NEW ZEALAND ECONOMICS
TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

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SUMMARY

The Trans Pacific Partnership Agreement is a deal to liberalise trade and investment between 12 Pacific-rim countries. For food and beverage exporters it provides better market access to some of the world's wealthiest consumer markets – the US, Japan and Canada.

The modelled benefits of $2.7 billion per annum for the New Zealand economy by 2030 are debatable. But history actually suggests such benefits are often understated. In addition we take the view it's better to be in the tent than outside. It is incongruous to imagine New Zealand – a trade dependent nation – not signing up, particularly with the deal being a 'living agreement' meaning others can sign up too and the clear evidence of substantive benefits from other deals New Zealand has been a party to (i.e. CER, NZ-China FTA etc). There is a raft of empirical evidence that suggests trade liberalisation benefits overall welfare and lifts nationwide income too, particularly so for a small and already open trade dependent economy like New Zealand.

For food and beverage companies, the deal gets rid of $274 million in tariffs, removes other non-tariff barriers and harmonises the rules governing trade between TPPA members. But it also goes further by opening up new export opportunities in some of the wealthiest consumer markets, gains New Zealand parity with competitors who already have free-trade concessions, increases competitiveness of small to medium-sized food and beverage businesses through lowered compliance costs, and allows New Zealand regulators/businesses to be at the heart of shaping future trade policy. These benefits are difficult to measure, but tangible.

WHAT IS IT?

The Trans Pacific Partnership Agreement (TPPA) is a deal to liberalise trade and investment between 12 Pacific-rim countries: New Zealand, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, the United States and Vietnam. These countries account for over 800 million consumers, 36% of global gross domestic product and 40% of global trade.

From a New Zealand perspective the 12 countries are key trading partners. They already account for 40% of total goods exports, 47% of total service exports, 73% of New Zealand's direct overseas investment and 75% of foreign investment within New Zealand.

New Zealand already has free trade agreements with Australia, Singapore, Brunei Darussalam, Chile, Vietnam and Malaysia, so **this agreement is really about the addition of Peru, the United States, Mexico, Japan and Canada.** The latter four countries are where the rubber hits the road for New Zealand businesses as they are home to some of the wealthiest consumers. Indeed these additional countries only represent 9% of the global population, but they capture nearly a third of global economic activity.

Of equal importance is the fact the TPPA is a 'living agreement', meaning other countries may join in the future. It is much broader than the usual run of a mill free trade agreement. It covers a number of emerging trade and new 'cross-cutting' issues. This includes the likes of the internet and digital economy, the participation of state-owned enterprises in international trade and investment, the ability of smaller sized businesses to take advantage of trade agreements and other topics you wouldn't typically see in your standard or historical free trade agreements.

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Geopolitics and the future rules that govern globe trade is a consideration too. The TPPA is viewed as an important element in the US 'rebalancing' toward Asia and as a strategic move to counterweight the rise of China. Similarly, Japan's participation in TPPA negotiations is largely seen as an effort to contain China's influence in the region.

Moreover, as the TPPA has a special regulatory focus on topics not covered by the World Trade Organisation, it may – if successful – significantly contribute to shaping future trade deal templates. Thus, it is a clear opportunity for both the US and Japan to influence the future trading system in the Pacific and further abroad.

WHEN WILL IT COME INTO FORCE?

The Agreement is not expected to enter into force until at least early 2018. However, there are still some political hurdles to overcome in many of the participant countries. This is due to each of the twelve countries needing to change domestic laws to reflect what was agreed under the TPPA. This is no easy task given 'special interest' groups all pushing their own agendas and you can already see political fracturing in some key nations such as the USA.

There are various ways for the Agreement to enter into force.

1. The first option is if, within two years of the date of signature (4 February 2016 in Auckland), all countries that signed the TPPA have completed the necessary domestic law changes. It then enters into force 60 days after notification by all countries.
2. If all countries have not notified their readiness within two years, then the second option is if at least six of the countries accounting for 85% of the combined GDP (as at 2013) have completed the necessary domestic law changes then it can enter into force 26 months after signature.
3. The third option applies if the TPPA has not entered into force under either of the first two options. In these circumstances, it will enter into force 60 days after the date on which at least six of the original countries involved have completed the necessary domestic law changes. Again, the six countries need to account for at least 85% of the combined GDP (as of 2013) of those originally involved.

TPPA includes a mechanism that allows countries who did not notify their readiness under the above options to sign-up when they are ready to do so.

The US accounts for approximately 60% of GDP of the 12 countries that signed up and Japan 18%. So given the 85% threshold, all eyes are on whether or not these two countries can pass the respective legislative changes through their governing bodies.

In the US, it needs to make it through the Republican controlled House of Representatives and Congress. Through a piece of legislation called the Trade Priorities and Accountability Act, the President can submit trade deals to Congress for an expedited vote without amendments. This piece of legislation was key to getting other countries on board given that divisions within the US would have undermined what was agreed.

TABLE 1: CHAPTERS IN TPPA

Chapter	Title	Chapter Description
1.	Initial Provisions and General Definitions	Outlines definitions and countries involved.
2.	National Treatment and Market Access for Goods	Sets out the rules individual TPPA countries will apply for qualifying imports from other TPPA countries, including the elimination of tariffs. Each country has agreed to a schedule of tariff commitments specifying the preferential rate that applies to other TPPA countries. Most countries apply these same rules to all, but there are some variations.
3.	Rules of Origin and Origin Procedures	Establishes the rules for determining whether goods traded between TPPA countries are considered to "originate" in the TPPA region and therefore qualify for relevant tariff and trade preferences.
4.	Textile and Apparel Goods	The rules of origin for textiles within the TPPA are treated differently from New Zealand's other trade agreements. The majority of textile products need to be manufactured from materials produced within the TPPA in order to qualify for preferential TPPA tariff rates. To mitigate the impact of some of these restrictive rules, and to take into account production capability gaps within the TPPA region, there are some exceptions.
5.	Customs Administration and Trade Facilitation	Builds on the commitments in the recently agreed WTO Agreement on Trade Facilitation and extends beyond these obligations in some areas. These commitments are aimed at facilitating the flow of goods across borders, including ensuring customs procedures and practices are transparent and consistent, as well as expediting certain forms of trade.

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Chapter	Title	Chapter Description
6.	Trade Remedies	Sets out the conditions and procedures for when a country can provide temporary relief to a domestic industry from unfair competition, or an unexpected surge in imports. A TPPA country maintains its current rights and obligations under the relevant WTO agreements, but includes a range of practices that promote the goals of transparency and due process when imposing anti-dumping and countervailing duties. It also includes rules that allow countries to impose transitional safeguard measures (i.e. temporarily raise tariffs) if there is a surge in imports.
7.	Sanitary and Phytosanitary Measures (SPS)	Builds on the WTO SPS Agreement to encourage better and more consistent SPS regulatory practices. In developing SPS measures, TPPA countries are obligated to undertake transparent decisions and either conform to internationally agreed SPS standards or provide a documented scientific risk assessment where their requirements do not conform to the standards.
8.	Technical Barriers to Trade	Addresses the trade barriers and costs associated with standards, technical regulations and conformity assessment procedures. Builds on existing rights and obligations under the WTO that seek to eliminate unnecessary technical barriers to trade, enhance transparency and promote regulatory cooperation and business practice.
9.	Investment	Sets out the framework that governs the flow of investment between TPPA countries. Uses a 'negative list' framework where everything apart from the areas where restrictions are listed by individual countries has market access. Each country's 'negative list' has two parts: 1) sets out existing measures (laws, regulations, decisions, practices, procedures) that each country retain; 2) lists reservations for sectors and activities where TPPA country's maintain existing and/or can adopt new discriminatory measures.
10.	Cross-Border Trade in Services	Sets out the framework for cross-border trade in services. It is set-up in a similar fashion to the investment chapter through the use of a 'negative list'.
11.	Financial Services	Establishes a framework of rules to govern the cross-border trade in financial services amongst TPPA countries. It's closely linked to the measures for investment and services given the relationship financial services plays in both. It is set-up in similar format with a negative list of 'non-conforming measures' (i.e. every country commits to established rules apart from those on the negative list).
12.	Temporary Entry for Business persons	Looks to enhance the rules for a business persons' entry into a country when engaged in the trade in goods, supply of services and the conduct of investment activities. This is particularly important for the supply of services as it often involves travel and staying for a period of time to conduct this type of business.
13.	Telecommunications	Sets out regulatory disciplines to underpin effective market access and competitive markets in telecommunications services in the TPPA area.
14.	Electronic Commerce	Establishes domestic legal frameworks for the governing of electronic transactions to ensure they are consistent with internationally developed frameworks and support consumer confidence in e-commerce. Includes a number of provisions covering electronic authentication and signatures, online consumer protection, the protection of personal information of the users of e-commerce, unauthorised commercial electronic messages, minimising unnecessary barriers to e-commerce and recognises the value of cooperation on cybersecurity matters.
15.	Government Procurement	Sets out the rules by which companies can compete for government contracts. The aim is to provide open, transparent and competitive procurement whereby companies from other TPPA countries are afforded treatment equal to domestic suppliers in bidding for government procurement contracts covered by the agreement. Each TPPA country has negotiated a 'schedule of commitments' that sets out government entities, procurement activities, and minimum value thresholds that together determine what contracts are subject to the commitments.
16.	Competition Policy	Sets out the requirement for TPPA countries to have competition laws that prohibit anti-competitive conduct.
17.	State-Owned Enterprises and Designated Monopolies	Recognises each country's right to establish and maintain state-owned enterprises and monopolies, while aiming to establish a level playing field between state-owned or controlled companies and their competitors. There are exceptions and the provisions only apply to companies more than 50% owned or controlled by the Government with a commercial focus – not those who operate for not-for-profit or cost-recovery.

