

## Deer Herd & Production Scenarios

The results of the Deer Industry Annual Survey were released in the last issue of Deer Industry News (available on [www.deernz.org/DIN](http://www.deernz.org/DIN)). Based on the survey information, DINZ has produced a number of possible future herd and production scenarios.

### Reality check

These scenarios are not predictions. They are models of the future based on a limited set of data and assumptions. The scenarios are intended to provide a 'big picture' framework to add to producers' own views of future prospects and industry opportunities.

There are two key variables in the scenarios which make a significant difference to future herd size, sustainable production and actual production:

1. Producer intentions to either retain deer to increase herd size or reduce deer numbers to decrease their exposure to deer; and
2. The percentage of deer which survive to weaning.

Beyond these variables are many factors outside the limits of the scenarios. These will change the way herd numbers and production actually play out. These include:

- In-market prices
- New Zealand dollar value relative to other currencies, particularly the Euro
- Effectiveness of industry strategies
- In-market factors, such as economic performance, consumer trends, competing products
- Stability of the velvet industry
- Competing land uses in New Zealand
- On-farm production costs, such as input costs, environmental factors, animal health issues
- Costs of processing and export, such as input costs – staff, plant and equipment, energy, etc
- Regulatory and biosecurity effectiveness.

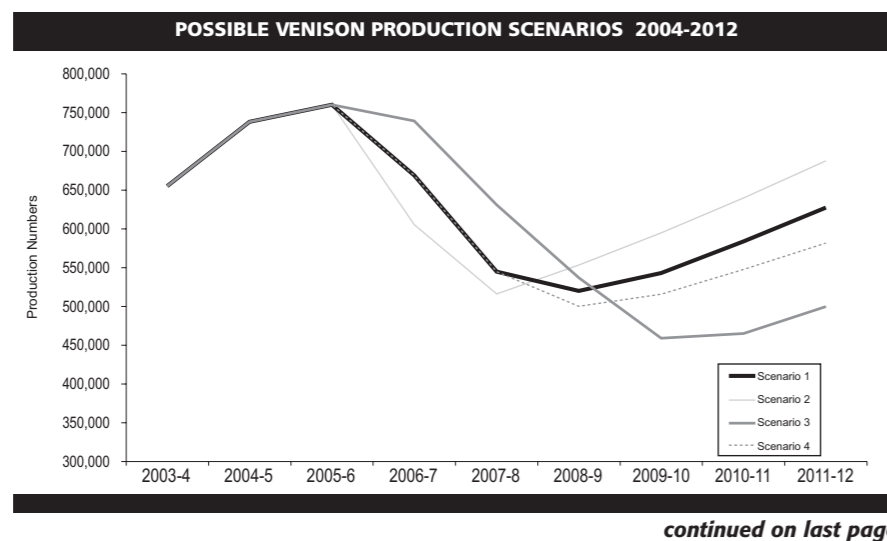
The scenarios are based on a 30 June date, consistent with the Deer Industry Annual Survey and Statistics New Zealand figures. They assume that the Statistics New Zealand total herd population is correct. If this assumption is incorrect, the scenarios change markedly. However, DINZ has no reason to believe that the Statistics New Zealand figure is wrong.

It helps to consider the deer numbers like a census, or balance sheet, as the situation on a given day (30 June), while considering production on a year-ended basis.

### Scenarios

Four reasonably conservative scenarios have been used to model how production could track to 2012 (see back page for details). All four scenarios assume production to year ending June 2006 of 760,000.

For comparison, the four production scenarios are represented graphically below:



*continued on last page*

## New Science Manager for DINZ

DINZ has appointed a new Science Manager.

Dr Lindsay Fung will start on 1 May. His responsibilities will see him overseeing the science aspects of DINZ work, making sure that all bases are covered to ensure good science is translated to commercial type reality.

Lindsay's qualifications deliver a good grounding in applied science. He has a Bachelor of Forestry Science (Hons) and a PhD in tree physiology and genetics from the University of Canterbury. After post-doctorate research at Beijing Forestry University, he was employed at HortResearch as a scientist working on soil conservation trees before moving to Horizons (Manawatu-Wanganui) Regional Council as Team Leader Research. A large part of his role has been coordinating and commissioning research relating to environmental matters and the Resource Management Act. This has given him direct experience

with one of Meat & Wool New Zealand's Monitor Farms. He is not a stranger to deer though - during his student days, he did a stint on a deer farm where he removed velvet among other things.

Welcoming him aboard, DINZ CEO Mark O'Connor says Lindsay's key strengths are his breadth of experience in the previous roles he has filled, a strong understanding of science and science funding together with a personality that, he believes, will see him become a valued part of the deer industry.

