

DEER INDUSTRY NEW ZEALAND CONSULTATION DOCUMENT OCTOBER 2004

This is your chance to have a say about Deer Industry New Zealand's future and activities for the next 5 years. Please review this document, attend a shed meeting and complete and return the Poll document when you receive it in early November.

DESPITE EXTREMELY DIFFICULT MARKET CONDITIONS,
DEER INDUSTRY NEW ZEALAND HAS DELIVERED SIGNIFICANT
MEASURABLE VALUE TO OUR INDUSTRY ACROSS A WIDE
RANGE OF SUBJECTS DEMONSTRATING LEADERSHIP, INITIATIVE
AND ACTIVITY DEMANDED IN SUCH CIRCUMSTANCES.

I URGE ALL INDUSTRY PARTICIPANTS TO READ THIS DOCUMENT
CAREFULLY AND JUDGE FOR YOURSELVES THE VITAL ROLE
PLAYED BY YOUR BOARD AND THE IMPORTANCE OF A UNITED
INDUSTRY MOVING FORWARD TOGETHER.

— CLIVE JERMY, CHAIRMAN.



DEER INDUSTRY
NEW ZEALAND

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INTRODUCTION

In line with the commitment made in 1999, Deer Industry New Zealand is voluntarily consulting with the deer industry to determine whether the industry wishes to retain Deer Industry New Zealand as an industry-good organisation and, if so, for what roles and functions.

In 1999, despite Producer Board deregulation having stalled with other Boards, the Game Industry Board believed that the deer industry, not the government of the day should decide the future role of the GIB and embarked on a comprehensive consultation process.

This consultation and review process was an important turning point for the Board and was more than timely after 15 years of operation. Most importantly, however, the outcomes healed a major rift in the industry and brought together, for the first time, all parts of the industry behind an agreed approach under the 3 Partners:
1 Vision Strategy.

The Board kept its status under Regulations rather than move to an alternative structure and agreed to consult with the deer industry every five years.

KEY OUTCOMES OF THE 1999 POLL INCLUDED:

- Retaining the GIB as an industry-good organisation in an ‘assisting’ role – facilitating and co-ordinating.
- Changing the GIB to a 50:50 Board with equal representation of producers and processing/marketing companies.
- Changing the venison levy to one paid equally by venison producers and venison processing/marketing companies.
- Moving Cervena to a stand alone structure through funding for a 2 year transitional period.
- Confirming and in some cases re-shaping the GIB’s activities in the areas of industry representation, strategy facilitation, communication, market access, QA and venison and velvet promotion and research.

ACCORDINGLY, WE ARE NOW EMBARKING ON A PROCESS OF INDUSTRY-WIDE CONSULTATION TO DETERMINE:

- Whether the deer industry wishes to retain Deer Industry New Zealand as an industry-good organisation.
- Whether Deer Industry New Zealand’s industry-wide focus remains relevant and appropriate.
- What roles and activities the industry requires Deer Industry New Zealand to undertake.
- How producer representatives come to the Deer Industry New Zealand Board.

Please take the time to review this document carefully, come to a shed meeting (see details on the back cover of this document) and please ensure you have your say – complete and return a Poll Document when you receive it early in November.

For more information on any aspect of this consultation process, please contact CEO MJ Loza at the Deer Industry New Zealand office on (04) 471 6112 or mj.loza@deernz.org.

1999 POLL RESULTS

Results of the 1999 Industry Poll are summarised below. Approximately 1,800 farmers, representing over 1 million deer responded to the Poll. Venison and velvet processors/marketers were also polled.

ISSUE	PRODUCERS	PROCESSOR/MARKETERS
Support to maintain an industry-good organisation specific to the deer industry to assist the development of the deer industry and working with all sectors of the industry.	92-96%	90-93%
Support for a 50:50 Board with equal representation of producers and processor/exporters.	92%	94%
Support for the GIB to undertake activities in the areas of strategy facilitation, information collection, industry communication and market access.	90-96%	83-94%
Support for the GIB to assist with velvet promotion.	80%	72%
Support for the GIB to assist with venison promotion.	82%	74%
Support for the GIB to undertake research to assist the industry's development.	85%	81%
Support for the GIB to assist with the co-ordination of QA programmes.	83%	73%
Support for the GIB to move Cervena to a stand alone structure by providing two years transitional funding.	68%	78%

Note: Ranges are given where results from more than one specific question are grouped together.

