

INTRODUCTION

Solomon Islands and Aotearoa New Zealand (New Zealand) have a long-standing relationship. The two countries are strong security, development, and economic partners, which is affirmed through the Pacific Agreement on Closer Economic Relations Plus (PACER Plus). PACER Plus is a regional development centered trade agreement between Australia/New Zealand and eight Pacific countries, including the Solomon Islands.

Agriculture is a vital source and guarantor for food security, employment, and a contributor to the Solomon Islands economy, accounting for 16% of the country's Gross Domestic Product (GDP). The Solomon Islands has an abundant production potential for a wide range of agricultural goods, with a strong base export-oriented commodities including cocoa, copra, and kava. To drive the country's agricultural exports, the Government has developed the 10-year Solomons Islands Agriculture Sector Growth Strategy and Investment Plan 2021–2030.

This Guide aims to support you—a Solomon Islands agricultural export ready company—to understand the process of exporting agricultural goods from the Solomon Islands to New Zealand by laying out, in practical terms, New Zealand importing requirements and processes. The guide assumes that you have already conducted the necessary market research and are ready to export.

TRADING WITH NEW ZEALAND

New Zealand is a wealthy economy with a GDP per capita of USD47,160, and a population of 5.2 million of which 8% identify as Pacific origin. As a relatively small island nation, New Zealand's geographic area limits production and requires it to import large quantities of ingredients and other food products for its own food supply and food manufacturing sector. In 2021, New Zealand imported US\$5.9 billion in agricultural and related products. New Zealand's trading relationship with the Solomon Islands is modest, accounting for 3% of New Zealand's trade in the Pacific; however, the past 26 years have seen exports from the Solomon Islands to New Zealand increase at an annualized rate of 11.1% from USD 318k in 1995 to USD 4.9 million in 2021.

AT A GLANCE: **Trading with New Zealand**

New Zealand

- GDP per capita of USD47,160
- Population of 5.2 million, 8% identify as Pacific origin
- The past 26 years have seen exports from the Solomon Islands to New Zealand increase at an annualized rate of 11.1% from USD 318k in 1995 to USD 4.9 million in 2021

Photo: Auckland skyline, New Zealand. © Maurizio De Mattei/Shutterstock



An aerial view of ships and boats anchored at the harbour in Honiara, Solomon Islands. © Gilmore Tana/iStock

1. Preparing to Export to Aotearoa New Zealand

SOLOMON ISLANDS

Solomon Islands companies that want to export to New Zealand should become familiar first with the Solomon Islands export regulations and processes. The three key bodies in the Solomon Islands responsible for regulations surrounding exports, as well as providing any necessary export permits are:

- Solomon Islands Commodities Export Marketing Authority (CEMA) regulatory functions include export licensing (license conditions, procedures, documentations, and fees), quality assurance (commodities inspection, grading regimes, commodities quality standards) and other certification (commodities quality certification, processing and storage facilities, certificate of origin, certificate of cleanliness, certificate of readiness, letter of declaration);
- Ministry of Health (Environmental Health Department) health certificate;
- <u>Biosecurity Solomon Islands</u> (Ministry of Agricultural and Livestock) sanitary or phytosanitary certificate and biosecurity export clearance.

In addition to the above authorities, the Solomon Islands Government has also implemented the Solomon Islands Trade Portal to assist with trade facilitation under the PACER Plus agreement. The portal provides a central location of information about the process, fees, requirements, and relevant government departments for exporting commercial goods from the Solomon Islands. The Solomon Islands Chamber of Commerce and Industry is also a good resource for information.

If your goods require fumigation, there are currently no registered treatment providers in the Solomon Islands. New Zealand's Ministry for Primary Industries (MPI) follows the Australian Department of Agricultural, Fisheries and Forestry (DAFF) Fumigation Accreditation Scheme (AFAS). Treatments from unregistered treatment providers in the Solomon Islands will be accepted by MPI but they must follow the treatment requirements outlined by MPI, the Product Import and Export Requirements (PIER) and the Import Health Standards (IHS). Although unregistered, the Solomon Islands Port Authority (SIPA) does provide fumigation services. It is recommended to reach out to them to see if they can assist with New Zealand fumigation requirements for your specific product.

Once you understand the Solomon Islands export requirements, the next step is to familiarize yourself with New Zealand importing requirements. These may vary depending on the product you are exporting.