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Chapter	Title	Chapter Description
18.	Intellectual Property	Covers a number of obligations related to copyright, patents, data protection for pharmaceutical products, plant variety rights, trade marks, geographical indications, industrial designs, domain names, enforcement of intellectual property rights and internet service provider liability. The obligations are considered more onerous than other FTA's and multilateral treaties providing some costs, especially around copyright protections.
19.	Labour	Recognises that labour standards should not be used for protectionist trade purposes and that it is inappropriate to encourage trade or investment by weakening or reducing labour laws. Adopts and maintains internationally-recognised labour rights and laws, as well as additional laws governing 'acceptable conditions of work' with respect to minimum wages, hours of work and occupational safety and health.
20.	Environment	Contains obligations and undertakings to promote supportive trade and environment policies. Enhanced cooperation is focused on several areas: multilateral environmental agreements; conservation and sustainable use of biodiversity; reducing carbon emissions; the conservation and sustainable management of marine fisheries; promoting conservation and combating the illegal take of, and illegal trade in, wild flora and fauna; liberalising trade in environmental goods and services; and encouraging the use of voluntary mechanisms (such as auditing, reporting and labelling) to protect natural resources and the environment.
21.	Cooperation and Capacity Building	Purpose of this section is to help implement and enhance the benefits of the TPPA amongst member countries. It does this by establishing new cooperation and capacity building mechanisms (such as dialogues, workshops, conferences, collaborative programmes, technical assistance activities) and leveraging existing mechanisms (such as bilateral partnerships) to help all countries realise economic growth and development through the TPPA.
22.	Competitiveness and Business Facilitation	This is a cross-cutting section that seeks to support increased economic integration, job creation and competitiveness of TPPA countries. It's novel to the TPPA compared with other globally negotiated trade agreements. It provides a framework for the development and strengthening of supply chains in the free trade area and is a response to the increased importance that supply chains and regional production networks play in international trade and investment.
23.	Development	Essentially reaffirms countries commitment to "promote and strengthen an open trade and investment environment" in a manner that helps to address – to the extent possible – TPPA country's national development objectives (i.e. improve welfare, reduce poverty, raise living standards and create employment opportunities).
24.	Small and Medium Sized Enterprises	This section is about promoting information sharing and other support activities to ensure small-medium enterprises can take advantage of the TPPA.
25.	Regulatory Coherence	This section creates the obligation on all countries to establish quality regulatory management systems to ensure trade and investment liberalisation is taken into account when considering new regulations.
26.	Transparency and Anti-corruption	Has specific transparency-related provisions on pharmaceutical and medical device reimbursement.
27, 28, 29 & 30.	Legal and Institutional Issues; Dispute Settlement; Exceptions and Final Provisions.	Free trade agreements include legal and institutional provisions that cover such things as how and when the agreement will enter into force, how it will relate to other international agreements already in place, how countries should resolve issues in the case of a dispute, and what exceptions are allowed. Under the TPPA, these are covered by the Initial Provisions, Administrative & Institutional, Dispute Settlement, Transparency and Anti-corruption, Exceptions, and Final Provisions sections.

WHAT'S IN THE AGREEMENT?

The short answer is a lot. The entire document is well over 1,000 pages and there are 30 chapters. These are listed below with a brief description on what each entails.

For the food and beverage sector there are many areas that are applicable, but the ones that are of most interest include:

1. **The treatment and market access for goods.** This is all about tariff reductions, phase-in times for this and allocated quotas for more sensitive products (i.e. dairy).
2. **Rules of origin and origin procedures.** This is about the definition of qualifying products. This is important in today's world of global supply chains where various components of a product can be manufactured in different countries.

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3. **Textile and apparel goods.** These rules and definitions are specific to businesses and raw materials involved in producing textile and apparel goods. These have particular relevance to wool, hides and pelts.
4. **Customs administration and trade facilitation.** These are particularly relevant for small-medium enterprises where customs procedures increase the compliance burden and costs. It is also relevant for highly perishable food products and maximising the end shelf-life of a product (i.e. reducing time for customs clearance etc).
5. **Trade remedies.** These define the rules and risks associated with trade barriers being reinstated in the future.
6. **Sanitary and phytosanitary measures.** These are important both from a non-tariff barrier perspective when exporting, but equally for local biosecurity protections. From a trade perspective, these can be some of the most restrictive non-tariff barriers for certain products and markets.
7. **Technical barriers to trade.** These look to reduce other non-tariff barriers that can restrict trade.
8. **Investment.** Foreign investment already exists in many food and beverage sectors and different parts of the supply chain (i.e. farms, processing, distribution etc). Attracting further investment, expertise, access to supply chain partners and other intellectual property remains critical to the long-term success of New Zealand's food and beverage sectors.
9. **Intellectual property.** New Zealand has a lot of intellectual property in the food and beverage sector that requires correct protection. Equally, the food and beverage sector requires access to intellectual property to drive innovation and business efficiency.
10. **Environment.** New environmental regulations are beginning to have a big impact for on-farm investment and day-to-day management, so any new international initiatives will have an impact.

WHAT ARE THE BENEFITS AND COSTS TO NEW ZEALAND?

There have been a range of estimates on the benefits and costs of New Zealand joining the TPPA. Given the complexity of the agreement and its interaction with changeable economic variables and real-world markets there are always going to be a range of views expressed.

The Government's view is that once fully in effect the TPPA will result in New Zealand's real GDP increasing by at least 0.9% or $2.7 billion annually, by 2030.

The economic modelling commissioned by the Ministry of Foreign Affairs and Trade estimated four ways the TPPA impacted on New Zealand's economy, once all trade liberalising measures were assessed to have come into place by 2030.

1. **The reductions in tariffs and quota barriers on goods trade was assessed to boost New Zealand GDP by $624 million after fifteen years.** This figure represents the economic benefit that would accrue to New Zealand from improved market access into TPPA markets due to lower tariffs. The model captures gains from allocative efficiency as relative prices adjustment encouraging a shift in New Zealand production into areas where we have better competitive advantages. It also accounts for increased value from lower tariffs on imports into New Zealand, although this effect is likely to be relatively low given New Zealand's already low tariff structure.
2. **Reductions in non-tariff measures (NTM's) on goods trade cumulating in an additional $2.91 billion to GDP after fifteen years.** While the removal or lessening of NTMs can represent one of the most significant outcomes from trade agreements, and the impact of NTMs on global trade is well-documented, available data and approaches to modelling NTMs are not as developed as for, say, the liberalisation of tariff barriers. For this reason the Government decided to halve the estimated economic gains from addressing NTMs on goods (i.e. NZ$1.46 billion).
3. **Improved trade facilitation measures, are estimated to add NZ$374 million to New Zealand's GDP after fifteen years.** These gains were estimated to come from faster times for goods to clear borders.
4. **Reductions in barriers on services trade, estimated to contribute an additional $250 million to New Zealand GDP by 2030.** TPPA would liberalise trade flows across a range of areas that are expected to benefit New Zealand in these areas such as: cross-border trade in services, financial services, temporary entry, and telecommunications.

There are a number of counter views for each depending on the assumptions one wants to apply.

In the case of the gains from tariffs savings, opponents believe these are overstated as the direct tariff cost is estimated at $274 million per annum. This saving is shared amongst exporters

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and other actors in the supply chain. However, the modelling takes into account other things like a lift in demand from end-consumers due to lower prices and more choice etc. Nonetheless, opponents believe a larger proportion of the benefit is likely to accrue to consumers and other powerful actors in the supply chain (i.e. foodservice and retail companies), as opposed to New Zealand exporters.