THE CONSULTATION COMMITTEE

As with the consultation process in 1999, all deer industry stakeholder groups have participated on a committee overseeing the current consultative process. Members of the Consultation Committee represent: Deer Industry New Zealand, Deer Farmers' Association, Deer Industry Association, Velvet Processors' Association and Deer Farmer Levy Payers' Society.

HOW DO WE MEASURE DINZ'S PERFORMANCE?

There is no doubt that the deer industry has been through three exceptionally difficult seasons and that current conditions remain very serious. However, the reasons for current conditions must be kept in mind:

FOR VENISON:

- BSE and Foot and Mouth Disease in Europe led to market speculation on all 'alternative' proteins including venison, in turn resulting in unsustainably high prices. This caused considerable losses when beef consumption returned quicker than speculators anticipated, compounded by very low imported beef prices.
- The very poor state of European economies and the German economy in particular with high unemployment, negative or very low economic growth and significant reductions in restaurant dining.
- Global economic uncertainty caused by factors such as: US economic slowdown, 9/11, terrorism and resulting conflicts.
- Significant increases in production and the volatility of production from year to year.

FOR VELVET:

- Increasing global production.
- The strong NZ dollar, which has appreciated 25% against the USD over the last 4 years (51 cents on 1/10/00, 64 on 06/09/04).
- The soft Korean economy, with very low economic growth, financial market instability and very weak consumer spending.
- Chronic Wasting Disease in North America.
- The economic slowdown, reduction in consumption and overhang of product caused by SARS.

WHILE DINZ'S ROLE IS TO PROMOTE AND ASSIST WITH THE ORDERLY DEVELOPMENT OF THE DEER INDUSTRY, DINZ CAN NOT BE HELD ACCOUNTABLE FOR THE IMPACT OF THESE FACTORS – FACTORS OUTSIDE ANYONE'S CONTROL – ON THE DEER INDUSTRY.

When making a judgement about the performance of DINZ over the last 5 years and when making a decision about whether to retain DINZ as an industry-good organisation for the next 5 years, the Levy Remandating Committee asks you to consider

the following factors:

- DINZ continues to do everything possible to assist the industry to improve returns to levels where all sectors can be sustainably profitable.
- DINZ does not trade and has had a mandate from the 1999 consultation to operate only in industry-good areas.
- DINZ can not act in commercial matters and is not responsible for market conditions or industry returns.
- DINZ's role is to assist commercial operators and all sectors.
- DINZ has delivered significant industry-good value to the industry. Some of this value comes directly out of Deer Industry New Zealand's activities (eg improving access) and much comes out of Deer Industry New Zealand's co-ordinating role (eg leveraging joint promotion and facilitating a common approach under activities like Summer-Campaign).
- DINZ's activity level has never been higher.

REVIEW OF ACHIEVEMENTS 1999 - 2004

INDUSTRY STRATEGY

- 1999/00** Implemented reforms arising from the 1999 consultation.
Industry unity achieved for the first time through 3 Partners: 1 Vision approach.
- 2003/04** **Venison and velvet strategies** developed 2005-2010 – including specific measurable goals for the first time.
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VENISON

- 1999/00** **Venison levy reduced** from 19 cents to 10 cents. Transitional funding provided to Cervena. Limited German promotional campaign under New Zealand Venison banner with all companies participating for the first time.
- 2000/01** **Joint Promotion leveraging \$1.70 for every \$1** of levy funds. Spring Fit promotion under New Zealand Venison banner – outside the game trade and game season, but still at food-service.
- 2001/02** First year of full funding for the New Zealand Venison promotional campaign in Europe after transitional funding for Cervena ended. Joint Promotion leveraging **\$2.32 for every \$1** of levy funds. 2nd year of Spring Fit promotion for New Zealand Venison in Germany. Increasing retail activity. Consumer recipe brochures produced and a wide range of supporting point of sales materials. First **mobile kitchen** built for trade show and in-store retail demonstrations.
- 2002/03** Joint Promotion leveraging approximately **\$3.00 for every \$1** of levy funds. **Retail is clear focus** of venison promotion in Germany. **Additional chefs and butchers** contracted to assist G Brown.
- 2003/04** **Summer Campaign** in Germany – the biggest ever summer promotion of New Zealand Venison. **Supermarket tasting tour** implemented. Joint Promotion leverages **\$2.89 for every \$1** of levy funds.
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MARKET ACCESS