NEW ZEALAND

All agricultural goods imported into New Zealand must be cleared by the New Zealand Customs Service, and in most cases the Ministry for Primary Industries (MPI). New Zealand has strict regulations in place to protect New Zealand from biosecurity risks across a wide range of products and commodities. Before exporting, you must check New Zealand Customs Service, Food Standards Australia New Zealand, MPI, PIER and IHS. The PIER search platform and the IHS documentation will provide guidance on the import conditions for any particular commodities.



1.1 CLASSIFYING YOUR GOODS

It is important early on when exporting to identify the correct tariff code. All goods imported into New Zealand require a classification under the Customs and Excise Act 2018 and the Tariff Act 1988. The first six digits are the internationally recognized harmonized system (HS) code, whereas the last five digits are specific to New Zealand. The HS code is used by customs authorities, customs brokers, and freight forwarders to determine customs duties, taxes, and regulations. The internationally recognized code can be found at World Trade Tools, New Zealand Foreign Affairs and Trade Tariff Finder, or the Solomon Islands Trade Portal. The Working Tariff Document will guide you to New Zealand specific codes.

The following HS codes are examples for Kava, Copra and Cocoa:

- Kava: 1211.90.10.50K (fresh or dried)
- Copra: <u>1203.00.00.00D</u> (copra)
- Cocoa: 1805.00.00.00] (cocoa powder, not containing added sugar or other sweetening matter)

1.2 UNDERSTANDING SANITARY AND PHYTOSANITARY MEASURES

New Zealand has strict regulations in place to protect the country from biosecurity risks across a wide range of products and commodities, including plants and plant products; animal products; and food and agricultural products. The extent of responsibility in meeting these requirements is defined by the terms of the contract between the buyer (in this case, the importer) and seller (in this case, the exporter or you); often compliance is the responsibility of the importer. Requirements can be

Import Health Standard (IHS)

 Biosecurity Measures for <u>Kava</u>, Copra, and Cocoa.

found through MPI, PIER and IHS. PIER provides a summary of information and includes links to official documentation (e.g., import health standard, or IHS). IHS is the official documentation that outlines New Zealand biosecurity requirements. It is always best to know under which IHS your product is going to be imported. Further information can be found at the Solomon Islands Trade Portal and the Australia New Zealand Foods Standards Code. Biosecurity Solomon Islands is the authority responsible for biosecurity clearance.

1.3 UNDERSTAND FOOD SAFETY MANAGEMENT MEASURES

Agricultural goods imported into New Zealand must be safe and meet <u>Australia New Zealand Food Standards Code</u> and New Zealand <u>Food Act 2014</u>, and therefore may require a safety management certificate. The certificate is evidence that a food has been produced through a <u>food safety management system</u>, known as Hazard Analysis and Critical Control Point (HACCP) principles. In the Solomon Islands, the HACCP certification is done through a third party; for example, HACCP AUSTRALIA, SAI Global and Bureau Veritas. Although HACCP is not a regulatory requirement for all foods, it is increasingly preferred by food manufacturers, retailers, and the consumer.

1.4 UNDERSTANDING PACKAGING AND LABELLING

Certain agricultural goods must be labelled correctly before they can be imported into New Zealand, with information on how or by whom the goods were made, produced, packed or otherwise prepared, country of origin and food information. The Fair Trading Act 1986, Weights and Measures Act 1987 and the Food Standard Code provides guidance on which goods require labeling, what is required, where the label must be applied, and regulations to protect consumers. These standards and requirements are enforced by MPI. New Zealand Customs Services may seize goods that require labeling, particularly when the goods have false or misleading information. MPI has developed a useful guide to retail food labeling; further information can be found on the MPI website.

The main labelling requirements for KAVA (dry or raw kava root) products packaged for retail sale are listed:

- + Name of the food
- + Mandatory warning statements must include Use in moderation, May cause drowsiness
- + Country of Origin
- + Lot identification
- + Name and street address of the supplier (importer)
- + Date marking
- + Ingredients list

Food Standards Australia
New Zealand
Ministry for Primary Industries

1.5 DETERMINING DUTIES AND TAXES

Under PACER Plus, the Solomon Islands has zero import tariffs on imported goods into Australia and New Zealand. In general terms, a good is eligible for preferential treatment under PACER Plus if it is wholly obtained or produced in one or more of the member countries or meets <u>Product Specific Rules</u> (PSRs) as outlined in the Agreement. As the exporter, you or your importer must complete a declaration of origin to claim a preference of good. Further information on PACER Plus can be found at <u>Pacer Plus implementation unit</u>, the <u>New Zealand Customs Services</u> and Ministry of Foreign Affairs and Trade websites.