As stated, the claimed benefit from the reduction in NTM's is highly uncertain and difficult to model. As it accounts for 70% of the benefit, it is a significant determinate of the outlined economic gain. Even with the original estimate from the reduction in NTM's being halved, opponents suggest it is still too high and uncertain to include.

Other areas of contention include: the modelled benefits not being completely aligned with the end outcomes of the negotiations (i.e. timeframe and finally agreed tariff reductions etc); and a blanket assumption with little justification that customs clearing times will be reduced by 25% improving trade facilitation.

The other area that appears to be missing is the anticipated costs generated from the TPPA. The government has estimated a range of costs associated with: loss of tariff revenue, increase in the copyright term, additional costs for PHARMAC, implementation costs and other one-offs. In the National Interest Analysis these assumed costs are estimated to be $79 million per annum, but don't seem to have been incorporated into the likes of the headline result.

So in summation, there does seem some 'oddities' and areas of contention in the Government's view of the assumed benefits for New Zealand from the TPPA.

We take a common sense approach and view it as better to be in the tent, as opposed to outside it. It is simply incongruous to imagine New Zealand not being a part of the most significant trade deal in decades. Food and beverage exporters will be the biggest winners. For the rest, the result is a little more uncertain. There is a raft of empirical evidence that suggests trade liberalisation benefits overall welfare and lifts nationwide income, particularly for a small and already open trade dependent economy like New Zealand. The truth is only time will tell of the true scale of benefits and costs from being involved. Going by past experiences of other free trade agreements, these have tended to over deliver, so fingers crossed this will be the same for the TPPA.

Looking at other trade deals New Zealand has been a party to:

- New Zealand/Australia Closer Economic Relations – negotiated in 1983: All tariffs were eliminated by 1990 (ahead of schedule). **Two-way trade has increased steadily to $24 billion, or 18% of total.** Imports make-up $11.2 billion, or 17% of total. Exports make-up $12.9 billion, or 18.5% of total. **Australia is our biggest services trading partner, with most services traded free of restriction.** As a percentage of total services exports and imports, Australia makes up 22% ($4.5 billion) and just under 32% ($5.3 billion) respectively. **It's also now easier to invest in each country under the March 2013 Investment Protocol.** This is an example of how agreements continue to develop. Foreign direct investment between New Zealand and Australia is now $67 billion. New Zealand has direct investment of $13 billion in Australia and Australia is the largest source of foreign direct investment in New Zealand, at $53 billion.
- The New Zealand-China free trade agreement that came into effect in 2008. **Two-way trade has more than doubled in less than eight years.** The growth now means Australia and China compete closely with one another as our top trading partner. **Importantly for New Zealand the larger proportion of growth has come from exports.** Total exports have more than tripled, or grown at 18% per annum since the FTA came into force. Just about all major sectors have experienced growth in sales to China during this period. The biggest beneficiaries in growth terms have been dairy, tourism, forestry, meat and seafood. Imports have also grown, but at a slower rate of 7% per annum.
- There are other examples too. **Many of New Zealand's other free-trade agreements have started out as bilateral agreements that have then turned into larger multilateral agreements.** The likes of the AANZFTA is an example, where all ASEAN countries came together amalgamating previous smaller agreements. This is helping drive synergies across a number of areas of trade.

We also need to keep in mind that such deals only open the door; businesses still need to go through it.

WHAT ARE THE BENEFITS FOR THE FOOD AND BEVERAGE SECTOR?

An estimated $334 million is paid annually in duties on New Zealand exports to the five TPPA countries with which we do not have existing FTAs (the US, Japan, Canada, Mexico and Peru). While the TPPA has not delivered the full elimination of tariffs, when fully implemented, 95.4% of New Zealand exports will be tariff free, saving $272 million

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in tariffs from these five markets. In addition, there will be tariffs savings of $2.4 million from further reductions in Vietnam and Malaysia with whom we already have an FTA. In total this delivers $274 million in tariff savings. Of course not all of this will make its way back to New Zealand exporters.

TABLE 2. TARIFF SAVINGS BY COUNTRY

Country	NZ Exports	Estimated tariff savings at entry into force		Estimated tariff savings once fully implemented[B]	
	NZ$m	NZ$m	% of exports[A]	NZ$m	% of exports[A]
Parties where New Zealand has no existing FTA					
Japan	3,430	83	75.24%	207	90.63%
US	4,417	45	97.19%	52	99.61%
Mexico	418	3.1	73.70%	6.6	81.42%
Canada	645	4.8	99.16%	5.2	99.89%
Peru	135	0.9	99.65%	0.9	100.00%
Parties with existing FTAs with New Zealand[C]					
Malaysia	1035	0.1		1.6	
Vietnam	468	0.6		0.8	
Overall	**10,550**	**137**		**274**	

[A] Percentage of exports that would benefit from tariff elimination. Where New Zealand exports are not subject to elimination, most would benefit from new quota access.
[B] Almost all (99.5%) tariff savings would be realised within sixteen years. The remaining tariff savings would be realised over 20 or 30 years.
[C] Tariffs that would be eliminated under TPP that were excluded from the ASEAN-Australia-New Zealand and Malaysia-New Zealand FTAs (eg. wine, liquid milk etc).

Source: ANZ, MFAT

The table below provides a split of this $274 million benefit by major sector.

TABLE 3: TARIFF SAVINGS BY SECTOR

Sector	NZ exports[A]	Estimated duties paid	Estimated tariff savings once fully implemented
Dairy	2,141	132	96
Fisheries	347	9	9
Forestry	773	11	11
Horticulture	694	34	34
Industrials	2,274	9.6	9.6
Meat	1,923	101	84
Other Agric.	352	19	12
Textiles	96	3.4	3.3
Wine	461	16	16
Overall	**9,060**	**335**	**274**

[A] "New Zealand exports" column does not include trade with Malaysia and Vietnam that benefits from, or would benefit from, duty free access under New Zealand's existing FTAs.

Source: ANZ, MFAT

Key benefits from tariff liberalisation include:

1. **At entry:** estimated tariff savings of $137 million and 87.9% of exports being duty free. Tariff elimination on specific products into the main markets are: the US (bottled still wine, sheepmeat, prepared meats, protein isolates); Japan (kiwifruit, squash); Canada (wine); Mexico (mussels, kiwifruit, milk albumin) and Peru (buttermilk powder).
2. **By the 5th year after entry:** estimated tariff savings of $197 million and 90.1% of exports being duty free. Tariff elimination on specific products into the main markets are: the US (beef, fish sticks, asparagus); Canada (beef); Japan (hoki and other frozen fish, carrot juice, sausages and mandarins); and Mexico (wine).
3. **By the 10th year after entry:** estimated tariff savings of $236 million and 92.1% of exports being duty free. Tariff elimination on specific products into the main markets are: the US (infant formula, ice-cream, tableware and sugar); Mexico (apples, sheepmeat and beef); Japan (tongues, hides, Bluefin tuna and apples) and Vietnam (wine).
4. **By the 15th year after entry:** estimated tariff savings of $273 million and 94.8% of exports being duty free. Tariff elimination on specific products into the main markets are: Japan (cheese, sawn wood and offals); and Malaysia (liquid milk and wine).
5. **When fully phased in:** tariffs on one of New Zealand's highest traded cheese tariff lines in the US would be eliminated over twenty years (with a transitional safeguard lasting a further five years). Tariffs are also eliminated on milk powder exports to the US, with skim milk powder eliminated over twenty years, and whole milk powder eliminated over 30 years with a transitional safeguard lasting a further five years.

Some of the key sector highlights include:

1. **Better market access to some of the biggest and wealthiest consumer markets** in the form of the United States, Japan and Canada.
2. **Some improvement on dairy market access, which is better than none.** It has to be remembered Canada and Japan have the two most regulated dairy sectors in the world. It was never going to be easy. While cheese isn't a big focus for the New Zealand dairy sector, the foodservice channel could provide some new opportunities in the likes of the US.

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3. **Much better market access for beef into the US and Japan.** These are two of New Zealand's larger markets and we filled our quota into the US last year. The slight offset to this is that Australia gets a similar deal.
4. **Better market access for kiwifruit into Japan where the industry paid $15 million in tariffs last year. Volumes are expected to increase as gold volumes expand over the next five years.**
5. **Many smaller sectors could also be significant benefactors.** The likes of better market access into Japan for fresh fruit and vegetables, which is already one of the sectors largest markets, will bring new opportunities for many small producers.
6. **While China takes the majority of New Zealand's forestry exports, Japan and the US are important markets too.** There looks to be significant benefits into Japan for all forestry products.