Lindsay has a keen and ongoing interest in China. He decided to do his post-doctorate work at Beijing Forestry University and learned Mandarin at the same time. He is a member of the Royal Society of New Zealand and The New Zealand Institute of Forestry.

Lindsay has a wife and a young family and is looking forward to moving to Wellington.

*Deer Herd & Production Scenarios continued.*

### Scenario 1

The continued high production (760,000 to year ending June 2006) means little improvement in the schedule. Production will continue to be higher than the level for Steady State Production<sup>1</sup>. However, production is lower in year end June 2007 due to the decrease in breeding stock. Lower production (despite negative producer sentiment) leads to higher schedule prices, and higher schedule prices lead to some retention of deer. This in turn leads to lower production due to both retention and a lower number of breeding hinds. This scenario assumes a general improvement in survival percentages.

| Scenario 1                     | 2004 | 2005 | 2006P | 2007 <sup>f</sup> | 2008 <sup>f</sup> | 2009 <sup>f</sup> | 2010 <sup>f</sup> | 2011 <sup>f</sup> | 2012 <sup>f</sup> |
|--------------------------------|------|------|-------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Hinds mated (000)              | 877  | 842  | 762   | 738               | 761               | 809               | 859               | 912               | 969               |
| Total Herd Effect <sup>2</sup> |      | -5%  | -16%  | -5%               | 5%                | 10%               | 10%               | 10%               | 10%               |
| Survival to Weaning            |      | 76%  | 76%   | 79%               | 80%               | 81%               | 82%               | 82%               | 82%               |
| Production (000)               | 655  | 738  | 760   | 669               | 545               | 520               | 543               | 584               | 627               |

### Scenario 2

Production to year ending June 2006 is still high at 760,000 but producers are optimistic about industry prospects and begin to retain deer to build herds. This scenario also assumes a general improvement in survival percentages.

| Scenario 2          | 2004 | 2005 | 2006P | 2007 <sup>f</sup> | 2008 <sup>f</sup> | 2009 <sup>f</sup> | 2010 <sup>f</sup> | 2011 <sup>f</sup> | 2012 <sup>f</sup> |
|---------------------|------|------|-------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Hinds mated (000)   | 877  | 842  | 762   | 786               | 834               | 886               | 941               | 1,000             | 1,061             |
| Total Herd Effect   |      | -5%  | -16%  | 5%                | 10%               | 10%               | 10%               | 10%               | 10%               |
| Survival to Weaning |      | 76%  | 76%   | 79%               | 80%               | 81%               | 82%               | 82%               | 82%               |
| Production (000)    | 655  | 738  | 760   | 605               | 516               | 553               | 595               | 640               | 688               |

### Scenario 3

Production to year ending June 2006 is 760,000 and producers are pessimistic about industry prospects. They therefore continue to slaughter at rates higher than Steady State Production. The Total Herd Effect for year ending June 2007 is assumed at the same as year end June 2006. The effect for year end June 2008 is assumed to slightly improve to -10% due to the lower production. A gradual improvement in producer sentiment follows, as production drops and schedule prices rise. This scenario also assumes a general improvement in survival percentages.

| Scenario 3          | 2004 | 2005 | 2006P | 2007 <sup>f</sup> | 2008 <sup>f</sup> | 2009 <sup>f</sup> | 2010 <sup>f</sup> | 2011 <sup>f</sup> | 2012 <sup>f</sup> |
|---------------------|------|------|-------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Hinds mated (000)   | 877  | 842  | 762   | 687               | 644               | 644               | 684               | 726               | 771               |
| Total Herd Effect   |      | -5%  | -16%  | -16%              | -10%              | 0%                | 10%               | 10%               | 10%               |
| Survival to Weaning |      | 76%  | 76%   | 79%               | 80%               | 81%               | 82%               | 82%               | 82%               |
| Production (000)    | 655  | 738  | 760   | 739               | 631               | 537               | 459               | 465               | 500               |

### Scenario 4

Assumptions are as for Scenario 1, except that Scenario 4 assumes survival to weaning percentages remain at 76%.

| Scenario 4          | 2004 | 2005 | 2006P | 2007 <sup>f</sup> | 2008 <sup>f</sup> | 2009 <sup>f</sup> | 2010 <sup>f</sup> | 2011 <sup>f</sup> | 2012 <sup>f</sup> |
|---------------------|------|------|-------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Hinds mated (000)   | 877  | 842  | 762   | 739               | 761               | 809               | 859               | 912               | 969               |
| Total Herd Effect   |      | -5%  | -16%  | -5%               | 5%                | 10%               | 10%               | 10%               | 10%               |
| Survival to Weaning |      | 76%  | 76%   | 76%               | 76%               | 76%               | 76%               | 76%               | 76%               |
| Production (000)    | 655  | 738  | 760   | 669               | 545               | 500               | 516               | 548               | 582               |

<sup>1</sup> Calculated based on the previous year's weaners less an assumed 1% loss (from weaning to sale).  
<sup>2</sup> Difference between culls and replacements (a positive figure means building total herd through retention; negative means reducing herd through culling greater than retention).