- 2002/03** **30% reduction** in the Special Excise Tax on Velvet.
- 2003/04** **Year-round venison access to France** achieved. Achieved **sliced access to Korea**. Further **30% reduction** in the Special Excise Tax into Korea.
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BIOSECURITY/WELFARE

- 2003/04** Negotiated a new funding agreement between sectors to fund the AHB's TB NPMS – **\$7m in savings** over the next 5 years. Promoted the industry's **CWD surveillance** and sampling system – deer are the first industry in NZ to meet the required level of field surveillance required by the OIE to support TSE claims. **Code of Welfare for Deer Farming** presented to NAWAC.
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RESEARCH (NON-VELVET)

- 2001/02** DEEResearch Joint Venture between DFA, GIB and AgResearch launched, co-ordinating research across providers and providing input from all sectors into research priorities. DEEResearch leverages approximately **\$1.3 million of government FRST** funding via AgResearch each year.
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RESEARCH (VELVET)

- 2001/02** Independent review of the VARNZ research programme shows the industry's investment to date had yielded an estimated **\$2.12 dollars of benefit for every \$1** of levy funds invested. VARNZ successful in securing significant FRST funding (\$1.8m p.a. for 4 years) for an advanced velvet research programme to investigate and develop velvet's use to assist wound healing and to take that programme to the point where it can be successfully commercialised.
- 2003/04** **2 velvet patents confirmed.** Co-hosting, with AgResearch, the successful 2nd International Antler Science and Product Technology Symposium. Major research programme completed supporting the establishment of maximum residue levels for velvet removal anaesthetic and analgesic products in velvet – allowing **continued use of xylazine and lignocaine within a 5 year plan** to address velvet removal issues.
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ORGANISATIONAL

- 1999/00** 1999 reforms implemented and staff and overheads reduced.
- 2001/02** Beginning of closer working relationships with other agricultural organisations – co-operation in areas including the Kyoto Protocol and the Royal Commission on GM.
- 2002/03** Deer Industry New Zealand commences operations 1 October 2002, including the provision of Executive services to DFA through the GIB's office staff as well as through newly created Producer Manager position. Providing **improved service delivery** as well as **significant savings annually**. Increasing co-operation with other agricultural organisations on a range of issues: lobbying against the government's proposed Agricultural Emissions Research levy, Biosecurity Strategy, Labour and Skills in Agriculture, Trade Liberalisation, Environmental Sustainability etc.
- 2003/04** Co-location with Meat & Wool NZ and the Meat Industry Association and sharing resources and facilities to reduce overheads, improve efficiencies and improve co-operation.
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Overall, the objective of the Venison Industry Strategic Intent is to improve venison returns from current low levels, and then maintain returns, through managing supply and demand, at levels at which all sectors are sustainably profitable.

TO ACHIEVE THIS, THE INDUSTRY'S MOST IMPORTANT OBJECTIVES HAVE BEEN, AND MUST CONTINUE TO BE TO:

- Build new demand in new and existing markets outside traditional channels.
- Increase consumer demand for venison outside the game season.
- Manage herd growth and supply in line with market needs.

1. DIVERSIFICATION – REDUCING RELIANCE ON TRADITIONAL CHANNELS

Build new demand for 3,000 tonnes of venison outside traditional game channels:

GERMAN RETAIL	additional 1,000 tonnes (Today: estimated to be less than 3,000 t).
USA & CANADA	additional 500 tonnes (Today: approx. 1,100 t).
FRANCE	additional 500 tonnes (Today: approx. 1,250 t).
BENELUX	additional 250 tonnes (Today: approx. 2,100 t).
UK	additional 250 tonnes (Today: approx. 400 t).
OTHER EUROPE	additional 250 tonnes (Today: approx. 4,400 t).
NZ AND AUSTRALIA	additional 250 tonnes (Today: estimated at approx. 500 t).

2. EXTENDING THE PERIOD OF CONSUMPTION

It is proposed that the industry aligns production and demand through both extending the period of consumption as well as assisting production to become available earlier.

The objective is that chilled exports from April to July are to be >1,000 tonnes (Today: <2% of annual exports each year between 1999 and 2003).

3. TIMING OF PRODUCTION

Availability of cost-effective production technologies, systems and know-how to enable natural venison production (methods acceptable to the market) to produce heavier animals earlier to assist aligning supply in line with peak consumption periods.