Despite goods having zero import tariffs, New Zealand does apply a <u>Goods and Service Tax</u> (GST) of 15 percent on agricultural goods. It depends on the International Commercial Term (Incoterm) used as to who will be responsible for paying the tax (see sidebar at right). If using EXW, the importer must pay the GST at the same time and in the same manner as customs duty is paid. GST is applicable on taxable importation, which is the sum of customs value (CV) of the imported goods, plus any duty payable (in the Solomon Islands case, there is no duty), plus the amount paid or payable to transport the goods to New Zealand, and to insure the goods for transportation (T&I).

Incoterms® set out the responsibilities of sellers and buyer for the delivery, insurance, and transport of goods under contractual agreement and determine who is responsible for customs export formalities in the Solomon Islands and the import formalities in Australia.

EXW—the seller provides the goods to the buyer in an agreed area, like production site or warehouse. The buyer has a majority of the responsibility and is obligated to load the goods, transportation costs, custom clearance and delivering the goods.

2. Shipping and Reporting Goods

2.1 CONTRACTUAL AGREEMENT AND INCOTERMS

Once you have determined the importer in New Zealand, you will issue a pro forma invoice. This acts like a quotation. It looks like a commercial invoice, specifying the description of the goods, the HS classification, price, Incoterm, and currency used. If the importer accepts the details in the pro forma invoice, they will then issue you a purchase order (PO). A PO can be used without the need to write a complex contractual agreement; however, a contractual agreement can still be written if both parties agree. Once you accept the PO, a legally binding contract exists between you and the importer. Like the pro forma invoice, the PO specifies price, HS classification, Incoterm, and other terms and conditions.

2.2 FREIGHT FORWARDING

Following the acceptance of the PO, your importer, if using EXW (Incoterm), will commence arrangements for a freight forwarder to manage the transportation of the goods from the Solomon Islands to New Zealand, as well as engage a customs broker to deal with the government, port/airport authorities to make sure the goods comply with New Zealand import requirements. Your importer's freight forwarder will contact a local agent or partner in the Solomon Islands, who will then contact you to arrange collection of goods: this is when you need to commence preparation of the key documents, in particular the commercial invoice. The commercial invoice is a key document, detailing the price and quantity of the sold goods, it will also contain the Incoterm used.

If your goods arrive at the New Zealand border and do not meet New Zealand import requirements, or the required documents are not in order, it may cause delays and additional costs. Worst case scenario, the goods will not be permitted entry and could lead to them being returned to the Solomon Islands or destroyed.

Engaging a broker

As the exporting and importing process can be complicated, a licensed broker can help (for a fee) to ensure that your shipment meets the legal requirements and that the import of your goods goes smoothly. A broker can help with such things as freight rates negotiation, booking cargo space packing and labelling and preparing customs and shipping documents. Arranging a broker is normally the role of the buyer.

Customs Brokers and Freight Forwarders Federation

2.3 PREPARATION OF DOCUMENTS

As the exporter, you will need to prepare various documents that will be used in the international shipping process. These documents may need to be provided to the relevant Solomon Islands Government authorities as well as your importer. They may include:

- Packing list
- · Certificate of origin
- · Cleanliness declaration
- Phytosanitary certificate
- · CEMA certificate

- · Bill of lading
- Packing declaration
- · Export declaration
- Fumigation certification
- · Commercial invoice

All agricultural goods entering New Zealand need to be declared: this is managed by your importer if using EXW (Incoterm). The importer or authorized broker will need to follow New Zealand's import entry clearance process and submit an import declaration through the Trade Single Window (TSW) or through a third party package that customs brokers use known as Electronic Data Interchange (EDI). The importer's broker will review and access the documents you have supplied, ensuring all requirements are met. The type of documents needed as part of your import entry clearance depends on the type of goods; however, the standard set of documentation will consist of a bill of lading/air waybill, commercial invoice, packing list and packing declaration. As part of the import entry preparation, you should ensure your importer has a client code, and that you have obtained a supplier code. Your importer will be able to assist with this. Alongside customs services and biosecurity requirements, your importer must register with MPI as a food importer if importing any food products. Unregistered importers will have their consignment held until they gain their food importer registration. All required forms can be obtained through custom service import forms and documents. It is recommended that the importer start discussing the future shipment with a New Zealand customs broker before the goods leave the Solomon Islands.