None of the above analysis takes into account dynamic changes in markets and sectors over this time. There is also a proportion of trade where tariffs are reduced but not completely eliminated. There are a number of other technical details related to different tariff rates, phase-in times, quotas for dairy products, safeguard triggers etc that could be covered off for each of the sectors. However, MFAT has done a good job of providing a high level analysis of these for each sector (https://www.tpp.mfat.govt.nz/resources). So we will leave it to readers to dig into the detail for the sectors they are interested in.

The TPPA also includes a number of other outcomes that improve access for New Zealand exporters to the region, as well as creating a framework to further reduce barriers to trade in the future.

Some of the key one's include:

1. **Elimination of the use of agricultural export subsidies within the TPPA region.** Taken together with the decision on agricultural export subsidies at the Tenth WTO Ministerial Conference (MC10) in Nairobi in December 2015, this is a significant development in terms of New Zealand's long-standing aim to eliminate agricultural export subsidies globally.
2. **The most detailed rules of any New Zealand FTA on quota administration.** This should result in transparent timely and predictable administration conditions, while imposing minimal additional administrative burdens on exporters.
3. **Rules of origin for accessing preferential tariffs under TPPA.** The ease of this process is key for making documentation and other customs processes simple and cost effective. It could also have implications for labelling requirements and their standardisation. The pros are transparency of labelling and documentation. The con is it could limit disclosure and the marketing/labelling of different products attributes (i.e. organic, grass-fed etc). The rules of origin also include special definitions for textile and apparel goods given different components are manufactured in different countries.
4. **Customs commitments** to improve efficiency at the border and expedite the release of goods. This includes advance valuation rulings for imports which provide certainty and predictability for New Zealand exporters.
5. **Mechanisms to minimise negative trade effects of sanitary and phytosanitary measures and technical barriers to trade.** This includes the likes of an independent disputes mechanism that allows exporters to appeal regulations in importing countries they believe are unjustified or unfair. This and other mechanisms will over time reduce the non-tariff measures faced by New Zealand exporters.
6. **A Wine and Distilled Spirits Annex to simplify the sale and export of New Zealand wines** in TPPA markets and reduce compliance costs for New Zealand wine producers.
7. **Foreign investment.** No changes are required to the way New Zealand currently approves foreign investment in sensitive land (including farm land over five hectares) or fishing quotas. TPPA rules do not provide the ability for a government to ban TPPA nationals from buying property in New Zealand. However, New Zealand can impose some types of new, discriminatory taxes on property if desired.
8. **Intellectual property provisions.** There are requirements for due process regarding the protection of geographical indications (a sign or name used in relation to goods that have a specific geographical origin and qualities essentially attributable to its origin). Exporters would be able to seek to ensure that they can continue to use common names for goods by objecting to proposals in export markets to protect them as geographical indications. Consistent enforcement procedures for intellectual property would also benefit exporters that rely on protecting intellectual property overseas. Provisions on traditional knowledge

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provide a framework within which TPPA countries can cooperate to improve understanding of issues related to traditional knowledge and genetic resources, including mātauranga Māori and taonga species.

9. **Labour and environment outcomes are the most comprehensive to be included in any of New Zealand's FTAs.** Key outcomes for New Zealand include commitments by countries to adopt and enforce strong domestic labour and environmental laws, and obligations to address forced and child labour, the illegal take of, and trade in, wild flora and fauna, subsidies for overfished fish stocks, and illegal fishing.
10. **There are a number of provisions to help facilitate economic efficiency, consumer welfare, and the ease of doing business**, for example there are chapters covering Competition, Competitiveness and Business Facilitation, Small and Medium Enterprises, and Regulatory Coherence.

Overall the TPPA will not only eliminate tariffs, but harmonise the rules governing trade between its members. Greater coherence in the rules that govern regional supply chains will streamline international trade, with benefits for businesses and consumers. Over time regulatory harmonisation will remove unnecessary duplication and reduce costs. This will be particularly beneficial for small to medium-sized food and beverage businesses, which can least afford increased compliance costs.

If New Zealand decided to remain outside the TPPA it would lose the opportunity to benefit from enhanced access to markets that account for 44% of our total goods and services trade. New Zealand exporters would also be placed at a disadvantage to their competitors in the TPPA, as these competitors would face lower barriers to trade relative to New Zealand exporters.

OVERVIEW OF NEW FREE TRADE PARTNERS

To get a feel for the new opportunities in the US, Mexico, Japan and Canada we have put together some country profiles. This includes a macroeconomic view, New Zealand's current trade and investment position, and an overview of the food and beverage sector.

TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

USA

The United States of America (US) boasts the world's largest economy at US$17.3 trillion in 2014. It accounts for nearly 23% of the world economic activity and 60% of TPPA countries. The population of the US is 319 million, representing 40% of total consumers within the TPPA countries.

USA ranks 16th out of 168 countries measured in perceived corruption (a rank of 1 is perceived as least corrupt) and is ranked fifth amongst TPPA countries.[1] Business conditions are favourable; ease of doing business is ranked third behind Singapore and New Zealand, while logistics performance is second best among TPPA countries.

New Zealand's current trade and investment position

The US is New Zealand's third largest trading partner behind Australia and China. Two-way trade has increased by 7.1% per annum in recent years. Surprisingly the US imports more dairy products than any other TPPA country, with the majority being casein ($454 million), whey ($394 million) and cheese ($84 million) destined for foodservice. Frozen beef is New Zealand's largest merchandise export to the US, almost doubling in just four years to reach $1.6 billion. Meat exports have grown 14% per annum in recent years (beef 19% per annum). The US is also New Zealand's largest wine export destination having almost doubled in recent years. Services have grown rapidly for information technology, business and personal travel services in recent years too.

Amongst TPPA countries, the US is second on the list for international investment in New Zealand, behind Australia. The US accounts for 22% of New Zealand's overseas investment. The US investment in New Zealand has dropped 19% since 2011 to $38 billion.

Commodity/service	Exports (NZD million)				Imports (NZD million)			
	Dec-11	Dec-15	Change from 2011 - 2015(%)	Rank TPPA countries 2015	Dec-11	Dec-15	Change from 2011 - 2015(%)	Rank TPPA countries 2015
Dairy	855	1112	30	1	33	46	39	2
Wine	234	432	85	1	0	2	n/a	3
Meat	1187	1975	66	1	31	28	-10	3
Forestry	185	224	21	3	61	75	23	2
Fruit and vegetables	108	159	47	3	105	157	50	1
Manufactured goods	1,077	1379	28	2	4,290	5,177	21	1
Total merchandise	**3,997**	**5,758**	**44**	**2**	**4,772**	**5,892**	**23**	**2**
Transport. services	370	513	39	2	75	121	61	3
Other business services	307	333	8	2	489	671	37	2
IT services	150	297	98	1	146	233	60	2
Education	60	55	-8	2	13	17	31	2
Tourism – Business	52	116	123	2	59	84	42	2
Tourism – Personal	430	949	121	2	248	449	81	2
Total services	**2,143**	**2,625**	**22**	**2**	**1,583**	**2,168**	**37**	**2**
Total trade	**6,140**	**8,383**	**37**	**2**	**6,355**	**8,060**	**27**	**2**
	International investment in New Zealand				New Zealand investment abroad			
Total investment	**47,088**	**38,123**	**-19**	**2**	**30,406**	**45,349**	**49**	**2**

Source: ANZ, Statistics NZ

Food and beverage overview – quick facts

- US consumers spent US$651 billion on food in 2014. Food expenditure is increasing at 5% per annum.
- Almost a fifth of the money Americans spend on goods and services is on food.
- Almost 60% of food is sold in supermarkets. The last 20 years has seen less traditional food retail outlets like warehouse clubs expand into the food market, suggesting consumers prefer to pair food shopping with that of other goods. This group increased their share to 24% of the food retail market.

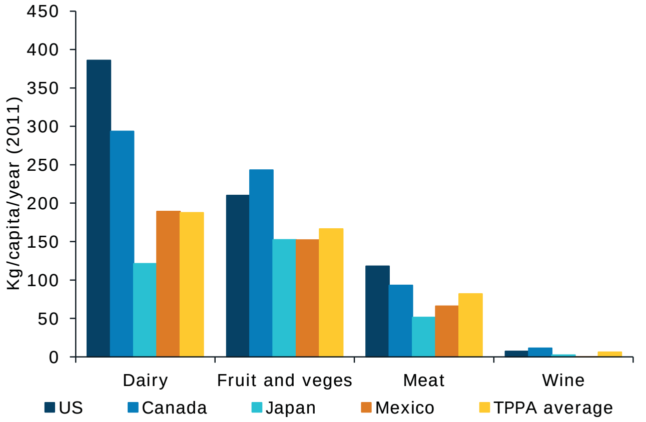
The US has the largest economy, population, and consumes the most food and beverage[2] product per person in the TPPA.[3] The average American consumes

[1] Corruption Perception Index and Logistics Performance Index data for Brunei Darussalam is not available.
[2] Dairy, fruit and vegetables, meat and wine
[3] Singapore was not included due to data availability

TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

a total 721kg of food and beverage per year. Dairy consumption (386kg) is mainly milk and cheese products. Meat consumption is third among TPPA countries, behind Australia and New Zealand. Beef and poultry meat are the main components of meat consumption.

