

Strategic Direction

Three Partners: One Vision – Strategic Plan 2000–2004 sets down the NZGIB’s vision for the deer industry and strategies for achieving these goals. The following is a summary of the plan and projected expenditure allocation for the next five years.

Deer Industry Vision

To build a strong, stable and profitable industry for all stakeholders through:

- Anticipating and consistently meeting customer requirements.
- Creating demand and managing supply.
- Building preference and premiums for industry products.
- Developing new income streams.

Venison – Current Position

New Zealand venison is largely considered a ‘game’ product. This has three main implications:

- Consumption is restricted to the autumn/winter game season.
- Older people are traditional game consumers, expecting venison to be cooked for a long time and served with heavy sauces.
- European consumers expect game products to be hunted locally, leading to a loss of identity for New Zealand venison in this market.

Strategy Summary:

New Zealand venison is to be positioned as a modern healthy, versatile gourmet product using Generic and Joint Promotion programmes. Key strategies for achieving this are:

- Build demand outside the traditional game market.
- Get New Zealand venison into modern upscale restaurants, opening up a new market segment of younger, wealthier consumers and providing greater scope for venison to be used outside the game season.
- Use New Zealand origin as an important and valuable marketing tool to this new audience who want clean, quality assured and healthy food choices.

Velvet – Current Position

Korea remains easily the largest market for New Zealand velvet, consuming 90 percent of New Zealand’s velvet. Korea is a traditional market based on the use of velvet in oriental medicine.

Expenditure Summary (% of total expenditure)					
	2000	2001	2002	2003	2004
Administration	23	21	21	18	17
Marketing (including Cervena transition)	49	50	52	57	59
Quality Assurance	8	8	8	7	7
Research	12	13	11	11	11
Communication	8	8	8	7	6
Total	100	100	100	100	100

Venison Marketing (% of total expenditure)					
	2000	2001	2002	2003	2004
Market Information	12	13	8	7	6
Generic Promotion	17	17	10	9	8
Joint Promotion	63	59	76	78	79
New Market Development	8	11	6	6	7
Total	100	100	100	100	100

Velvet Marketing (% of total expenditure)					
	2000	2001	2002	2003	2004
Market Information	11	8	7	6	5
Promotion					
- USA	35	35	32	29	27
- NZ	10	9	6	5	3
- Hong Kong/China/Taiwan/Japan	1	5	9	20	25
- Korea	15	15	14	12	16
NVSB	28	28	32	28	24
Total	100	100	100	100	100

The western natural health market, particularly in the USA, is seen as important to the future of New Zealand velvet as a dietary supplement.

Strategy Summary:

- Maintain trade and consumer awareness and preference for New Zealand velvet in traditional Korean market.
- Gain open access to the Korean market for new product forms

including sliced velvet, relaxation of restrictive ash content regulations and reduction in duties.

- Reduce dependence on traditional Korean market through:
 - Promoting New Zealand velvet as an ingredient to natural health product manufacturers.
 - Building new, younger market segments for new product forms in Asian markets as market access allows.

Venison

Consistency in both supply and price is crucial to venison’s long-term success say European retailers and chefs.

The Chef Says...

Chefs are looking to form partnerships with suppliers; they want a steady supply of venison delivered on time, specified to the cuts they need, NZGIB executive chef, Graham Brown told the FGM.

Once chefs have put a product on the menu, organised a dish and trained staff, they don’t want to be let down by sudden unavailability or price rises due to something that happened back on the farm in New Zealand. They will simply choose another product – there’s no shortage of competition.

Efforts to reduce reliance on the traditional game season are working: the venison season is longer and a new, younger customer-base is growing. But we need to give our customers – importers, distributors and chefs – the tools to open up the market to these new customers.

Stability will ultimately decide our fate in the marketplace.

All stakeholders need to be aware of the long-term damage that inconsistent supply can cause. And once the damage is done, it takes an awful lot of repairing.

The European Customer Says...

European strategic communications and marketing consultant Tom Steele says Europe has some clear messages for the New Zealand deer industry. These can be summarised as follows:

1. European retail is becoming increasingly competitive with prices falling, margins being squeezed and retailer numbers reducing.
2. Adding value is crucial to successful selling in the retail sector. Increasingly, European consumers don’t want to buy pieces of meat – they want ready made meal solutions. These must be tasty, innovative, convenient and affordable. Research shows the average time spent cooking a meal is now 15 minutes, and consumers are willing to pay a premium for convenience. The Internet is an ever increasing influence.
3. With an increasing percentage of the food dollar spent outside the home and, given retail competition, a strong presence in foodservice is vital. All the major multinational food processors are looking to foodservice to deliver their long-term sales and profit growth. Fortunately, we are already well positioned with chefs and caterers in Germany, the world’s largest venison market.
4. Interest in organic products is rising, with genetically modified products increasingly seen as a “no-go” area.
5. Business must be managed so that we deliver high quality venison products without big fluctuations in price or volume. The introduction of the Euro has led in part to a greater level of price awareness among buyers and consumers and greater price competitiveness among suppliers. We must – and we can – add value to venison, an already excellent product, but we cannot buck the market: we must be price competitive.