4. BRANDING AND DIFFERENTIATION

75% of venison exports marketed through channels where the end consumer receives clear NZ country of origin branding (Today: estimated at roughly 25% of exports in 2004).

6 key objectives that lead to a sustainable NZ velvet industry:

1. NEW CHANNELS AND NZ VELVET PRODUCTS IN SOUTH KOREA.

Gain good access to the Korean market for finished product, e.g. sliced velvet, tonics and other further processed product.

Be able to distribute in the same channels as local Korean velvet. Have lower border costs through removal of the SET. Assist companies selling NZ velvet through joint and generic promotion.

2. NEW SALES OF NZ VELVET IN TAIWAN.

Gain good access for NZ frozen velvet to Taiwan. Assist companies selling NZ velvet through joint and generic promotion.

3. NEW SALES OF NZ VELVET IN CHINA.

Have good access to China for traditional (whole piece, sliced) and non-traditional (tonics, capsules, sprays etc). Assist development of distribution arrangements (e.g., single brand, range of distributors. Assist companies selling NZ velvet through joint and generic promotion.

4. WOUND HEALING PRODUCT DERIVED FROM NZ VELVET.

Revenue from a wound healing product with benefits flowing back to the NZ deer industry (e.g. royalties and/or product sales).

5. ATHLETIC PERFORMANCE PRODUCTS.

Industry sales from athletic performance products with benefits flowing back to the NZ deer industry.

6. NEW PRODUCT DEVELOPMENT OPPORTUNITIES.

Have a pipeline of new velvet product development opportunities flowing from research (e.g., cartilage growth, anti-aging benefits, blood health).

OTHER 'NON NEGOTIABLES'

The NZ velvet industry must meet its welfare obligations and prove it is.

The products the NZ velvet industry sells must be fit for intended purpose, and shown to be so. E.g. Industry Agreed Minimum Standards and Velvet Activity Index™.

Existing market access must be maintained (e.g. NZ/AUS harmonisation and USA regulations).

QUESTION 1.

SHOULD THE INDUSTRY RETAIN DEER INDUSTRY NEW ZEALAND AS AN INDUSTRY-GOOD ORGANISATION FOR THE NEXT 5 YEARS?

BACKGROUND

This paper considers the concept of industry-good broadly. Activities are industry-good if:

- they benefit the industry overall and are not for the benefit of one sector at the expense of another;
- they result in benefits which can not be captured by a single participant or group of participants; and
- because the benefits can not be captured and because people (including competitors) may benefit who have not made the investment, the activities are not funded commercially to the level needed, if at all.

As well as areas of industry-good, DINZ may act in other areas where there is agreement and co-operation of all sectors – for example to facilitate or co-ordinate activity which otherwise would be duplicated among industry participants.

RECOMMENDATION

That the deer industry retains DINZ as an industry-good organisation to work for the benefit of the deer industry for the next 5 years. Deer Industry New Zealand will:

- co-ordinate and co-operate with other industry good organisations to the greatest extent possible while maintaining its independence; and
- consult with the deer industry again before the end of 2009 about whether to retain or reshape DINZ and, if so, for what range of activities.

OTHER OPTIONS

WIND UP DINZ

- Arrangements could be made to disestablish DINZ.
- This is not a recommended option. This would see the loss of an efficient resource which is clearly delivering value to the industry. It is likely that in the absence of DINZ, sectoral organisations would attempt to take up some or all of the activities currently undertaken collectively by DINZ reducing any potential cost savings. Some activities currently co-ordinated by DINZ with the buy-in and support of all sectors would not be possible (or would not be as successful) if carried out by sectors separately.

COMMERCIAL

- DINZ could seek powers to act commercially.
- This is not a recommended option. This would put DINZ in a competitive position with industry stakeholders and levy-payers. There would unlikely be governmental support for the collection of an industry levy for commercial purposes.

WIDER AGRICULTURAL BOARD

- The industry could seek to have the activities of DINZ undertaken by an existing organisation or could seek to work with all other agricultural organisations to form a pan-industry pastoral Board.
- This is not a recommended option. Given existing co-location and sharing of costs and resources, benefits from this approach may be minimal, while there is significant downside – the loss of a separate and independent body promoting the interests of the deer industry. DINZ intends to work closely with all agricultural organisations (including through the Primary Industry Council) to identify and exploit other opportunities to collaborate for improved efficiencies and effectiveness.