FOOD AND BEVERAGE CONSUMPTION



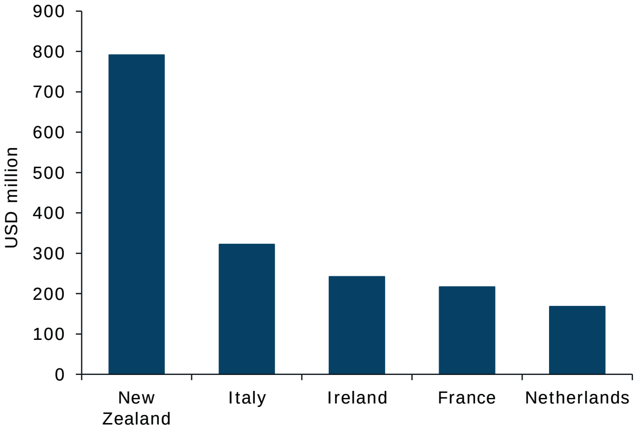
Source: ANZ, Food & Agriculture Organization of the United Nations

New Zealand food and beverage products are highly sought after by American importers. New Zealand dairy imports top the list and are more than twice that of Italy (mainly casein and whey). Over half of dairy imported from Ireland was casein, while cheese (US$172 million) was the main product from France.

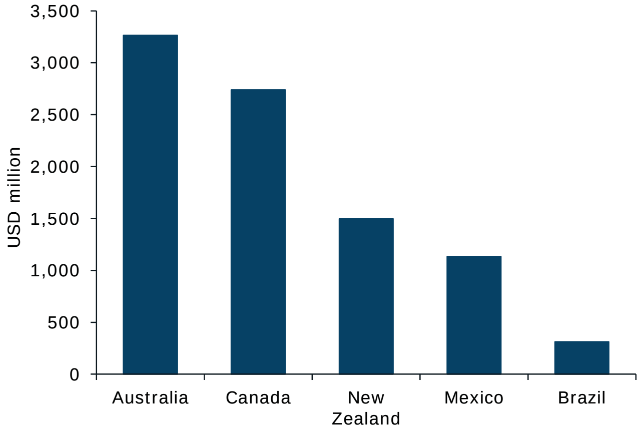
New Zealand meat products and wine are in the top four for American import volumes. Australia is our main competitor for sheep meat and beef. The US also imports a lot of beef from Canada and Mexico.

Fruit and vegetable exports are low due to distance to market, but also due to fierce competition from local supply. Given its close proximity, tomatoes (US$1.8 billion) and avocados (US$804 million) imported from Mexico are the largest markets in this group.

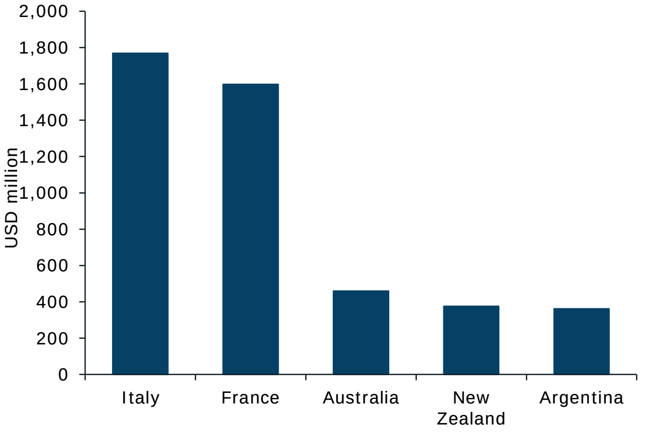
US DAIRY IMPORTS



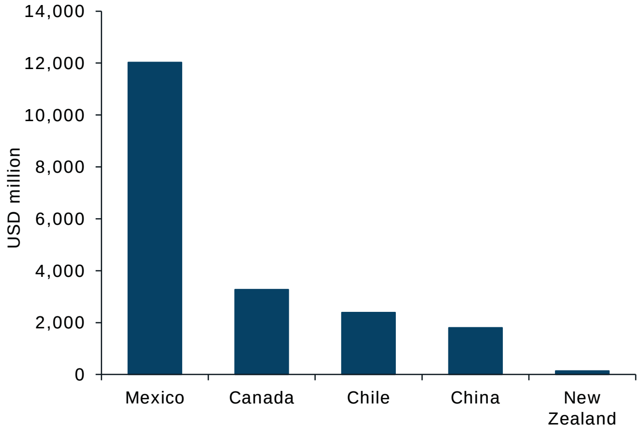
US MEAT IMPORTS



US WINE IMPORTS



US FRUIT AND VEGETABLE IMPORTS



Source: ANZ, Comtrade

TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

CANADA

Canada's economy reached US$1.8 trillion in 2014, representing 2.3% of world gross domestic product (GDP) and 6.4% of TPPA countries. 35 million Canadians make up 4.4% of consumers among TPPA countries.

Canada is perceived to be among the world's 10 least corrupt countries and third out of TPPA nations.[1] New Zealand tops this list. Canada also ranks well for ease of doing business (fifth in TPPA) and supply chain efficiency (fourth in the TPPA). This provides good access for perishable products despite the distance to market. Vancouver is Canada's third largest city by population and hosts the country's largest port, Port Metro Vancouver. The distance to the other main markets of Toronto and Montreal and associated freight costs is on the high side though.

New Zealand's current trade and investment position

Canada was a more prominent trading partner for New Zealand in 2015 than recent years. It is now New Zealand's 15th largest trading partner (two-way trade) and has been growing at 3.8% per annum in recent years. New Zealand goods and services exports to Canada grew 21% over the last four years, due mainly to wine (up $36 million) and personal travel services, up $60 million (45%) to be our second most exported product/service behind meat.

Canada invests $5.3 billion in New Zealand, most of which is direct investment ($4 billion). New Zealand's investment in Canada is $2.7 billion, 1.3% of New Zealand's total foreign investment and 2.4% among TPPA countries.

Commodity/service	Exports (NZD million)				Imports (NZD million)			
	Dec-11	Dec-15	Change from 2011 - 2015(%)	Rank TPPA countries 2015	Dec-11	Dec-15	Change from 2011 - 2015(%)	Rank TPPA countries 2015
Dairy	54	53	-2	9	0	0	0	6
Wine	64	100	56	3	0	0	0	4
Meat	251	263	5	2	33	33	0	2
Forestry	2	3	50	8	33	57	73	3
Fruit and vegetables	10	25	150	7	8	16	100	5
Manufactured goods	172	164	-5	5	461	462	0	8
Total merchandise	**597**	**670**	**12**	**6**	**588**	**631**	**7**	**6**
Transport. services	62	84	35	4	26	28	8	6
Other business services	11	13	18	5	25	26	4	5
IT services	11	8	-27	5	4	10	150	4
Education	9	7	-22	6	1	1	0	5
Tourism – Business	5	20	300	5	7	8	14	5
Tourism – Personal	153	222	45	3	32	50	56	4
Total services	**267**	**371**	**39**	**5**	**106**	**134**	**26**	**6**
Total trade	**864**	**1041**	**20**	**6**	**694**	**765**	**10**	**6**
	International investment in New Zealand				New Zealand investment abroad			
Total investment	**20,47**	**5,270**	**157**	**5**	**1,282**	**2,701**	**111**	**4**

Source: ANZ, Statistics NZ

Food and beverage overview – quick facts

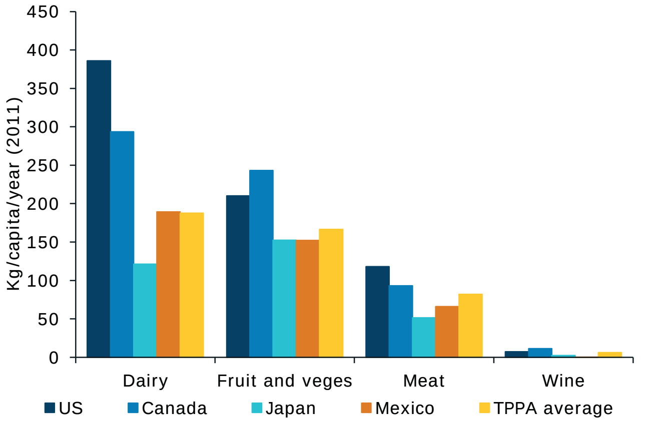
- Canada's 35 million consumers spent almost US$1 trillion on consumer products and services in 2014.
- Of this, 9.3% was spent on food and beverages products (excluding alcohol).
- Canadians spend US$2,506 per person on food and beverage products each year. This is similar to Japanese and American consumers and fourth among the TPPA countries.