Marketing Activities

- Generic and Joint Promotion programmes are used to position New Zealand venison as a modern, healthy product ideal for year-round use.
- Generic activities are aimed at HRI and retail trade and are designed to support individual company activities and joint promotion activities.
- Increasing focus on Joint Promotion.

Generic Activities

- Recipe development and photography.
- 1999 BBQ championships aimed at positioning NZ venison as a year-round product.
- The website (www.nzvenison.com) is a key positioning tool for younger consumers. Available in English and German initially.
- Generic materials for use in print media. eg Fact sheets direct mailed to chefs and distributed in retail.

Joint Promotion Activities

These are based on:

- An industry agreed funding formula where allocations are initially based on market share.
- Companies provide proposals that are assessed against agreed funding criteria – activities must be consistent with industry strategy.
- Companies drive their own activities within the agreed strategy.
- A major benefit of joint promotion is the leverage of promotional funds for the industry. (For every dollar of levy money spent, exporters/importers add at least another dollar).

Examples:

- Company activities are supported in six European markets.
- Activities supported in two Asian markets.

Velvet

Scientific support, backed by quality programmes, is the key to marketing velvet in non-traditional sectors.

Key velvet sector personnel addressed the FGM. Their views are summarised as follows:

The Consumer Says...

Velvet helps training, energy and endurance, world number one ranked triathlete Hamish Carter says. Hamish talked about his experiences with velvet and his build-up to the Sydney 2000 Olympics, where he is regarded as a medal contender.

Hamish has been taking velvet capsules since early 1998 to help with the demands of an event requiring him to perform in three disciplines: running, swimming and cycling.

One of a number of top athletes who endorse New Zealand velvet, he is enthusiastic about promoting a natural New Zealand health product backed by scientific research findings.

“I feel better and recover faster from training and competition when I’m taking velvet. My endurance is better and I’m able to train harder and more consistently.”

The Manufacturer Says...

Healtheries of New Zealand’s managing director Sarah Kennedy highlighted the importance of quality assurance, branding of raw materials and clear positioning.

Marketing Activities

Trade Promotion – Korea

- Production of trade newsletters for oriental medical doctors and pharmacists.
- Public relations activity promoting New Zealand velvet to trade users.

Western Natural Health Market – USA

Our key USA strategy is to introduce New Zealand deer velvet to USA manufacturers of dietary supplements to encourage them to use New Zealand velvet as an ingredient in their products. Marketing activity includes:

- Public relations activity focused on natural products trade.

Sarah spoke about what velvet needs to do to be accepted as a mainstream dietary supplement. From Healtheries’ perspective, the size of the New Zealand market meant the focus for velvet should be on the export markets, for example in the USA (worth \$US3.5billion); UK (£340million) and Australia (\$A320million).

A key issues facing velvet is that it is a generic – rather than branded product. It has also suffered from a lack of clear positioning, and narrow distribution channels to a small number of markets.

She said deer velvet might be promising too much in terms of health benefits. It could benefit from focusing on the athletic performance market where it can tap into the following benefits:

- Quality Assurance mark being launched.
- Credible research to back claims.
- Board working for the industry to co-ordinate activities.
- Velvet’s strong New Zealand heritage.
- Strong potential supply of product.

The Scientist Says...

Deer velvet is a body supporter – but dosage is important, says the world’s leading deer velvet research scientist, Dr Jimmy Suttie.

Trade show attendance – gives the New Zealand deer industry contact with key manufacturers.

- Trade advertising – generic adverts in key trade publications.

New Zealand

New Zealand activities support the many small suppliers marketing their velvet products. New Zealand is also useful as a test market.

Marketing activity includes:

- Production of the *Vitality* trade education series to inform pharmacists and provide suppliers with a useful selling tool.

He said clinical trials had shown deer velvet could strengthen already healthy tissues and organs, maintain the health of the body and speed up the healing of damaged tissues. However it was not a “cure” in the pharmaceutical sense.

Deer velvet had made significant strides in showing benefits for athletic performance enhancement. Athletes using deer velvet had reported reduced fatigue, less muscle soreness, faster times and/or greater strength.

He said clinical trials being carried out in the USA were aiming to develop deer velvet applications for performance enhancement. Deer velvet has also been found to make a difference in:

- Health Maintenance
 - Warming – greater warmth in extremities.
 - Cold/flu – reduced symptoms.
 - Joint health – improved mobility.
 - Well-being – improved feeling of health and wellbeing.