QUESTION 2.

SHOULD DEER INDUSTRY NEW ZEALAND RETAIN AN INDUSTRY-WIDE APPROACH?

RECOMMENDATION

That DINZ retains an industry-wide approach, representing the interests of all sectors of the deer industry.

This provides a unified, co-ordinated and efficient representative voice for the deer industry while still ensuring sectors have independent representation as necessary.

OTHER OPTIONS

PRODUCER BOARD

This is not a recommended option as :

- it could return the industry to a state of conflict between sectors and negatively impact integration and co-operation between sectors;
- it would mean additional costs for the industry and a duplication of effort and resources as sectors would work separately and in isolation from each other; and
- it would reduce the benefit or viability of many industry good activities. Many of the activities undertaken for industry benefit require the co-operation of all sectors for maximum benefit. For example:
 - A) the industry's voice stands a much better chance of being heard and taken seriously if it is united. Separate sectors are not likely to have the same degree of success representing sectoral interests alone.
 - B) the value of promotional activities would be significantly reduced if processors/exporters and their in-market partners were not closely involved. It would be unlikely that the same level of joint promotional leverage could be achieved either (companies currently contribute approximately \$3 for every \$1 of levy funds for joint promotions). This would see a lower level of promotion in the market, or would require significantly increased levy funding to implement a comparable programme.
 - C) research programmes, even those on-farm, benefit from processor/exporter input in terms of ensuring market needs are considered and addressed.

QUESTION 3

WHAT SHOULD THE ROLE AND FUNCTIONS OF DEER INDUSTRY NEW ZEALAND BE FOR THE NEXT 5 YEARS?

RECOMMENDATION

That Deer Industry New Zealand continues to undertake activities for the benefit of the deer industry in the following areas:

- Industry Representation
- Communication and Producer Liaison
- Venison Promotion
- Velvet Promotion
- On-Farm Research
- Processing Research
- Velvet Research
- Assurance Programmes

In the Poll Document you will be asked to vote on whether you support an ongoing role for Deer Industry New Zealand in each of these individual areas of activity.

QUESTION 3A | INDUSTRY REPRESENTATION

BUDGET PROPOSED FOR 2004/05

\$0.95 MILLION

15% OF TOTAL BUDGETED EXPENDITURE

Industry representation activities include working with other agricultural organisations, NZ and offshore government agencies and officials to promote the deer industry's interests on a range of issues including:

- Specific Market Access Issues: e.g. recent successes with year-round access for venison into France, sliced access for velvet into Korea, reductions in the Special Excise Tax for velvet into Korea.
- Trade Liberalisation – including representing deer industry interests to New Zealand's Ministry of Foreign Affairs and Trade to maximise the potential benefits arising out of the Doha trade round.
- Biosecurity: including CWD surveillance, TB NPMS issues, Varroa Bee Mite, Biosecurity Strategy, Animal ID and traceability, Exotic Disease Surveillance and Response plans.

- Working with industry stakeholders and relevant experts to establish an industry position and promote industry interests on a wide range of other issues including: Kyoto Protocol, Royal Commission on Genetic Modification (and Cartagena Protocol), Bio-terrorism regulations, Employment law reforms, Changes in the HSNO Act, changes to the rules governing the dispensing of Prescription Animal Remedies.

Primarily the costs associated with these activities involve Executive time and associated administration overheads. If the industry decides to retain DINZ but to reduce the range of activities undertaken by DINZ for the deer industry, there would be some small savings in these costs, but in general they are fixed costs associated with maintaining an independent organisation. If the options of moving to a wider agricultural Board or becoming integrated within an existing organisation were progressed, there would be some savings to these costs but a significant portion of these costs would be 'transferred' to the new, bigger organisation.

QUESTION 3B | COMMUNICATION AND PRODUCER LIAISON

BUDGET PROPOSED FOR 2004/05

\$0.59 MILLION

9% OF TOTAL BUDGETED EXPENDITURE

COMMUNICATION ACTIVITIES INCLUDE:

- The publication and distribution to all levy payers of the Deer Industry News magazine (incorporating the DFA's Stagline) and Market Report and Deer Notes updates.
- Costs associated with the Formal General Meeting and publication and dissemination of Proceedings to all known deer farmers and publication of the Annual Report.
- Travel and costs associated with DINZ attendance at industry meetings.

