

## >>> FROM THE CHIEF EXECUTIVE

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Having returned from Europe with the Chairman, Clive Jermy, last month, I am pleased to report some positive signs of improvement. While this may be the case, the industry should be under no illusion - the market prices will take time to recover this season.

Price improvements need to be gradual and measured at this early stage of recovery to ensure the confidence and support of the market. Of course, we are doing everything possible to assist this recovery as quickly as is possible and manageable, including our biggest ever out-of-season promotion taking place in Germany right now – aiming to drive up retail sales prior to the coming traditional season. There are also very important and pleasing moves by market partners to invest heavily alongside industry investment and in line with our agreed strategies.

### Prices

"Show me the money!" Of course, price is top of everyone's minds. In the market, we are seeing indicator bone-in-haunch prices continuing to improve. These price improvements have been greeted by the market positively, however with some words of caution. While importers we met with universally agreed that further price improvements are possible, this must be managed carefully by all concerned so that prices improve in a steady and manageable manner so that the market is not 'spooked'. The message to us was that price improvements to date have been the result of positive supply management from New Zealand exporters and this has generated some confidence. This opportunity and challenge is now in the industry's hands and, positively, all parties are working together on it.

### Supply

Production from New Zealand continues at relatively high levels, but the industry's exporters are doing an excellent job of managing that supply onto the market and product is moving well, though at low prices, with minimal stocks reported.

### Commitment To Strategy

Probably the most striking and positive thing we brought back with us was the clear message that the

industry's in-market partners are fully behind our industry strategy to build new and year-round demand for New Zealand venison. This is not just talk. Importers we met with showed us examples of the considerable investment they are making to work with the industry to achieve these goals.

Examples include:

- One company which has purchased new premises and is currently installing state of the art processing and packing equipment to produce portion-controlled products for restaurants and consumer-ready retail products.
- One company which has successfully launched a venison ready-meal product through a supermarket chain in the UK and is currently working to expand this into more retailers.
- Several companies which have developed new retail packaging for consumer-ready venison products. One of these companies has hired new retail specialist staff to develop this business.
- Companies undertaking significant promotion. We saw examples of advertising in key retail trade publications, tasting demonstrations at supermarkets, promotions at cash-and-carry stores and plans by companies to leverage off the Summer Campaign currently underway.

continued on next page

## MARKET REPORT

from the Chief Executive continued

These activities all hit the same key messages that the industry promotes in relation to New Zealand Venison. These are New Zealand origin, healthy and nutritious, year-round, modern, light and convenient. Deer Industry New Zealand supports some of these activities with joint promotional funding, but there is also a significant level of activity being funded by exporters and their market partners on top of this.

Overall, I believe the key messages from the market are:

- There are improvements, but these will take time to consolidate and gain momentum. Some difficulties in the market are still being worked through.
- Exporters and their market partners are investing heavily in time and resources to promote New Zealand Venison right now, with assistance from Deer Industry New Zealand. This aims to drive retail sales growth prior to the traditional game season and position New Zealand Venison as a year-round product for future seasons as well.
- Exporters and their market partners are 'walking the talk'. Everyone we met with demonstrated obvious and genuine commitment to promotion and to the industry's strategies. We are all in the same boat – passionate about the same industry and its products and we all are working for improvement.

In summary, while conditions remain difficult there are some positive, though still cautious, signs of improvement. There is also a real commitment from all parts of the supply chain to consolidate these early improvements and invest in promotion and market development in alignment with common agreed priorities for the future benefit of the industry. It is important that we keep working together.

**MJ Loza, Chief Executive**

## Cervena Review Released

The Cervena Trust has released an independent review of the Cervena appellation and programme for deer industry feedback. As well as the reviewer's report, a paper has also been released setting out its proposed next steps to determine how Cervena should operate in the future.

The review was conducted by Castalia Ltd whose major recommendations are that:

- Cervena is a product which, if well promoted, should be able to sustain a margin over venison and other red meats in the North American and other markets.
- While a lot has been achieved by the Cervena programme, it still does not appear to have delivered as much as originally expected.
- A new structure is needed to improve Cervena's effectiveness
- All aspects of operation and marketing under the brand should be consolidated under the control of a single entity.
- The ownership and form of this new entity be determined by seeking proposals from interested parties for ownership of the brand

The Trust is now seeking feedback from deer industry stakeholders, on the Cervena review and the Trust's proposed next steps. Feedback is due by 2 July.