Health Improvement

- Arthritis – helps alleviate pain and inflammation.

- Injury recovery – promotes blood vessel growth in damaged tissues.
- Anaemia – this use is supported by Korean research papers.

Joint promotional fund for co-operative marketing campaigns.

- Public relations activity, press releases and media materials.
- Athlete endorsement programme – top athletes are supplied with deer velvet and their experiences with it are publicised.
- Trade and consumer advertising.

Planning for Growth

Volatility. It's the sting in the tail of the deer industry. On the one hand, we are known for our innovation; on the other we have one of the worst records of volatility in recent agricultural history.

Volatility makes life difficult for our stakeholders, from the farm to the customer, and it is this volatility that we, as an industry, need to manage. We've all heard stories about production volatility leading to price instability and unhappy customers.

Invariably, this leads to customers being wary about using New Zealand venison and even loyal customers safeguarding themselves by building in significant risk premiums that flow through to reduced returns.

So what can be done?

Velvet

Because velvet is responsible for much of the volatility in the industry overall, the strategy to build stability starts with velvet.

The Board's strategies for velvet have been outlined as part of the strategic plan. But in summary, the aim is to lessen dependence on the traditional Korean market through building demand in non-traditional markets such as USA natural health products, and in building the new Young Asian market.

We also need to maintain trade and consumer awareness and preference in the traditional Korean market, so that when the pressure comes on, these consumers will stay with New Zealand velvet in preference to product from other suppliers.

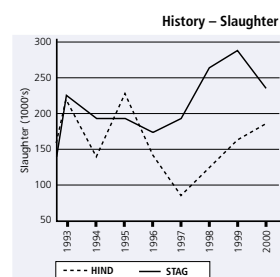
Venison

With venison we are looking to build demand and reduce seasonality through moving into new younger segments of the European market, into non-traditional retail and foodservice segments and raising awareness and preference in the traditional trade.

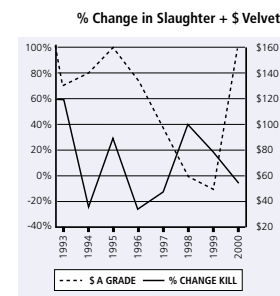
This will build demand and reduce volatility, and it will place more responsibility on the industry to supply consistently – to both build demand and maintain it.

On the Farm

Linking these strategies back to the farm is the key to their success.



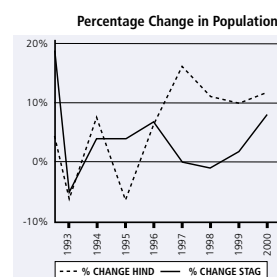
The historical kill has been volatile with all the changes exceeding the 10 percent level which is believed to be manageable.



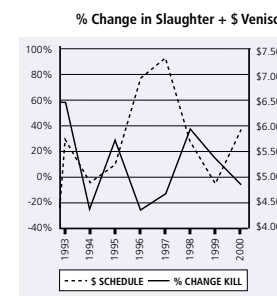
Velvet price volatility has led to major changes in venison slaughter and velvet production.

Increasingly, this will be done through supply contracts formally linking demand with supply, and links made through the Internet and e-commerce.

In the end volatility is an industry issue and needs an industry solution. The Board is planning an industry meeting to investigate solutions in the near future. The outcome of the meeting will be reported back to the industry for further debate.



Following on from the kill, herd growth has also been variable. The large kills in 1993 and 1995 were unsustainable with the hind herd shrinking approximately 5 percent.



The major changes in venison slaughter, consequential large schedule fluctuations and significant swings in industry confidence have resulted in volatile industry growth.

In the meantime, difficult as it is, aiming for the target guidelines of 10 percent growth for hinds and 5 percent for stags will balance supply and demand. It's up to the whole industry to work together to achieve these targets.

Collier Isaacs,
Chief Executive

Research and Development

The deer industry will be required to provide greater research investment following the Government's repositioning of its science investment through the Foundation for Research Science and Technology (FRST). The investment will be necessary to maintain the applied aspects of production research.

The Government investment will target the generic aspects of supply chain systems from farm to market and the emerging biotech areas. It is moving out of investing in specific projects directly applicable to sectors such as the deer industry but is also developing investment into transferring information to where it will be used.

In brief:

- AgResearch has restructured to take advantage of the opportunities offered by changes in Government policy, customer needs and a rapidly changing global economy.

Where to Next?

In moving forward the industry needs to ensure that research remains relevant to industry needs, that the industry

leverages significant FRST funds, and those who provide the funding own the information.

To provide this it is proposed that the research forum be developed into a joint venture (JV) between AgResearch and the deer industry. The JV will include representatives of the other research providers. The JV, as with VARNZ, would be responsible for managing the research programme. It could work with other entities such as the other producer boards when the research has benefits that are wider than the deer industry.