The budget for addressing Producer issues, the Producer Manager's salary and travel and accommodation costs and salary allocation from other staff members for Producer issues is also included in this area of activity.

QUESTION 3C | VENISON PROMOTION

BUDGET PROPOSED FOR 2004/05

\$2.4 MILLION

38% OF TOTAL BUDGETED EXPENDITURE

62% OF THE VENISON LEVY

VENISON PROMOTION ACTIVITIES INCLUDE:

- Promotion of key generic promotional messages regarding New Zealand Venison: Year-Round, Healthy, Modern, Convenient.
- Assisting diversification into new markets and channels: especially retail markets in Europe.
- Joint Promotion activities in a number of export markets and in NZ. Exporters and their in-market partners currently contribute approximately \$3 for every \$1 of levy funding for joint promotional projects.

- Generic Promotion activities including:
 - co-ordinated and integrated campaigns including the Supermarket Tasting Tour and the Summer Campaign;
 - provision of chef and butcher experts to assist with promotion: G Brown, G Christie, H Brown and a number of contracted European and US chefs;
 - retailer, cash and carry, butcher, chef and sales-force demonstrations;
 - in-store sampling and demonstrations;
 - chef and consumer promotional materials;
 - point of sale materials and recipe leaflets; and
 - venison cutting, handling and cooking classes for trainee NZ chefs.

For more information see the summary of the Venison Industry Strategic Intent on page 7 – a full copy is available by contacting the DINZ office – ph (04) 473 4500, email info@deernz.org.

QUESTION 3D | VELVET PROMOTION

BUDGET PROPOSED FOR 2004/05

\$0.6 MILLION

10% OF TOTAL BUDGETED EXPENDITURE

32% OF THE VELVET LEVY

VELVET PROMOTION ACTIVITIES INCLUDE:

- Facilitating the Velvet Quality Trust's administration of industry agreed quality standards.
- Supporting the promotion of velvet's use to assist athletic performance.
- Production of generic promotional materials in key markets including Korea, China, Taiwan etc.

- Joint Promotion – supporting company activities to promote NZ velvet and create new market demand. Also joint promotion to assist market development for co-products.

For more information see the summary of the Velvet Industry Strategic Intent on page 8 – a full copy available by contacting the DINZ office – ph (04) 473 4500, email info@deernz.org.

QUESTION 3E | VELVET RESEARCH

BUDGET PROPOSED FOR 2004/05

\$0.55 MILLION

9% OF TOTAL BUDGETED EXPENDITURE

30% OF THE VELVET LEVY

VELVET RESEARCH UNDERTAKEN BY VARNZ INCLUDES:

- Research to show velvet's health benefits – such as velvet's use to assist athletic performance and the patented activity of a specific velvet extract for wound healing.
- Research to measure the quality/efficacy of velvet products. These tools are used to standardise product quality and compare the quality of different products for different purposes.
- Research to provide information to enable the industry to argue against unfair trade barriers – e.g. Korean ash regulations, research to provide a test to identify illegal reindeer antler.
- Research to support marketing messages and address market issues – e.g. research showing New Zealand velvet's quality compared with Chinese and Russian velvet and showing the inferior quality of reindeer antler.

- Velvet removal research (food safety) including the research required to ensure continuing access to current velvet removal drugs while also ensuring fallback options are available should they be needed.
- Velvet removal research (animal welfare) including research to assess and continually improve velvet removal techniques to address animal welfare needs and to support the ongoing ability of the industry to remove velvet.

The VARNZ programme leverages approximately \$1.8 m of additional funding each year for velvet research from FRST via AgResearch.

An independent review of the VARNZ velvet research programme in 2002 conservatively estimated the industry benefit of the programme at \$2.12 for every \$1 of levy funds invested.

QUESTION 3F | ON-FARM RESEARCH

BUDGET PROPOSED FOR 2004/05

\$0.64 MILLION

10% OF TOTAL BUDGETED EXPENDITURE

- On-Farm research undertaken by DEEResearch includes research to:
 - address animal health issues of importance to the deer industry – e.g. Johne's Disease and TB;
 - improve productivity;
 - address needs relating to environmental sustainability; and
 - support the development of research capability in areas relevant to deer.
 - The DEEResearch website (www.DEEResearch.org.nz) enables all industry stakeholders to access research reports and updates of current research projects.
 - DINZ and DFA each have a 25% shareholding in DEEResearch. As part of the industry restructuring in 2002, DINZ funds the DFA's required minimum annual contribution to DEEResearch.
- The DEEResearch programme leverages approximately \$1.3 million of additional funding each year for deer research from FRST via AgResearch.