The Cervena Review report and a detailed summary and response from the Cervena Trust are available from Deer Industry New Zealand. - contact Mat Moyes (04) 471 6111 [mat.moyes@deernz.org](mailto:mat.moyes@deernz.org)

## New Contact Numbers for DINZ Executive

Deer Industry New Zealand recently relocated to new Wellington premises, together with the Meat Industry Association Inc and Meat & Wool New Zealand. All three organisations will maintain full independence, but the move will see them share facilities and resources in some areas.

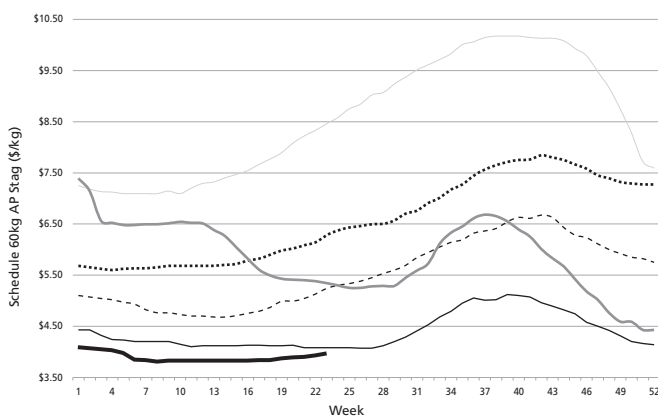
The new street address is Deer Industry New Zealand, Level 13, PriceWaterhouseCoopers Tower, 113-119 The Terrace, Wellington. While the post box, main telephone, fax and email details remain the same, there are new direct dial telephone numbers for each of the Executive. An updated contact list follows for your convenience:

Name	Position	Direct Line	Mobile	Email
Janice Attrill	Quality Systems Administrator	04-471 6114		<a href="mailto:janice.attrill@deernz.org">janice.attrill@deernz.org</a>
Mira Fraser	Office Assistant	04-471 6110		<a href="mailto:mira.fraser@deernz.org">mira.fraser@deernz.org</a>
Susan Gee	Finance Manager	04-474 0824	021-406 052	<a href="mailto:susan.gee@deernz.org">susan.gee@deernz.org</a>
Rob Gregory	NVSB Manager	04-471 6116	021-993 389	<a href="mailto:rob.gregory@deernz.org">rob.gregory@deernz.org</a>
MJ Loza	Chief Executive Officer	04-471 6112	021-993 389	<a href="mailto:mj.loza@deernz.org">mj.loza@deernz.org</a>
Mat Moyes	Venison Marketing Services Manager	04-471 6111	027-444 6512	<a href="mailto:mat.moyes@deernz.org">mat.moyes@deernz.org</a>
Mark O'Connor	General Manager Marketing	04-471 6113	027-474 3624	<a href="mailto:mark.oconnor@deernz.org">mark.oconnor@deernz.org</a>
Tony Pearse	Producer Manager	04-471 6118	021-719 038	<a href="mailto:tony.pearse@deernz.org">tony.pearse@deernz.org</a>
John Tacon	Quality Manager	04-471 6117	027-242 2873	<a href="mailto:john.tacon@deernz.org">john.tacon@deernz.org</a>

## >>> VENISON

Export volumes are tracking above those of previous years, alongside improving demand for legs from most Western European markets. Market prices have increased in some cases.

**WEEKLY AVERAGE SCHEDULE - 60KG AP STAG**



Source: Agrifax

### Production

- Venison production for the year ended December 2003 was 570,407 animals, a production weight increase of 19.7% on the 12 months ended December 2002 – but only an 8.5% increase on 2001.

### Schedule

- The average published schedule price has risen in recent weeks to \$3.99, but this remains 31.9% below the 10 year average schedule for week 23, (\$5.86). Adjusted for currency on a trade-weighted basis, the schedule for week 23 is 3.1% above that for the same week last year.

### Exports

- Venison exports for the 12 months ended December 2003 were 19,912 tonnes - 25.9% higher than the previous year and 12.2% more than the year ended December 2001 (17,745 tonnes).
- Most major markets for New Zealand venison showed growth during this period when compared with the previous year, with some encouraging trends in emerging markets such as Australia (an additional 193 tonnes) and Taiwan (an additional 146 tonnes).

