

Market Report

Issue 49 October 1999

Chief Executive's Review

The vast ANUGA trade fair held every two years in Cologne provided the focus for a recent visit to the UK and Germany. NZGIB General Manager Marketing (MJ Loza) and I met with the British and German Deer Farmer organisations, as well as government officials and (most importantly) people working in the markets to promote and sell New Zealand venison.

Here are some of the strongest first-hand impressions we came back with. Most are not new, and represent ongoing issues the industry has to deal with

Strong opportunities

- The great strength of the positive perceptions of New Zealand (at trade and governmental levels) as a supplier of safe, clean, high quality products — and the need to protect and enhance those perceptions
- The strong growth opportunity for venison outside existing market segments, at good price levels compared to other meats
- Strong opportunities in new market segments such as convenience foods and retail outlets, *subject to* New Zealand providing year-round guaranteed supply and price
- The trend to fresh yet convenient foods (ready meals and fresh pre-prepared foods) is the major growth force in supermarkets, especially the more affluent and upmarket stores where price is less of a factor in consumer buying decisions
- Opportunities in some currently small but fast-growing market niches (eg. organic venison)

Less volatility

- The absolute need to reduce the volatility of supply (and related price volatility) for which New Zealand has a poor reputation, and which is holding us back from some market development opportunities, particularly at retail

- Consistent concerns from European farmer organisations (given our track record) about the potential for “higher volumes and lower prices” of New Zealand venison putting them out of business, and possibly resulting in a consumer backlash favouring locally produced product

Trade views

- Importers and distributors we met were very positive about the shift in the NZGIB's emphasis on working with companies through joint promotion rather than generic promotion
- Support from importers, distributors and European deer farmer groups for positioning New Zealand Venison for year-round usage (and therefore competing less directly with wild and local farmed venison)

We returned with very positive conclusions about the future for New Zealand venison in European markets. The NZGIB's facilitation role appears to be well accepted in principle, and (given stable supply) the market opportunities and prospects are sound.

Strategic Direction

A statement of the industry's strategic direction for 1999-2003 is enclosed. It sets out the new NZGIB approach at both strategic and operational level, using the venison and velvet marketing programmes to illustrate the shift in emphasis. Your comments are welcome.



Collier Isaacs
Chief Executive

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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.

VELVET IDENTIFICATION

Velvet identification is an essential ingredient of the industry's animal welfare support programme, which is (in turn) critical for both venison and velvet marketing strategies.

Please note:

- All velvet removed by certificated velveters or vets must be identified by the industry ID tag
- Tags are available at no charge from vets in the NVSB programme

- It's recommended that you leave about a finger's width between the velvet and tag to avoid processing problems — don't pull the tag too tight
- Black tags identify velvet removed without using xylazine
- As there is growing market demand for this product, it makes sense to ensure it's clearly identified

Quality Assurance

From 1 December 1999 it will be compulsory for all deer being sent to slaughter to be accompanied by a completed and signed Vendor Declaration form.

This MAF Technical Directive is to strengthen New Zealand's official assurances to international markets about animal health status and food safety. These are big issues for overseas regulatory agencies and our international customers.

New Zealand's reputation for 'clean' safe food is a vital marketing asset. Being able to prove such claims is essential in protecting our reputation.

As moves to develop a single national declaration form for all livestock have been unsuccessful so far, the deer industry will continue to use its own DeerQA Record form which has been approved by MAF DSPs may also produce and use their own forms if they wish (subject to MAF approval).

- The existing Deer QA Record form will be used from 1 December 1999
- A revised form is being designed to include more detailed information about animal treatments, and (once approved by MAF) will be available early next year
- Minimum requirements include the farm and owner/manager's contact details, the number of animals in the consignment and a declaration confirming all treatments were properly licensed and used in accordance with label conditions, including adherence to withholding periods
- The directive currently covers deer and cattle
- From October 2000 sheep, goats, horses and pigs will also require a declaration

What does this mean for deer farmers?