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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.



DEER INDUSTRY  
NEW ZEALAND

# MARKET REPORT

March 2006, Issue 83

## >>> FROM THE CHAIRMAN

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**Deer Herd Production Scenarios**

The volume of venison being supplied continues to be the over-riding issue suppressing returns to producers. In this issue of Market Report, DINZ presents some scenarios (see page five and back) of how supply decisions being made by the industry now may affect the industry in the future through to 2012. The clear message is that it is in the industry's best interests to slow production now.

In addition to the scenarios, I make the following points:

- The industry fundamentals are currently positive. For example, following a good game season in Europe, marketers have reported that some venison items were temporarily out of stock at the end of the game season;
- The industry has a good, sound strategy for growth that ALL participants have signed up to. The strategy includes measurable goals and industry is working to achieve those (in addition to their own business goals). This is important and should not be underestimated;
- The dynamics of the industry have been flexible enough to cope with high volumes so that key markets have not been damaged (for example, the German market is currently 39% of total volume versus 47% in 2003);
- The New Zealand industry has exported the most venison it has ever exported; year ending Dec 2005 28,000 tonnes versus 15,000 tonnes in 2003;
- There is a great level of activity and investment in the promotion of New Zealand venison to position it well for the future – both in terms of levy investment and exporters/importers. For example, Cervena activity in the US and a German retail campaign which builds on *Sommerkampagne* (see Venison); and
- One of the key issues for venison returns – an over-valued New Zealand dollar value against the Euro – is moving in the right direction.

There is confidence with our product in the market. With the currency and production anticipated to be heading in the right direction, there is increasing anticipation for the benefits to be reflected in the schedule.

### Velvet

At a strategy session late last year, the DINZ Board agreed that a review of the way that New Zealand sells velvet was timely. Following discussion with the New Zealand Deer Farmers' Association Executive Committee, Velvet Processors' Association, pools and a small number of producers, the DINZ Executive would like to test the water with producers to get a view whether there is an appetite for change or not.

**DINZ is arranging a number of small group meetings around New Zealand to provide DINZ's view and to listen to what producers have to say on how velvet is best sold. If you would like to be a part of one of the meetings, please give Daimien Reynolds a call on 04 471 6112 or email [daimien.reynolds@deernz.org](mailto:daimien.reynolds@deernz.org).**

DINZ has also received a clear message from the Velvet Processors' Association (VPA) that their operations are uneconomic and unless there is a significant change, New Zealand will soon not have velvet processing capacity for the traditional market. The key issue is the 'uneven playing field' that they face in comparison with Korean processors. DINZ is developing a range of initiatives with the VPA to attempt to address the situation.

While the current buying/selling systems have served the industry well in the past as efficient systems, the question remains, have we created wealth for our businesses? No farmer that I have spoken with has answered, 'yes'.

It is important for the velvet industry to look seriously at its future direction now when the market is at a low. The DINZ Board has approved an allocation of funds to determine whether the industry has an appetite for change as mentioned.

**John Scurr, Chairman**



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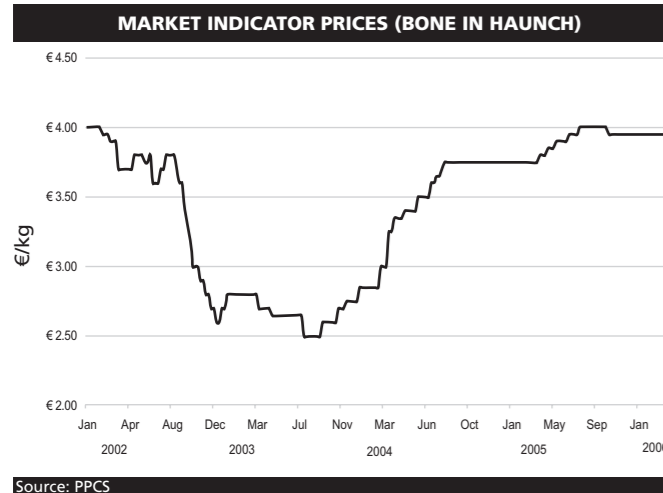
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## MARKET REPORT

### >>>VENISON

Despite the weakened New Zealand dollar, the schedule still reflects a difficult time for New Zealand venison. A game meat hygiene scandal in Germany, could potentially positively impact on the image of New Zealand venison in that market at a time when the 2006/07 promotional campaign is being developed. Promotional activities in the US and New Zealand are getting results.