### The Markets

- Exporters continue to report strengthening markets, with improving demand for legs in particular coming from Western Europe. The improved demand has led to price increases for legs, with the market indicator price for bone-in-haunch cuts reported to be around €3.40 per kg.
- Reports indicate that demand for other items, including shoulders and middles, has not resulted in similar price increases for those cuts. In some cases, they have softened. Some exporters report that the firming in-market prices are for future shipments, with most current shipments being at lower price levels, negotiated earlier in the year.

**MARKET INDICATOR PRICES (BONE IN HAUNCH)**



Source: PPCS

### Major German 'Sommerkampagne' underway

- 'Sommerkampagne', the major industry summer consumer competition and retail promotion in Germany, is underway. Advertisements in a variety of consumer publications are on the retail shelves and will continue throughout the Northern hemisphere summer until the end of August.
- Media barbeque workshops have been held in Munich and Hamburg, with good interest among German journalists and editors on articles and recipes for New Zealand venison. Some trade publications, including *Lebensmittel Zeitung Direkt*, will also include editorial coverage – further promoting the campaign and the summer promotion of New Zealand venison to the trade.
- Supermarket tasting programmes are being developed in association with exporters and their in-market partners. Shoppers will be able to taste New Zealand venison, learn some quick cooking tips and enter the 'sommerkampagne' consumer competition at the supermarket.
- Media coverage in Germany is already generating good numbers of entrants into the competition, with each entrant receiving a New Zealand venison recipe leaflet with summer recipes and cooking tips.



**Chef Andreas Geitl gives German media a New Zealand venison barbecue demonstration in Munich.**

### European & US Spring Chef Mission Completed

Graham Brown recently returned from a spring chef market mission where he was involved with seven days of in-house trade fairs and 10 days of chef cash-and-carry promotions in Germany and four days of distributor events and chef promotions in the United States.

More chef market missions involving the team of Deer Industry New Zealand contract chefs are planned for August and September, as well as the major SIAL food trade fair in Paris (17 - 21 October 2004).

## >>> VELVET

The February year-end saw a drop in export volume of 13% and a drop in value of only 3%. Despite an improvement in exchange rates, New Zealand margins are still affected.

### Velvet Exports

- Export volume for the 12 months ending February 2004, provisionally, is 192 tonnes dried equivalent - a decrease of 13% over last year (170 tonnes).
- Export value for the year ending February 2004 is \$29 million - a reduction of 3% over 2003, when exports were valued at \$30 million.
- Exporters report that sales of whole dry piece are slow. The price remains constant in US dollar terms at approximately US\$180 for Korean mix. Given the drop in the value of the NZ\$ vs US\$, a constant US\$ price means a better return for New Zealand exporters. This was needed, as the margin - if any - was very small, and even with improved prices in New Zealand dollar terms, is still low.

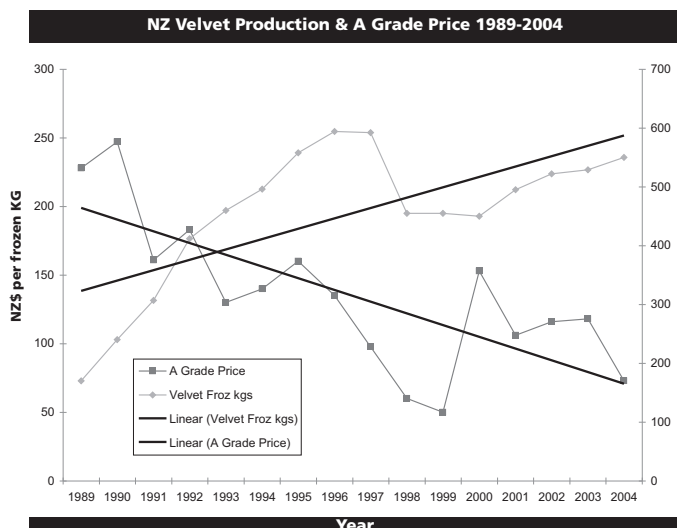
### DRAFT Velvet Industry Strategy 2005-10

In the past few months, Deer Industry New Zealand has been coordinating the development of an industry strategy for velvet and co-products, the draft of which is summarised below. Farmer comment is very welcome. Full copies are available from Mark O'Connor – email mark.oconnor@deernz.org or telephone (04) 471 6113.

The Velvet Industry Strategy is founded on the principle of industry partnership: where the industry collectively is in a stronger position with all partners working together towards common agreed goals and where individual companies also compete. Over 35 years, New Zealand has grown to become the largest producer and exporter of deer velvet in the world. It has a strong infrastructure. But it faces significant challenges.