QUESTION 3G | PROCESSING RESEARCH

BUDGET PROPOSED FOR 2004/05

\$0.015 MILLION

0.2% OF TOTAL BUDGETED EXPENDITURE

- Processing research activities undertaken by DEEResearch includes research to:
 - assist processors investigate and address potential food safety issues and other issues which may be used as potential trade barriers; and
 - assist with improved product quality.
 - Given commercial sensitivity and different company priorities, research relating to processing is only undertaken where there is an agreed need for generic work/information.
- The DEEResearch Board includes a representative from the venison processing/exporting sector to ensure expert input into processor/exporter priorities and also, very importantly, to provide a market perspective on other areas of research.

QUESTION 3H | ASSURANCE SYSTEMS

(A) OTHER ASSURANCES PROGRAMMES

BUDGET PROPOSED FOR 2004/05

\$0.25 MILLION

4% OF TOTAL BUDGETED EXPENDITURE

ACTIVITIES INCLUDE:

- Incentive payments relating to the submission of samples to support New Zealand's CWD-free status.
- Provision of assistance to venison and velvet processor/exporters with a range of MAF and other technical issues.
- On-Farm Technical Committee: travel, accommodation and meeting costs. One role of this committee is to co-ordinate a 'base-level' on-farm QA programme which participating companies are able to use as a foundation for their own commercial programmes – to which company specific requirements are added. This committee also provides an important point of liaison with agencies such as DoC, MAF and NZFSA for on-farm issues (ASD forms, Biosecurity etc).
- Costs associated with the public consultation process relating to the Code of Welfare for deer farming.
- Transport QA Programme: this programme operates with a minimum of cost aside from Executive time. Training programmes are provided (on a user-pays basis) to ensure

drivers are able to meet welfare needs of deer during transport. The Executive assists transport companies with truck and crate design. This programme provides an important link in the supply chain between On-Farm and Processors' programmes.

- Venison Processors Technical Committee: travel, accommodation and meeting costs. This committee provides an important liaison point between venison processor/exporters and MAF/NZFSA on market access requirements and processing standards and associated issues.
- Audits of Industry Agreed Standards: relevant for audits of venison levy payments.

Note that if the industry indicates that Deer Industry New Zealand should not have a role in the co-ordination/facilitation of QA programmes, some of these activities may still be needed.

– e.g. technical liaison groups of farmers and processors may still be needed to assist Deer Industry New Zealand fulfil its role most effectively and input into codes of welfare is still required.

(B) WELFARE ASSURANCE SYSTEMS – VELVET REMOVAL

BUDGET PROPOSED FOR 2004/05	\$0.27 MILLION (NET OF NVSB MEMBERSHIP FEE INCOME) 4% OF TOTAL BUDGETED EXPENDITURE 14% OF THE VELVET LEVY
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Ensuring the industry has a comprehensive and robust programme in place to ensure animal welfare requirements are met is critical to both the velvet industry as well as to the venison industry.

ACTIVITIES INCLUDE:

- NVSB Members' honoraria and travel and accommodation costs associated with NVSB meetings.
- Administration of the NVSB programme including velvet ID tags and sleeves, NVSB contracts and manuals.
- Operation of the NVSB programme including annual audits.

Approximately 54% of the costs associated with the NVSB velvet removal programme are recovered through a user-pays annual charge for accredited farmers. This reflects the mix of individual benefits (ability to remove and sell velvet) and industry benefits (providing a robust system of welfare assurances for the protection of all sectors of the deer industry). There are additional costs associated with participation in the NVSB programme which are borne entirely by farmer participants.

SUMMARY OF FUNDING 04/05	% OF TOTAL EXPENDITURE	% OF VENISON LEVY	% OF VELVET LEVY
Industry Representation & Overheads	15%		
Communication & Producer Liaison	9%		
Venison Promotion	38%	62%	
Velvet Promotion	10%		32%
Velvet Research	9%		30%
On-Farm Research	10%	16%	
Processing Research	0.2%	0.4%	
Welfare Assurance (Velvet Removal)	4%		14%
Other Assurance Programmes	4%		

Note: Total Expenditure column does not equal 100% due to rounding

QUESTION 4

HOW SHOULD PRODUCER REPRESENTATIVES COME TO THE DEER INDUSTRY NEW ZEALAND BOARD? DFA SELECTION AND APPOINTMENTS PANEL? OR DIRECT ELECTIONS USING WEIGHTED VOTING?