Canadians consume 641 kilograms of food and beverage products[2] each year, 45% more than the average consumer within the TPPA area.[3] This makes it third behind the US (721kg) and Australia (697kg). Canadians consume the most fruit and vegetables per person (46% more than the average) while dairy consumption ranks third (mainly fresh milk) and meat is fourth (poultry, beef and pigmeat) among TPPA members.

[1] Corruption Perception Index and Logistics Performance Index data for Brunei Darussalam is not available.
[2] Dairy, fruit and vegetables, meat and wine
[2] Singapore was not included due to data availability

TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

FOOD AND BEVERAGE CONSUMPTION



Source: ANZ, Food & Agriculture Organization of the United Nations

Most of Canada's food is distributed through super or hyper markets:

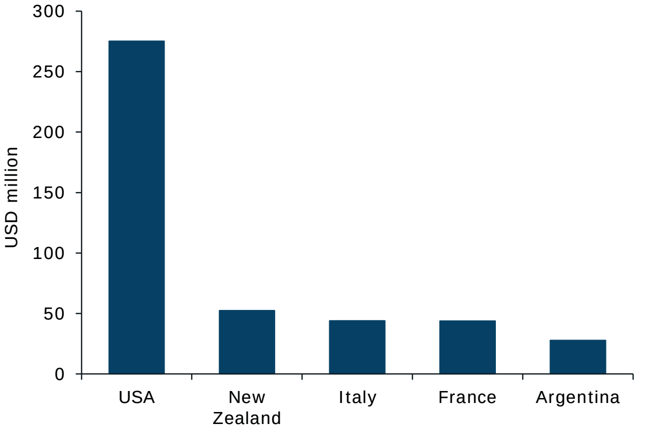
- Supermarkets/hypermarkets – 70%
- Non-traditional channels (general stores, mass merchandise chains) – 24%
- Convenience stores – 6.2%
- Other – 0.1%

Food prices are similar to that of other western nations:

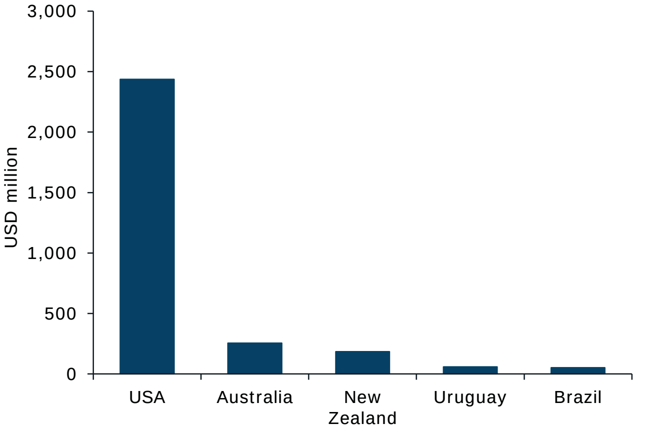
- A three-course meal for two at a mid-range restaurant in Canada costs US$47.75, which is less than the equivalent in New Zealand. Canada ranks 20th in the world for this indicator, one place behind USA.
- A staple basket of groceries costs around US$56. The price for the same basket of goods would cost US$77 in New Zealand

Canada is the fourth largest food and beverage market in the TPPA. New Zealand producers will have to compete with the stronghold the US has in the import market for food and beverage products. The US stronghold is due to locality and long-held existing trade ties. Canada's main dairy imports from the US are whey (US$73 million) and cheese (US$68 million). Meat imports are mainly beef at US$663 million. Wine type is mainly red varietals, suggesting some market opportunity for Sauvignon Blanc. The top fruit and vegetable imports from the US are lettuce (US$436 million) and nuts (US$415 million).

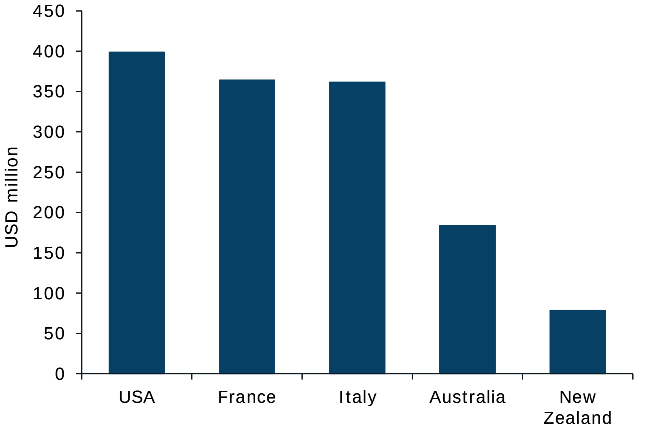
CANADIAN DAIRY IMPORTS



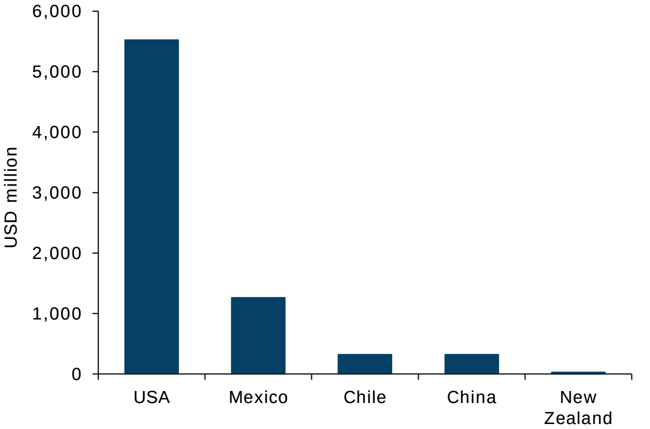
CANADIAN MEAT IMPORTS



CANADIAN WINE IMPORTS



CANADIAN FRUIT AND VEGETABLE IMPORTS



Source: ANZ, Comtrade

TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

JAPAN

Japan boasts the third largest economy in the world. At US$4.6 trillion, it accounts for 6% of world GDP and close to 18% of TPPA nations. Of all consumers in TPPA countries, 16% reside in Japan (127 million).

Business operations indicators for Japan are mid-range for TPPA countries. It is ranked sixth of the TPPA nations for perceived corruption (18th in the world).[1] Japan is 7th among TPPA partners for ease of doing business, and following closely behind Singapore and the United States, Japan is third in logistic performance.

New Zealand's current trade and investment position

Japan is New Zealand's fourth largest trading partner. Imports of Japanese products and services rose 18% ($506 million) from 2011 – 2015, with manufactured goods (mainly vehicles, parts and accessories) up 16%. Services imports rose 43% over the same period. Merchandise exports fell 14% in the 4 years to 2015, amidst falls in forestry, manufactured goods, meat and fruit and vegetables. Wine, education and travel services have tempered the decline in exports.

Japan is New Zealand's third largest source of foreign investment among TPPA nations, at almost $12 billion, in 2015. This is mostly direct investment in the forestry sector. New Zealand's investment in Japan is $5.9 billion, which is 2.9% of all investment abroad and 5.2% of investment among TPPA countries.

Commodity/service	Exports (NZD million)				Imports (NZD million)			
	Dec-11	Dec-15	Change from 2011 - 2015(%)	Rank TPPA countries 2015	Dec-11	Dec-15	Change from 2011 - 2015(%)	Rank TPPA countries 2015
Dairy	583	602	3	2	0	3	n/a	3
Wine	11	15	36	5	0	0	n/a	4
Meat	324	260	-20	3	0	0	n/a	5
Forestry	561	405	-28	2	36	45	25	6
Fruit and vegetables	488	464	-5	1	1	1	0	9
Manufactured goods	1,081	850	-21	3	2,652	3,076	16	3
Total merchandise	**3,441**	**2,952**	**-14**	**3**	**2,709**	**3,146**	**16**	**3**
Transport. services	220	167	-24	3	72	84	17	5
Other business services	31	20	-35	4	30	48	60	4
IT services	22	0	-100	8	9	7	-22	5
Education	248	316	27	1	4	6	50	3
Tourism – Business	13	26	100	4	8	11	38	4
Tourism – Personal	209	208	0	4	25	57	128	3
Total services	**764**	**784**	**3**	**3**	**159**	**228**	**43**	**4**
Total trade	**4,205**	**3,736**	**-11**	**3**	**2,868**	**3,374**	**18**	**3**
	International investment in New Zealand				New Zealand investment abroad			
Total investment	**7,273**	**11,563**	**59**	**3**	**3,033**	**5,877**	**94**	**3**

