

>>> VENISON

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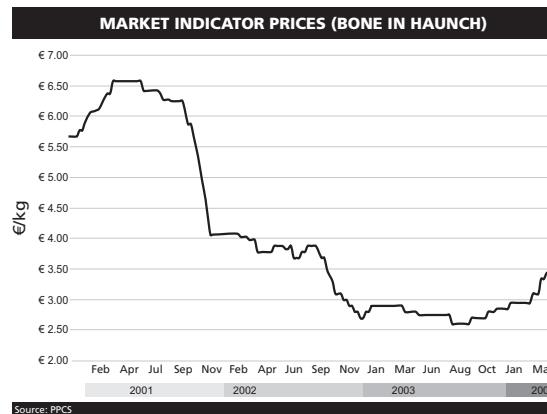
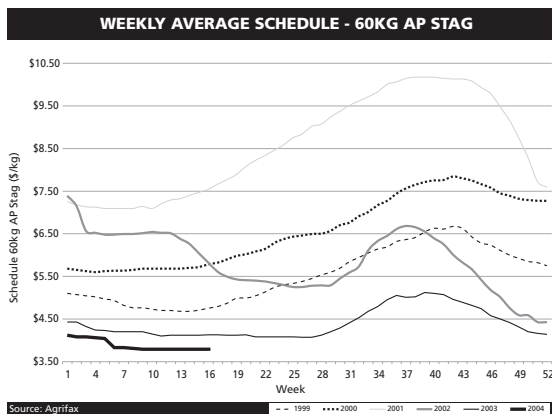
New Market Development

New Zealand venison was represented at SIAL China, a major trade show (30 March to 1 April). There were some encouraging reports at this early stage. The promotion was a valuable learning exercise for Chef Graham Brown who assisted an exporter and its market-partner in their efforts to develop the Chinese market.

Mission Accomplished

In March, UK-based executive chef Hamish Brown completed his first market mission: assisting at a series of in-house trade fairs and cash-and-carry promotions in Europe. Reports from market partners are encouraging and plans are underway to incorporate Hamish into promotional initiatives timed for later in the year.

Export volumes are tracking above those of previous years, with schedule prices remaining stable at low levels. Improved demand has been reported to have continued up to the Easter trade, especially for legs.



Production

- Venison production for the period January to December 2003 was 570,402 animals, a volume increase of 5,044 tonnes on the previous year.
- Average carcass weights are tracking below that of the previous year, with the average weight for the year ended December 2003 being 53.7 kg, 1% below that for the same period in 2002 (54.2 kg).

Schedule

- At Week 16, the average schedule across the country was \$3.79, where it has remained stable for the past eight weeks. This is 31% below the 10 year average for Week 16, at \$5.50.
- Adjusted for currency on a trade-weighted basis, the schedule for week 16 is 3% below that for the same week in 2003.

Exports

- The total volume of exports for the year ended December 2003 was 19,911 tonnes. The main export markets of Germany, Belgium, Sweden and France have continued to show growth, with the United States remaining relatively static.
- Some emerging markets showing encouraging signs of growth include Australia (260 tonnes, up 286% from the previous year) and the UK (379 tonnes, up 54% from the previous year).

The Markets

- Exporters have reported a successful game season, particularly for legs, with relatively strong consumption and little stock. The improved demand has been reported to have continued for the Easter trade, especially for legs.
- Exporters continue to report stable market conditions, with prices now showing positive signs of improvement from previous low levels.
- Stable supply is important to help to further improve trade confidence.

Major Summer Promotion in Germany

Plans for a major summer consumer competition and retail promotion in Germany are well advanced. Advertising space has been booked and promotional point-of-sale materials are being developed. Consumer prizes include flights to New Zealand, branded kitchen knives and BBQ packs.

While the promotion is aimed at encouraging German consumers to try New Zealand venison in the height of summer (known in Germany as the "grilling season"), trade packs will also be developed to further motivate the trade to promote the product in summer. Trade packs include information on the media plan, the consumer competition and the various point-of-sale items available.

>>> VELVET

The 2003/2004 velvet season has been particularly difficult for producers with weighted average prices down an estimated 40%. Exporters have also seen a decrease in income in New Zealand dollar terms of approximately 35%. However, the industry continues to make positive progress including a plant visit from Korean Food & Drug Administration officials and a further reduction in the Special Excise Tax.