### The Challenges

- As the graph below shows, in the long term velvet supply is increasing while per kg returns are decreasing.
- The industry is reliant on Korea which means: less competition for New Zealand's velvet; the market is over-supplied as production increases; if there is a problem in Korea, New Zealand velvet has few other options.



### The Strategy

Six key objectives that lead to a sustainable New Zealand velvet industry:

1. *New channels and New Zealand velvet products in South Korea*
  - Gain good access to the Korean market for finished product, for example, sliced velvet, tonics and other further processed product.
  - Be able to distribute as local Korean velvet.
  - Have lower border costs through removal of the Special Excise Tax.
  - Assist companies selling New Zealand velvet through joint and generic promotion.
2. *New sales of New Zealand velvet in Taiwan*
  - Gain good access for New Zealand frozen velvet to Taiwan.
  - Assist companies selling New Zealand velvet through joint and generic promotion.
3. *New sales of New Zealand velvet in China*
  - Have good access to China for traditional (whole piece and sliced) and non-traditional products (tonics, capsules and sprays).
  - Assist development of distribution arrangements, perhaps by introducing a single brand, and encouraging a range of distributors.
  - Assist companies selling New Zealand velvet through joint and generic promotion.
4. *Wound healing product derived from New Zealand velvet*
  - Revenue from a wound healing product with benefits flowing back to the New Zealand deer industry (such as royalties and/or product sales).
5. *Athletic performance product performance based on New Zealand velvet*
  - Industry sales from athletic performance products with benefits flowing back to the New Zealand deer industry.
6. *New product development opportunities for New Zealand deer velvet*
  - Have a pipeline of new velvet product development opportunities flowing from research (such as cartilage growth, anti-ageing benefits, blood health)

### 'Non Negotiables'

- The New Zealand velvet industry must meet – and be seen to meet - its welfare obligations.
- The products the New Zealand velvet industry sells must be fit for their intended purpose, and shown to be so. Adherence to the Industry Agreed Minimum Standards and Velvet Activity Index™ will be crucial in this regard.
- Existing market access must be maintained (for example risks from New Zealand/Australian harmonisation and USA regulations).

# Market Talk: Reflections from Europe

**Assessing Europe's venison market conditions and gauging the political swell from domestic deer producers in key markets, were just two of the objectives for a market visit in late April by Deer Industry New Zealand Chairman Clive Jermy and CEO MJ Loza.**

MJ Loza explains that an invitation for Clive Jermy to speak at the German Deer Farmers' Conference presented an ideal opportunity to counter suggestions from a small group of German producers to German government officials that New Zealand Venison imports into Europe should be banned because of New Zealand's deer farming practices – specifically deer transport, slaughter and velvet removal practices.

"These absurd allegations are raised almost annually and, historically, have gone nowhere due to our long-standing and positive relationships with officials at the German Ministry of Agriculture. However, there was a critical need to meet with German officials to address these latest allegations," Loza says.

Noting a general attitudinal change from the days of the former German Ministry of Agriculture, he says that with a new Green Minister at its helm, the new Ministry of Consumer Protection, Food and Agriculture is refocusing on consumer issues and has less affinity with agriculture.

"Also, our traditional contacts at the Ministry had moved on due to retirement and the relocation of the German Government from Bonn (where the Ministry of Agriculture is still based) to Berlin (where officials are relocating). This has introduced a whole new team, with little knowledge of the real situation in New Zealand, to deal with these claims against us. Obviously, a risky situation," Loza says.

After a very productive briefing meeting with high-level officials, Loza believes the claims made by the German producers were fully addressed to the officials' satisfaction. "In fact, they seemed to greatly appreciate the information we were able to provide. We also committed to provide additional written information to assist them to deal with similar issues in future."

As reported in *Deer Notes*, Clive Jermy's address to the German Deer Farmers' Association (GDFA) was very direct and open. "He covered issues, known to be of concern to German producers, front-on and this was received very well by the audience.



**Traditional German entertainment added to the atmosphere at the GDFA conference.**



**Count Montgelas Vice-President (left) and Herr Funke President of the German Deer Farmers' Association and former German Minister of Agriculture (centre) and Clive Jermy pictured after Clive's address to the GDFA's annual conference.**

Most notably, the conference greeted news of New Zealand's Summer Campaign and retail focus very positively."