Source: ANZ, Statistics NZ

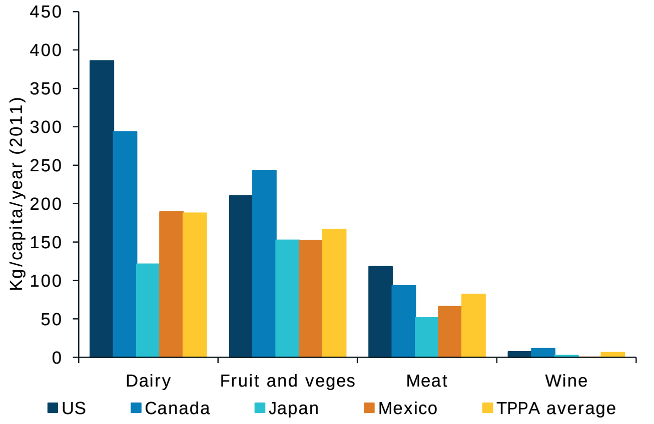
Food and beverage overview – quick facts

- With 127 million Japanese consumers spending an estimated US$365 billion on food and non-alcoholic beverages each year, only the United States has a larger food and beverage market in the TPPA.
- This equates to 14% of total goods and services spending, which is similar to New Zealand at 15%.
- The Japanese consume 327kg of dairy, fruit and vegetables, meat and wine per year which is 7% of total TPPA consumption[2] and 8th among the twelve countries. Most of the food and beverage consumption is fruit and vegetables (152kg), while fresh milk, pig and poultry meat make up most of the dairy and meat consumption. Most of wine consumed is of Chilean origin, although the more expensive French wine makes up most of the value.

[1] Corruption Perception Index and Logistics Performance Index data for Brunei Darussalam is not available.
[2] Singapore was not included due to data availability

TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

FOOD AND BEVERAGE CONSUMPTION



Source: ANZ, Food & Agriculture Organization of the United Nations

Cultural differences make for a different food distribution system to western countries.

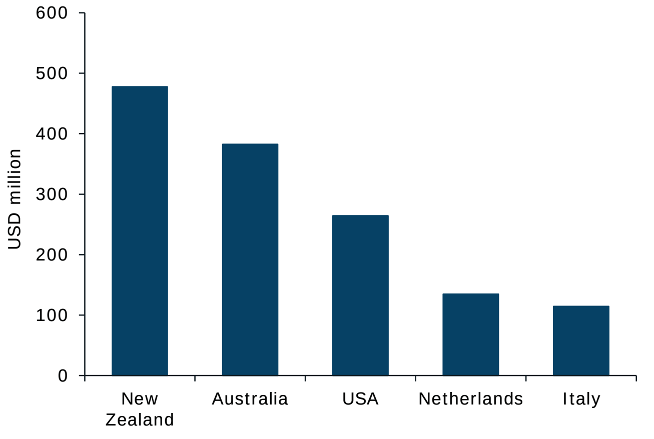
- While traditional supermarkets still hold the largest market share of 54% for retailers, convenience stores make up 34% of the market. This compares with the US where convenience stores make up 1.8% of sales and Canada's 6.2%. The other 12% of food retail is sold through department stores.
- Convenience stores continue to increase their footprint. Their points of difference are to offer better quality and a wider variety of products, as well as providing delivery services. Delivery services are popular with elderly, which already makes up a significant proportion of the population and continues to grow.
- Online sales are increasing and being offered by both supermarkets and convenience stores.

Food and beverage prices are on average cheaper than in New Zealand, although there are pockets of comparatively high prices:

- A three-course meal for two at a mid-range restaurant costs US$40 on average. In New Zealand it is US$62.
- A single meal at an inexpensive restaurant is US$7, half the equivalent in New Zealand.
- A basket of food and beverage goods is more expensive in Japan than New Zealand, the USA or Canada. A staple basket costs around US$80, the high price due mainly to the high cost of local beef and cheese. Market access will improve for both with the TPPA.

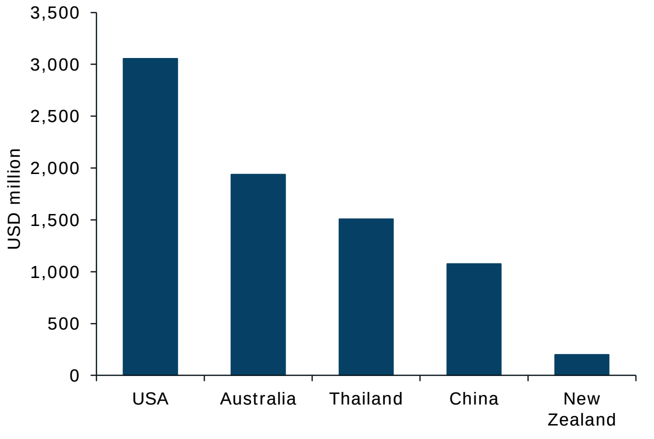
New Zealand has strong political and shared interests with Japan. New Zealand dairy products are imported more than any other country (mainly cheese and casein) and New Zealand is fourth on the list fruit and vegetable imports.

JAPANESE DAIRY IMPORTS



New Zealand's main export is cheese. Under the TPPA, nearly all tariffs will be removed after a 16-year tariff phase-out period. The agreement also allows for fresh cheese to be mixed with domestic products with no duty. Other competitors for cheese are all the other four exporters, albeit the types of cheese vary.

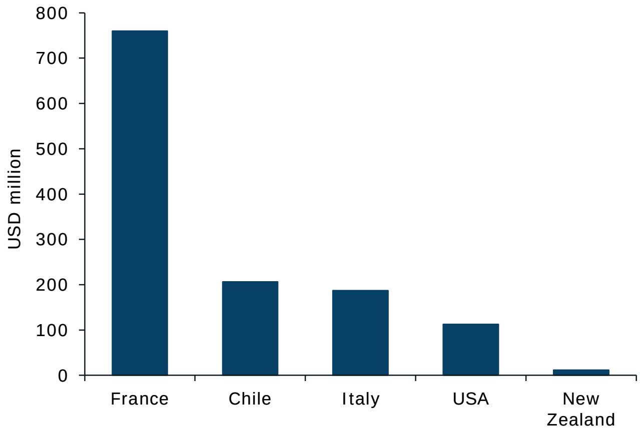
JAPANESE MEAT IMPORTS



New Zealand's main meat export is beef. The other two main competitors for beef are the US and Australia. The US also exports a lot of pork/poultry. Thailand and China send pork and poultry too.

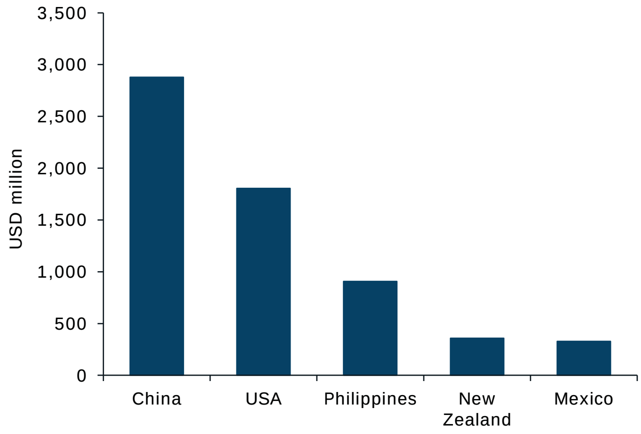
TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

JAPANESE WINE IMPORTS



Japanese love their French wine in the form of sparkling (US$760 million) although volumes have more than doubled from Chile over the last 4 years. This is largely due to prices of Chilean wines more favourable to younger consumers.

JAPANESE FRUIT AND VEGETABLE IMPORTS



New Zealand's main fruit and vegetable export is kiwifruit, US$220 million. The US sent US$1.2 billion of pig meat and almost a billion dollars' worth of beef to Japan in 2015.

Source: ANZ, Comtrade

TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

MEXICO

Mexico's nominal GDP is US$1.3 trillion having increased at a rate of 2.5%[1] from 2011 to 2014. It is the fifth largest among TPPA countries, accounting for 4.6% of total GDP in the agreement. The population of 120 million people was third largest among TPPA partners in 2014.

Perceptions of the Mexican's public sector corruption are mid-range world-wide, but second from the bottom in the TPPA.[2] Vietnam has the lowest ranking. Mexico also ranks 10th in logistics performance and in the bottom half of TPPA countries for ease of doing business (8th). This makes for a relatively challenging business environment, but Mexico is improving across all three indicators.

New Zealand's current trade and investment position

New Zealand and Mexico have complimentary economies for trade. New Zealand has agricultural goods to trade and this is something Mexico imports a lot of. Mexico produces a lot of manufactured goods, which is something New Zealand imports a lot of.