BACKGROUND

- In the 1999 reform consultation, producers were asked if they preferred a system of direct elections or the current Selection and Appointments Panel (SAP) system to appoint/elect Board Members to Deer Industry New Zealand.
- 59% of those that voted preferred direct elections.
- A majority preferred some sort of weighted voting system to a system of equal votes (though equal voting was the highest individual preference, the three weighted options had more support between them than equal votes).
- The Reform Action Group developed a recommendation involving direct producer elections with producers having one vote per 1,000 deer (or part thereof), uncapped and the GIB considered and endorsed this recommendation at the time.
- A subsequent poll conducted by the DFA gave the opposite result to the Industry Poll.
- The issue of appointment election/appointment system and voting structures was discussed at the DFA AGM in 2000. The DFA AGM voted in favour of equal voting and voted against hearing the remit regarding direct elections.
- Operating under a comprehensive code of practice, the DFA Selection and Appointments Panel has continued to recommend the appointment of Board candidates since 2000.
- MAF has retained the status-quo (Selection and Appointments Panel) in the new DINZ Regulations and asked that this question is included in this Poll to resolve the issue.

OPTIONS

APPOINTMENTS – SELECTION AND APPOINTMENTS PANEL (CURRENTLY IN PLACE)

DESCRIPTION

- All deer farmers (whether DFA Members or not) elect 4 people – 2 from each Island. One position from each Island is open for re-election annually. These elections are conducted on a one-farmer, one-vote basis.
- These 4 elected members join the 4 elected DFA Executive Committee Members (also comprising 2 members from each Island, again with one from each Island up for re-election annually) to form the 8 person Selection and Appointments Panel (SAP).
- Each year nominations are called for DINZ Board Members. The SAP convenes to interview all candidates and the SAP members then undertake a voting process to identify the successful candidate(s).
- *A full copy of the SAP's Operating Code of Practice is available from the DINZ office on request – email info@deernz.org. This document sets out the guidelines under which the SAP operates, including how conflicts of interest are managed.*

ELECTIONS

DESCRIPTION

- All deer farmers would vote for candidates.
- The election would most likely use a form of weighted voting.
- Based on the result of the 1999 poll, the specific proposal for consideration is:
 - all farmers would receive a vote for each 1,000 deer (or part thereof) they farm:
i.e.: up to 1000 deer = 1 vote,
1001 to 2000 deer = 2 votes,
2001 to 3000 deer = 3 votes etc,
 - votes would not be capped.

ADVANTAGES

- Intended to ensure the ‘best people are selected for the job’ rather than the ‘most popular/most well known’.
- Provides a mechanism for detailed scrutiny and assessment of candidates.
- The SAP is able to research, investigate and interview the candidates in detail before making a decision.
- Enables greater consideration of the mix of skills, expertise and experience required for the Board than is possible with elections.
- As the SAP are elected representatives from throughout the country they are answerable to deer farmers from their respective areas, as well as bringing a national cross-section of opinion to the selection process.

DISADVANTAGES

- The SAP places a larger financial burden on the DFA than direct elections would.
- The system is open to claims that the SAP as a group can be influenced, as only eight people determine who the successful candidates are.

ADVANTAGES

- Farmers have a direct say in who the Board Members are.
- To a degree, votes would reflect the level of an individual levy payer’s financial commitment to the industry.
- May raise the profile of (and awareness of) the Board and its role and encourage more political participation.
- Likely to be quicker and less costly to run than the SAP process.

DISADVANTAGES

- Claims that elections are open to ‘capture’ by candidates with money to spend on promotion and campaigning, potentially leaving voters to make a decision based on relatively little real information.
- A high profile candidate may well gain a large share of the vote, over a lesser know rival based on their profile rather than their ability.
- The relatively low voter turnout historically means the decision could be made by a small number of people.
- Relies on farmers to make a declaration regarding the number of deer they farm – potentially open to abuse and difficult and costly to audit.
- Open to claims that very large farms could assert influence on Deer Industry New Zealand Board Members/candidates.