Velvet Exports

- Export volume for the year ending February 2004 is provisionally 192 tonnes dried equivalent – an increase of 13% over the year ending February 2003 (170 tonnes dried equivalent). However, as production has remained relatively stable, this reflects improved sales this season and a clearance of stocks.
- Export value for the year ending February 2004 is \$29 million – representing a 3% decrease over the previous year (\$30 million).

Velvet Pools

- The 2003/04 velvet season has been a particularly difficult season for velvet producers. The graph below illustrates the lower producer returns across the benchmark A2S price.
- It appears that the weighted average pool price will be little over \$60 per frozen kg. This will be a decrease of some 40% on last season's weighted average price.
- Pool operators have consistently reported throughout the season that the number of tenders (but not prices) received at velvet pools has been relatively strong. They cite key reasons for lower prices being:
 - a) the strong appreciation of the New Zealand dollar against both the Korean Won and the US dollar;

- b) a perceived higher volume of velvet supplied (this is not supported by reports to date of lower roadbuying and pool comment that the total volume of velvet handled by them has increased only slightly, and that there has been little re-trading of velvet - re-trading is where a buyer purchases a grade of velvet, pulls out the velvet they need and then sells the remainder again); and
 - c) the higher volume of velvet available from other sources (both New Zealand last season and Canadian) has been a dampening influence.
- The approximate weighted average pool price of New Zealand velvet for the past 10 years (including an estimate for this year) has been \$86 per kg frozen.

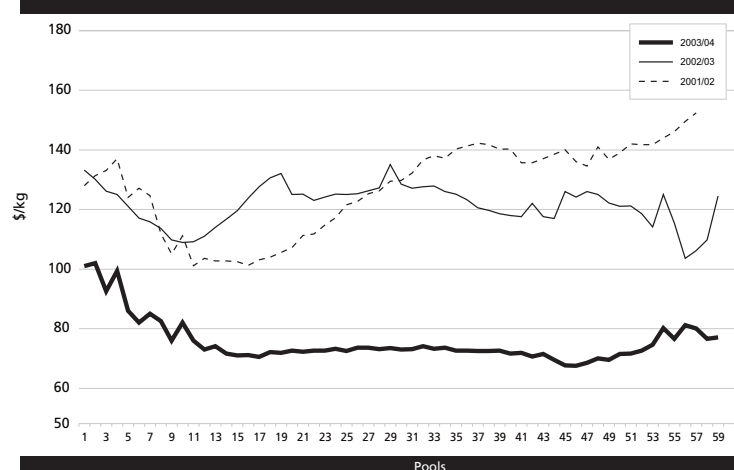
New Zealand Sliced Velvet Access to Korea

Inspectors from the Korean Food and Drug Administration (KFDA) inspected 11 New Zealand velvet processing plants last week to decide whether or not the plants were able to export sliced velvet to Korea. The visit went well and the plants and MAF presented themselves very professionally. While industry should not be complacent that the plants will be approved, sound progress is being made towards the goal of finished product exports to Korea. The KFDA will revert to New Zealand with its decision soon.

Special Excise Tax on Deer Velvet

Over the past year, Deer Industry New Zealand has lobbied through its Korean representatives for the removal of the Special Excise Tax. Recently, it has been decreased by 30% for the rest of the year. Once the SET is removed, it will have taken border costs from 49% to 32% which is starting to get close to the point where unofficial trade will be uneconomic.

A2S 2001/02 - 2003/04



Antler Science and Product Technology Symposium a Hit

ASPT2 took place from 24-27 February 2004 in Queenstown. Programme highlights included:

- Dr Craig Broeder, University of East Tennessee, discussing the athletic performance trials on New Zealand velvet's effects. Results indicated lower fat, less muscle damage and greater strength and stamina in the New Zealand velvet group;
- Dr Stephen Haines, AgResearch, on a Velvet Activity Index™ that provides a simple, consistent means of comparing bioactivity of difference velvet products. Several marketers of velvet capsules have indicated they would like to use the index on their products.



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Deer Industry New Zealand is the operating name of the Game Industry Board.