New Zealand dairy exports to Mexico are second only to the United States and manufacturing products (mainly electrical, optical and medical equipment) imported from Mexico rose 21% from 2011. Mexico is 28th on the list of New Zealand's trade partners.

Two-way investment between New Zealand and Mexico is minimal compared to other nations. Investment in Mexico fell from $179 million in 2011 to just $40 million in 2015, it is now 9th among TPPA nations ahead of Brunei Darussalam ($14 million) and Chile ($8 million).

Commodity/service	Exports (NZD million)				Imports (NZD million)			
	Dec-11	Dec-15	Change from 2011 - 2015(%)	Rank TPPA countries 2015	Dec-11	Dec-15	Change from 2011 - 2015(%)	Rank TPPA countries 2015
Dairy	344	285	-17	7	0	0	0	6
Wine	0	1	n/a	7	0	0	0	4
Meat	37	26	-30	7	0	0	n/a	5
Forestry	0	1	n/a	9	1	0	-100	10
Fruit and vegetables	5	7	40	8	6	7	17	6
Manufactured goods	24	23	-4	9	180	218	21	9
Total merchandise	**415**	**366**	**-12**	**8**	**209**	**263**	**26**	**9**
Transport. services	0	1	n/a	7	0	0	n/a	12
Other business services	9	1	-89	8	0	0	n/a	8
IT services	0	2	n/a	6	0	0	n/a	7
Education	0	7	n/a	6	1	0	-100	8
Tourism – Business	1	1	0	8	1	1	0	8
Tourism – Personal	8	12	50	7	3	7	133	8
Total services	**24**	**27**	**13**	**8**	**22**	**22**	**0**	**8**
Total trade	**439**	**393**	**-10**	**8**	**231**	**285**	**23**	**9**
	International investment in New Zealand				New Zealand investment abroad			
Total investment	**2**	**n/a**	**n/a**	**12**	**179**	**40**	**-78**	**9**

Source: ANZ, Statistics NZ

Food and beverage overview – quick facts

- Mexico's US$206 billion dollars spent on food and non-alcoholic beverages per annum makes it the third largest market in the TPPA.
- This country is also third on the list of TPPA members for the proportion of their goods and services budget spent on food (23%).
- Mexico's economic expansion, better education, more dual-income households and rising middle class is increasing demand for more convenient, high-end products.
- Retailers have expanded into the convenience and small-store segments, which now have an approximate 50% share of the goods and services market.

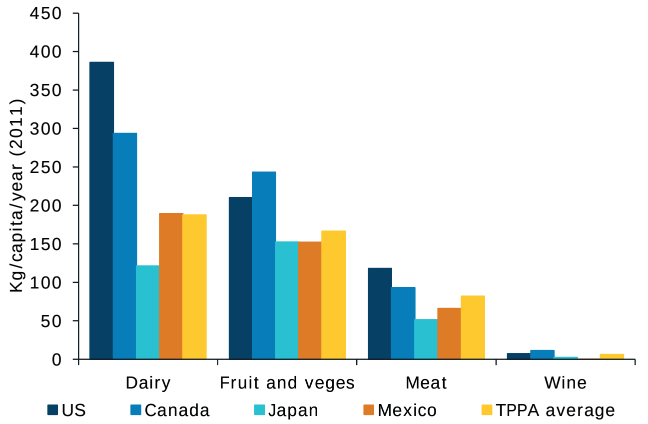
The average Mexican consumes around 408kg of food and beverage[3] per year, fifth among TPPA members[4] yet still less than the average of 442kg.

[1] Real, local currency
[2] Corruption Perception Index and Logistics Performance Index data for Brunei Darussalam is not available.
[3] Dairy, fruit and vegetables, meat and wine
[4] Singapore was not included due to data availability

TPPA IMPLICATIONS FOR FOOD AND BEVERAGE SECTOR

Wine consumption per capita is the least among member consumers, while dairy, fruit and vegetable and meat consumption is about middle of the range. Fresh milk (excluding butter) and poultry are the main consumption products.

FOOD AND BEVERAGE CONSUMPTION



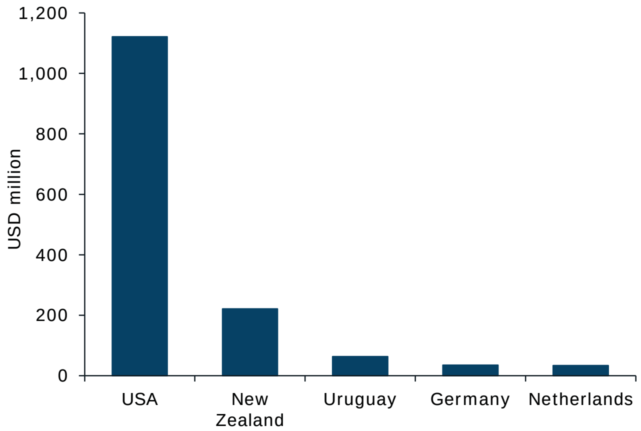
Source: ANZ, Food & Agriculture Organization of the United Nations

A meal for two at a mid-range restaurant, eating out alone, or buying a staple basket of goods is only a third of the cost New Zealand equivalents, indicating food and beverage prices are still fairly low on average.

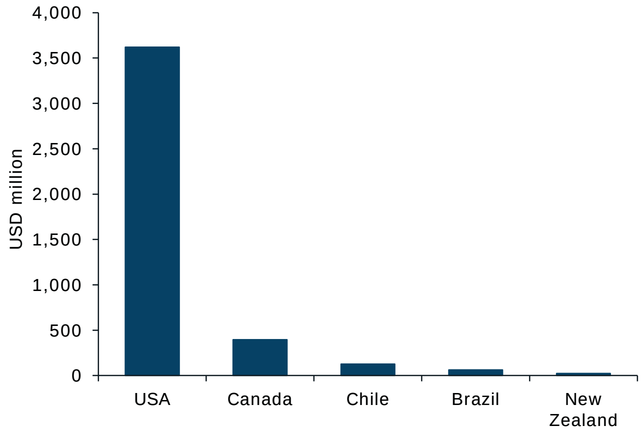
New Zealand food and beverage products will have to overcome Mexico's proximity to the United States and Central American nations to complete for market share.

Mexico imported US$1.6 billion of dairy products in 2015 (mainly milk and cheese), 68% of which was sourced from the United States. New Zealand dairy products were second on the list, with US$222 million (14%). The main meat and fruit and vegetables imports from USA were pig meat (US$1.1 billion), poultry meat (US$935 million) and apples (US$276 million). New Zealand wine, meat and fruit & vegetable products don't feature in the top five nations Mexico imports from.

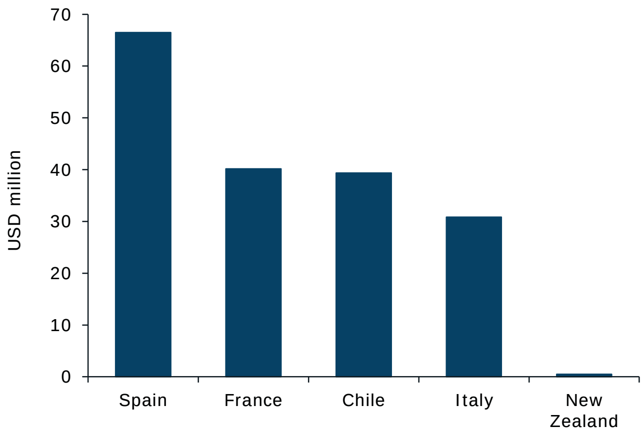
MEXICAN DAIRY IMPORTS



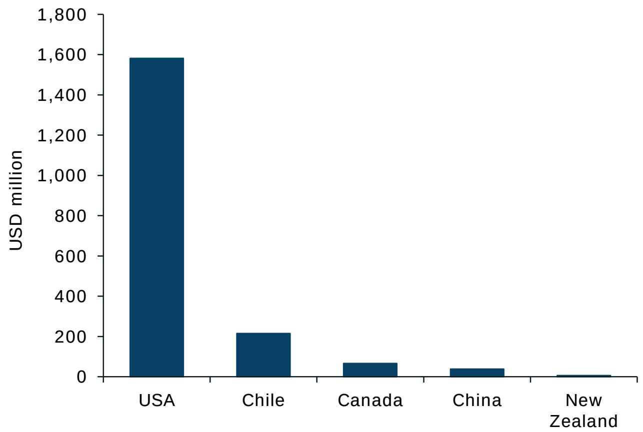
MEXICAN MEAT IMPORTS



MEXICAN WINE IMPORTS



MEXICAN FRUIT AND VEGETABLE IMPORTS



Source: ANZ, Comtrade

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