- All declarations must be signed and dated by the owner/manager
- Signing the declaration makes the owner/manager legally responsible for the accuracy of the information
- Owners/managers should be present when animals are loaded and then sign the declaration form
Incomplete and/or unsigned forms risk the animals being withheld from slaughter until the proper verification is obtained
- Declaration forms are currently available from DeerQA accredited transport operators, and may in future be available from stock agents and most DSPs

How can the information be verified?

- MAF RA and other authorities are empowered to conduct spot audits to verify the information and the owner/manager will be required to prove its accuracy
- This means written records are essential, kept up to date and accurate
- For farmers who don't have recording systems for providing this information, records such as the DeerQA Diaries may provide a useful starting point
- The Diaries were sent to all farmers in the DeerQA programme last year, and more copies can be obtained from the NZGIB office (contact Sue Lindsay at 04-474 0656 or Megan Burrell at 04-473 4500)



NEW ZEALAND GAME INDUSTRY BOARD

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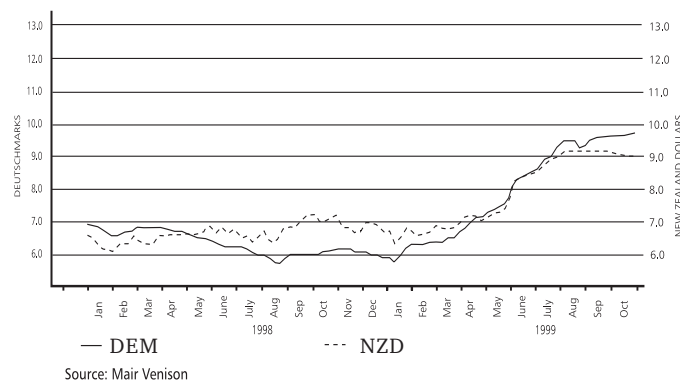


Organic Producers

If your farm is certified organic or partly through the certification process, please contact MJ Loza at the NZGIB (direct line 04-474-0653). A register is being set up to help with any market development opportunities in this area.

Venison

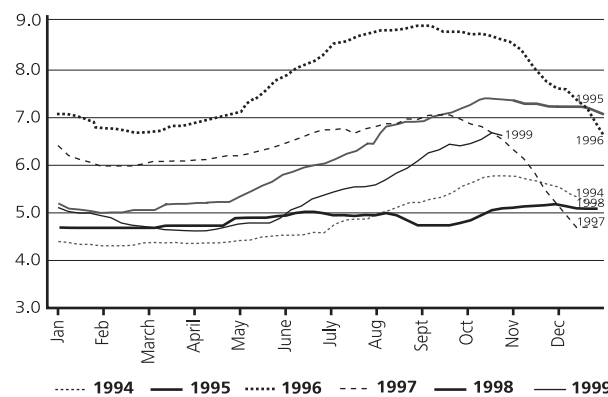
Market Prices, bone in haunch (Dec 1997 - Oct 1999)



Source: Mair Venison

From the Markets

SCHEDULE TRENDS



Europe

- Indicator prices in Deutschmarks eased slightly during October, although with little activity in frozen product these are notional prices only
- The exchange rate has also eased over the past six weeks, lifting New Zealand dollar returns
- The chilled season started early this year and demand remains firm at current prices, with good prospects for it continuing even longer than last year
- Importers and distributors report signs that venison is becoming a less seasonal product, and support this as an industry strategy
- The aim is to extend the fairly narrow peak season further into spring and ultimately summer (which suits farm production cycles best)
- As always, this depends on stable prices and supply to generate confidence in the market

- National average schedule prices firmed through October, reaching nearly \$6.70 per kg
- With the last chilled seafreight shipments leaving in early November, schedule prices are starting to soften in the usual trend
- With steady supply and prices, however, an extended chilled season could see a slower rate of descent than usual
- Supply is still tight in the market, with little or no stock in the pipeline

Industry Update

FARM SIZES & VOTING CLARIFIED

Apologies for inadvertently giving misleading information about average herd sizes (*Market Report* 47, August 1999).