The mix of industry and FRST investment will provide new ideas and technology as well as practical applied research.

- The NZGIB has funded production research (non-velvet) through the Research Trust, generally in areas that are relevant to the marketing of product. Around 11 percent of Board expenditure relates to research and development, with 8 percent of this in velvet.
- The DFA has funded production research from the commodity levy and research auction. The DFA investment relates to production issues.
- AgResearch, DFA and NZGIB set up the deer industry research forum to provide regular communication between researchers, the industry and FRST.

Statistics – March Year End

Venison

- Export volumes 17,844 tonnes, up 1.4% from 1999.
- Export value is up almost 8% to \$170 million.
- Germany represents 49% of total export volume and 44% of value.
- The top six European markets account for more than 84% of total export volumes and 78% of value.

Velvet

- Production has dropped from 455 frozen tonnes of velvet to an estimated 420 tonnes in 99/00, a reaction to falling prices in recent years.
- Prices have improved markedly: from a weighted average price of about \$45/frozen kg to about \$112/frozen kg.
- Prices are high because supply is tight (30% less than two years ago) and the Korean economy is stronger.
- Export volumes are 127 tonne dried equivalent for the year ended March 2000. This compares with about 214 tonne in 98/99, implying that product is moving more slowly relative to previous years, that there is significant stock on hand and some market resistance to higher prices.

Vendor Declaration Card

The introduction of the new Vendor Declaration Card (to replace the existing Deer Transport form and Tb card) has been delayed. Final checks are being made to ensure all regulatory requirements will be met.

Please continue to use the current Deer Transport form and Tb card until further notice.

NVSB Update

Written submissions are now invited for changes to the Velvet Removal Programme. Please submit your changes by Friday 7 July 2000 to Sue Lindsay, Quality Assurance Executive, New Zealand Game Industry Board, Freefax 0800 329 442.



NEW ZEALAND GAME INDUSTRY BOARD

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Market Report

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NEW ZEALAND GAME INDUSTRY BOARD

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IN THIS ISSUE

Strategic Direction

Three Partners: One Vision Summary
Expenditure Summary

Venison

The View From Europe
Marketing Activity

Velvet

Boosting Athletic Performance
Clear Focus Needed
Velvet as a Body Supporter
Marketing Activity

Planning for Growth

Reducing Volatility

Research and Development

Greater Investment Required

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While every effort has been made to ensure the accuracy of its content, Market Report alone is not to be substituted for direct advice on any matter addressed.

From the Chairman

Your Board has released the broad principles of the 5 year Strategic Plan, turning the intent released last year into core strategy. However, as explained at the conference and further promoted here, continued prosperity and growth is undermined by inconsistent supply.

The Board's strategies for achieving this were covered in some detail at the Formal General Meeting, held as part of the deer industry conference in Queenstown last month. In summary, we've put together this special FGM issue, based on key presentations and the Board's strategic plan.

It was great to be able to talk to farmers and other industry specialists at this year's meeting and feedback is welcomed from those who were not able to attend.

Growth and evolution have led to significant changes in the deer industry over the past 30 years. This maturity is particularly evident in the venison sector, which has attracted substantial new resources to share the development role hence the opportunity to reduce the venison levy.

Today, market prospects are positive, we have a clearly defined strategic direction, and we can look ahead with confidence. However managing growth so that industry stability is maintained must remain a primary focus among all stakeholders.

Deregulation

Deregulation had its challenges, but we can reflect positively on the outcomes. The process was valuable in confirming the NZGIB's role and function, and in uniting an industry that is now better positioned to achieve its goals. The 50/50 board composition and levy sharing are the only reforms now left to complete.

Deregulation outcomes included:

- Three Partners: One Vision Strategy launched.

- European programme implemented.
- Joint Promotion funding revamped.
- Cervena two-year transition programme in place.
- QA moved to user pays.
- Venison levy reduced by half.
- Reduced NZGIB staff numbers and accommodation costs.

New Structures

The Board's new streamlined and efficient structures are well suited for the post-reform decade and for bringing home the benefits to stakeholders. I believe you can have every confidence in your Board's performance and in its ability to add value to the industry.

Future Prospects

Looking ahead, it is important to maintain the forward thinking and proactive stance that has been the hallmark of our development of the past 30 years. We have shown tremendous innovation in the development of production systems, QA programmes, brand marketing, and in sophisticated processing and packaging methods.

Our programmes are highly focused on market development in partnership with exporters. Our goals remain simple: create demand and influence supply, build preference and premiums for industry products and develop new income streams. Consistent supply is critical to the future development of the industry. If we can deliver this, then the industry's prospects will continue to be positive.

Clive Jermy,
Chairman