Positive discussion ensued in the following question and answer session about opportunities for New Zealand and German venison to co-exist in the German market through this type of segmentation, with each side co-operating to build demand for venison overall as a healthy and tasty premium product, Loza says. "There was a commitment from both sides to maintain an open dialogue."

The GDFA is an increasingly powerful lobby group with the appointment to Chairman of Herr Funke, Germany's previous Minister of Agriculture, and with the Association's alliance with the German hunting lobby which claims membership of over one million people.

Positive and constructive discussions were also held with representatives of the British Deer Farmers' Association and French Red Deer Farmers' Association.

"We have had good dialogue with these groups in recent years. In fact, the French actively supported New Zealand moves seeking year-round access into their market," Loza reports.

"These relationships have developed to the stage where there are good opportunities now under discussion for co-operative promotion of venison in each market. If this eventuates, it would be likely to be closely targeted and low cost work, initially, but may build from there depending on results.

Regardless of the results though, Loza is adamant about the importance of maintaining good, open channels of communication and an ongoing dialogue with these organisations.

## Industry Forecast and Deer Herd Model – HELP !

It is critical for industry forecasting and planning purposes that we have an accurate idea of the number of farmed deer in New Zealand and the composition of the herd in terms of age and sex.

Industry forecasts can only be as good as the quality of information put into the model. Here's how you can help the industry improve its information and its ability to forecast and plan for future production.

### Statistics New Zealand Agricultural Production Survey

- This year's Survey should be posted out to deer farmers starting 25 June so for those selected to receive it, it should be in your hands by the end of the month. Please don't file this to the bin! Please fill it out accurately and return it as soon as you can. Statistics New Zealand requests return of these forms within two weeks.
- Statistics New Zealand takes its responsibility to maintain the confidentiality of information supplied by respondents seriously. Section 37 of the Statistics Act 1975 requires Statistics New Zealand to treat all information received with the strictest confidentiality. No individual information may be released and only aggregate statistics that meet strict guidelines may be published. Furthermore, Statistics New Zealand has advised that although it receives information from IRD via a list of new/re-registrations each month (in order to facilitate the process of populating its business database) there is no information-sharing in the opposite direction, that is from Statistics New Zealand to the Inland Revenue Department.

### DFA and DINZ Survey

- With input from a working group of DFA Branch Chairmen we are developing our own Survey which will be circulated with the July Issue of Deer Industry News. Please complete this accurately and return it to help us start to build our own database of deer numbers to use for information and planning purposes.

### Volunteer

- We are looking for approximately 100 deer farmers to help us with a more focused and in-depth survey regarding deer numbers and production intentions. We will need a range of farmers, breeders, finishers and velvetters, large and small and from all around the country.

We expect to contact this group annually by phone so if you are willing to volunteer to help us with this, please email [deer.survey@deernz.org](mailto:deer.survey@deernz.org) or free-fax 0800 329 442 with your name, address, phone number, region and approximate deer numbers.

Here's what else Deer Industry New Zealand is doing to improve the industry database and our information and forecasting systems:

- Rebuilding our database to make it easier for Branches to access and update information
- Advertising in rural publications to try to ensure we have contact details for all farmers with deer
- Regularly requesting updated contact information from all people on the database. If you are receiving multiple copies of publications, or if your contact details have changed, please contact Janice Attrill on (04) 471 6114, fax (04) 472 5549 or email [janice.attrill@deernz.org](mailto:janice.attrill@deernz.org).
- Working with the Meat and Wool Economic Service to regularly update the deer herd and production forecasting model
- Working with MAF, Statistics New Zealand and other agricultural organisations on a long term strategy for improving the quality of New Zealand's agricultural statistics.

This information is important for the industry and every farmer can make a difference by assisting in this way.

### New Director

Stuart Nattrass has joined the Deer Industry New Zealand Board. He holds one of two venison seats where elections are held among venison processor/exporters on a capped weight basis.

### Are you on the mailing list?

Every farmer in New Zealand who runs deer is entitled to receive the latest venison and velvet market information, research and other resources from Deer Industry New Zealand. They are also able to vote and have their say on issues affecting their business.

If you are not already on the list, or know someone who should be, you can register on-line at [www.deernz.org](http://www.deernz.org), telephone (04) 473 4500, fax (04) 472 5549 or email [info@deernz.org](mailto:info@deernz.org).



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