- Latest Department of Statistics figures to June 1996 show 4377 deer farms in New Zealand. Of these total farms, 60 percent or 2656 have less than 200 deer
- That's not the same as 60 percent of the national herd "held by 'small' farms (less than 200 deer)" as stated
- This 60 percent represents about 9 percent of the national herd
- In reality, the industry's recent growth means the current figures will have changed quite substantially since the 1996 census

The farm size information was given in the context of possible changes to farmer voting rights, and the proposed weighting of voting rights based on investment in the industry as demonstrated by herd size.

This proposal remains on the table at present among other unresolved reform issues pending changes to NZGIB regulations.

Ultimately, the decision rests with deer farmers through the NZDFA as the body which nominates farmer representatives to the NZGIB Board.

1999/2000 SEASON STARTS

Velvet

Continuing last year's practice, velvet pools will not publish prices on a regular basis for the 1999/2000 season

- Producers should contact pool operators about relevant price and other information
- Prices are well up from last season, but only small volumes have been offered for sale
- At the time of printing, for some grades, prices are up 100 percent on last year's season average and up 50 percent on prices at the end of last season
- Velvet traders warn that price increases may not be sustainable if consumer demand (and therefore willingness to pay) does not lift during the coming northern hemisphere winter
- With reduced production and provided there are no further shocks to the Asian economies, market indicators are positive
- Early pool volumes suggest producers are waiting for market trends to become clear. This could result in large volumes coming onto the market later in the season, which may stretch processor finance and also encourage buyers to look for alternative suppliers

Korea

- Although many risks still exist in the Korean economy, consumer spending is up on last year and the general feeling is that demand for velvet will increase

SPIKER VELVETING

The Animal Welfare Advisory Committee has approved the NVSB's recommendation regarding transportation of spiker stags after velveting using rubber rings

- Farmers and vets need to be certificated under the NVSB programme to use the approved rubber rings
- Spiker stags may be transported to slaughter, with the rings still attached, within 72 hours after velveting

VELVET LEVY

NZGIB Chairman Clive Jermy responds to queries about the fall and rise of the velvet levy:

- Last season (1998-99 financial year), the NZGIB Board felt strongly that dropping the velvet levy by 33 percent (from \$3 to \$2 per kg) was the right thing to do in response to the radical drop in market prices and farm returns after the Asian economic collapse. This was a direct response to extraordinary circumstances
- This season (1999-2000 financial year) the Board reviewed the velvet marketing programme needs

- Sales levels at all points in the importing and distribution chain are still well down from pre-crash levels
- The weaker New Zealand dollar against the US dollar, and the stronger Korean won against the US dollar, are positive for returns to New Zealand
- Competition from other suppliers (especially Canada) is anticipated to increase this season
- Stocks in Korea and Hong Kong are reported to be very low
- Changes to the ash content regulations are being considered by officials as a possible means of ensuring more velvet is available in the market, despite the regulation's original purpose being to improve velvet quality
- Submissions were made on sliced access and ash content regulations to the Korean Food & Drug Administration based on New Zealand scientific research, and this issue will be monitored closely over the next few months
- Korea's General Election in April 2000 may have an impact on regulatory issues as well as overall consumer confidence and spending on luxury products like velvet

- The recommendation was based on research results which showed no adverse animal welfare effects for the stags
- All other standards regarding the techniques for the use of the special rubber rings are set out in the NVSB programme

in the context of forecast production levels and with a view to keeping levies down on pre 98/99 level in line with reform. It was also aware that it needed to maintain the impetus with the work in research and in the market place.

- For this season, with velvet markets and prices recovering, the Board decided that the right balance was a levy of \$2.50 per kg
- All velvet levy income is applied to velvet related programmes