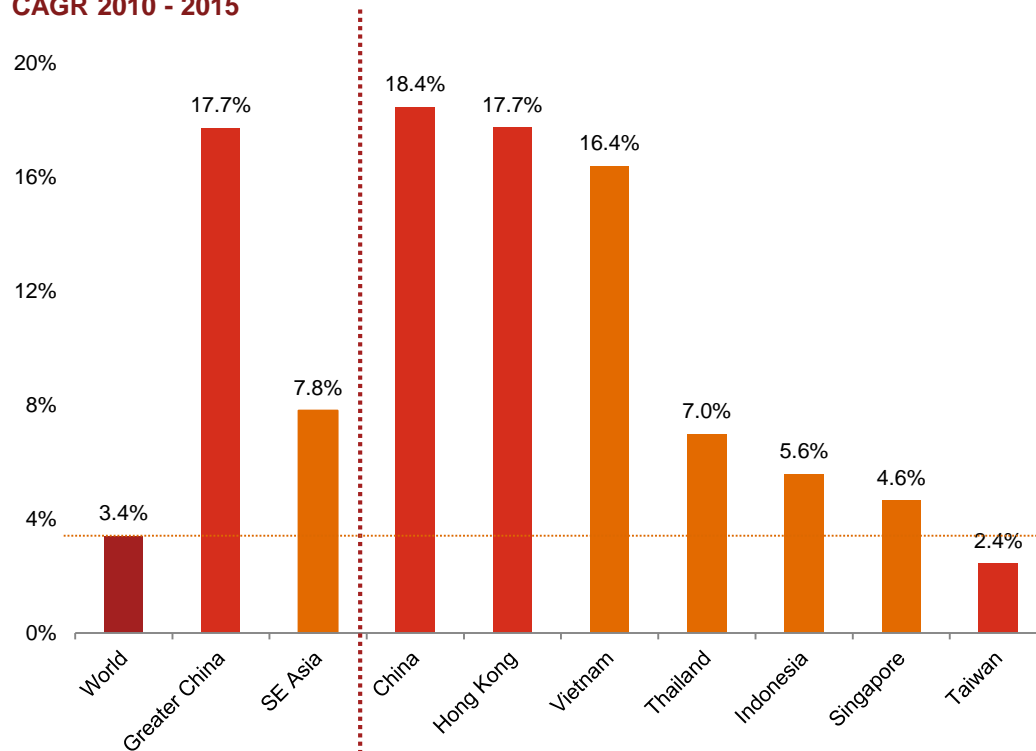
Note: 1. Interest level values are calculated on a scale from 0 to 100, where 100 is the location with the most search popularity as a fraction of total searches in that location, a value of 50 indicates a location which is half as popular, and a value of 0 indicates a location where the term was less than 1% as popular; 2. China data is not available on Google

Source: Google Trends, Euromonitor, Nielsen, Mintel Group



## The functional F&B market is growing rapidly in Greater China and SE Asia, with double digit growth in China, Hong Kong and Vietnam

Growth of functional F&B market  
CAGR 2010 - 2015



Consumers in Asia Pacific have the 2nd highest desire for sustainably sourced ingredients.

- Nielsen report

Over 90% of the consumers in Asia are willing to pay a premium for foods with health benefits.

- Nielsen report

Demand for natural and 'less processed' food and beverage is emerging in Asia.

- Mintel Group

Note: Greater China refers to China, Hong Kong and Taiwan. SE Asia refers to Indonesia, Thailand, Vietnam, and Singapore.  
Source: Euromonitor, Nielsen, Mintel Group

# Impact of the 2008 Chinese milk powder scandal

## New Zealand seen as a safe source for infant formula

### 2008 Chinese milk powder scandal

#### Daily Mail

Wednesday 17 September 2008

#### China's poisonous milk powder kills three children and leaves 6,000 sick

Three infants have been killed by the powder, which was laced with melamine, while 158 are fighting acute kidney failure. The number of sick children has hit 6,244, said Chinese health minister, Chen Zhu.



Since that scandal, food and drug authorities in China have intensified their oversight of the sector.

- China Daily 2008

### Chinese consumers today prefer to import infant formula from safe sources, e.g. New Zealand



Imported milk powder is today one of China's most popular products and has led to a surge in **New Zealand milk powder exports**.

- Alimenta Srl

"Chinese buyers want to know the products are **from Australia or New Zealand**, so we don't have to repackage or use Chinese language on the products."

- A2 Milk Company (NZ)

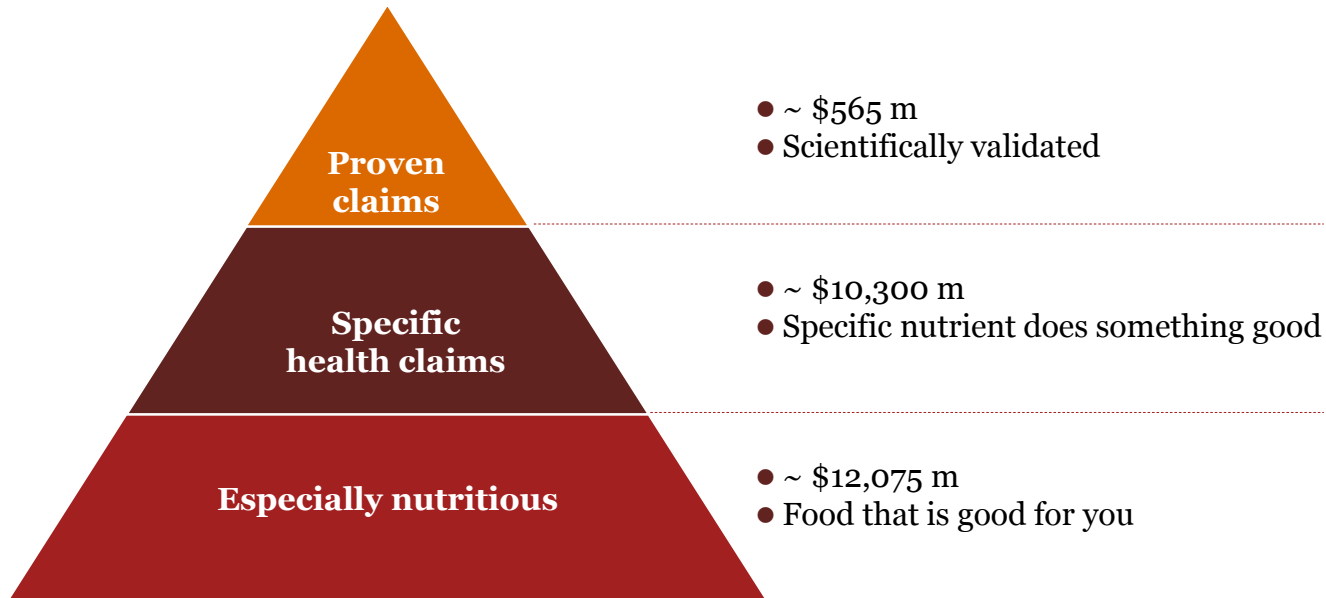
"**90% of all New Zealand infant formula exports by volume have passed the new Chinese regulation in 2015.**"

- Jan Carey, Chief Executive of The Infant Nutrition Council (INC)

Source: Press Search

# *Report on this material will be available in November...*

## *High-Value Nutrition exports, 2014*



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