2.4 READY FOR SHIPMENT

Once the required documents are in order and your goods are packed and ready, the broker must make a booking for the export shipment. This should be done early to avoid disappointment. When the carrier arrives to pick up the goods, a bill of lading for cargo via sea or an air waybill for cargo via air is issued by the carrier. Why? First, it's a receipt that goods have been handed over and loaded and proves whether goods were received in a sound condition. Second, it outlines the terms of contract of carriage between you and the importer. Third, it is a document of title, allowing the importer to collect the goods once they are safely delivered. A bill of lading and air waybill are key documents that need to be accurately updated to ensure quick customs clearance and a smooth transportation process for your imported goods.

Prior to your goods being shipped from the Solomon Islands, the goods will be processed through export customs clearance. This is where documents are reviewed and checked by the Solomon Islands Government agencies (see also above). Once the goods have been granted clearance they will be loaded and shipped to New Zealand.



3. Getting Goods Released

When the goods arrive in New Zealand, the goods undergo an import clearance. Typically, by the time goods have arrived in New Zealand, the importer's broker has lodged an import clearance documentation through TWS. In New Zealand, all agricultural goods must be cleared by Customs Services and potentially MPI. Depending on the nature of the goods imported, and documentation submitted, Customs Services and MPI may:

- Clear the goods on the basis of the submitted documents, or
- · Select the goods for a document check and request that further documents be submitted before goods can be cleared, or
- Select goods for a document and further action; e.g., inspection, treatment, isolation, hold pending further information or insect identification.

If goods require inspection, this may occur on arrival at the seaport/airport of first entry or at custom control areas (CCA) that have been approved by the New Zealand authorities. Goods will be inspected by the New Zealand authorities and if any biosecurity risk material is found, it will be sent for testing. If the material is determined to be a risk, the importer will be notified, and the goods may be re-exported to the Solomon Islands or destroyed at the importer's expense.

4. After Goods Are Released

When the New Zealand authorities have cleared the goods from quarantine, and all fees and taxes have been paid, the goods will be released, enabling them to be transported from the port or CCA to the designated delivery point. Final delivery destination must be agreed before shipment in the contractual agreement. The goods will then have the same status as any New Zealand product and can be sold freely in New Zealand.

USEFUL CONTACTS AND INFORMATION

Exporting is complicated, and regulations and processes are constantly changing. It is advised before commencing your export journey to consult with a broker or the relevant Government and industry agencies in both countries, where you can find information relevant to your specific product.

USEFUL CONTACTS AND INFORMATION

In Solomon Islands:

- · Biosecurity Solomon Islands
- Solomon Island Chamber of Commerce and Industry
- Commodity Export Marketing Authority (CEMA)
- · Ministry Health
- Solomon Islands Ports

In New Zealand:

- New Zealand Customs Service
- Ministry for Primary Industries
- Pacific Trade Invest New Zealand
- · New Zealand Foreign Affairs and Trade
- New Zealand Pacific Business Council
- New Zealand Trade and Enterprise
- Pacific Horticultural and Agricultural Market Access Plus (PHAMA Plus)
- Pacer Plus Implementation Unit
- · Food Standards Australia New Zealand

CASE STUDY:

EXPORTING SOLOMON ISLANDS KAVA TO NEW ZEALAND

A kava exporter in the Solomon Islands identified a potential New Zealand buyer; however, the firm had only a limited understanding of New Zealand's biosecurity requirements. First, the exporter referred to the New Zealand's Ministry for Primary Industries (MPI) Import Health Standards (IHS). The exporter inputted kava in the first box (Filter by title, keyword or description), and selected Import Health Standards in the second box (Document type), and the. clicked "submit." This resulted in a PDF document titled "Stored Plant Products for Human Consumption—Import Health Standard." As the exporter was looking to export dried root kava, they scrolled down to part 5.4 dried herbs, spices, roots, and beverages (page 21). The IHS document indicated that kava (dried root) requires inspection. The exporter then scrolled up to part 3 (Inspection upon arrival) to better understand the inspection requirements. The exporter also used the IHS document to understand further import conditions including food safety, pre shipment, packaging/labelling, as well as requirements upon arrival at the border.



 $Aerial\ view\ of\ Queenstown\ downtown,\ South\ Island,\ New\ Zealand.\ @\ Narongsak\ Nagadhana/Shutterstock$



Exporting Agricultural Goods to Aotearoa New Zealand:

A GUIDE FOR THE SOLOMON ISLANDS