Source: PPCS

#### Schedule

- In week nine, the average published schedule was \$3.45 - 9% down on the same week in 2005, 12% down on the three-year average (2002 to 2005) and 35% down on the 10-year average.

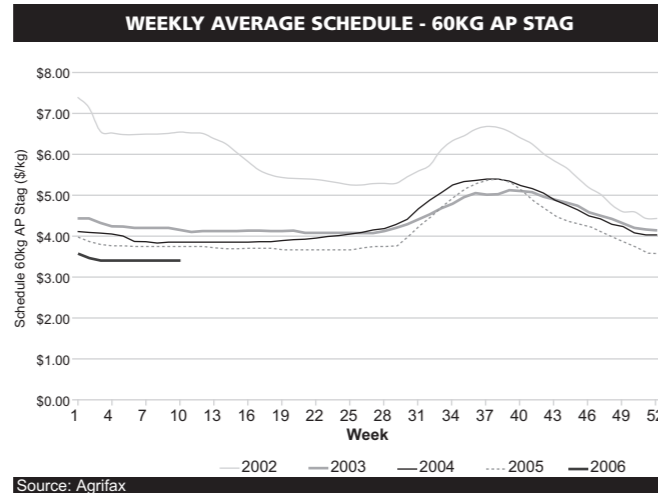
#### German Game Market

- The closure of one of the largest German game processors, Berger Wild, following a damaging report by the German Ministry of Consumer Protection alleging poor hygiene status for the company and faulty manufacturing practises, is causing disruption to the European game market.
- Reports suggest several other processors of wild game products have also been subjected to ministry inspections.
- New Zealand venison has not been implicated in any of the reports. In fact, several media articles have reported people declaring their products are safe because they were from New Zealand.
- In the future, it is likely that game buyers will seek greater assurance of the safety of their game products. DINZ and exporters, along with their importing partners, will continue to stress the quality assurance procedures and veterinary health status of farm-raised New Zealand venison to buyers in Germany and Europe.

#### Promotions Update

##### Germany

- DINZ and Venison Marketing Managers are creating a more tactical promotion campaign for 2006/07. In a move that builds on recent promotions, New Zealand is still aiming to expand sales through the retail sector, but will be linking the advertising to outlets where New Zealand venison is available and encouraging sales.



Source: Agrifax

#### US Ambassador Chefs

- The three new Cervena Ambassador Chefs - one each in New York, Washington and San Francisco - are creating new recipes for Cervena, promoting it through their ongoing media work, and hosting dinners for food writers and editors.
- The first Cervena media dinner took place in New York on March 13. Guests – including editors from *Bon Appétit*, *New York Times* and *National Restaurant News* - received a Cervena presentation and sample dishes prepared by chef Brad Farmerie.
- Positive media coverage is expected from these activities, aimed to re-connect with food-writers after a break of several years.

#### New Zealand

- Press Pack Success* - features appeared in the *Otago Daily Times*, *Southland Times*, *Manawatu Standard*, *Wanganui Chronicle* and *Taste* as a result of press packs sent out to the food writers by DINZ. DINZ is pleased with the response and the access this gives us to the country's food writers for future collaborations.
- Cruisers convinced by Cervena®* - American visitors off a cruise ship docked in Port Chalmers travelled to Middlemarch on the Taieri Gorge Railway and were treated to a real New Zealand experience, including New Zealand venison. Chef Graham Brown oversaw the production of several hundred Cervena venison stir-fry tortilla wraps and explained the qualities of New Zealand venison to the crowd. Surprised and delighted that venison could taste so good, the visitors said they will all be telling their friends back home about the great food from New Zealand.

## MARKET REPORT

### >>>VELVET

Velvet volume is slower. Export volumes of velvet are down slightly and levels of Korean grade velvet going through the pools to date down by 12% on last year. Export value to the end of December 2005 was 27% lower than at the end of 2004, reflecting the still difficult Korean market conditions.

#### Velvet Exports

- Export volume for the 12 months ending December 2005 was 239 tonnes dried equivalent. This is a decline of 3% over the previous 12 months, when the volume of exports was 247 tonnes dried equivalent.
- Export value for the 12 months ending December 2005 was \$21 million, a 27% decline over last year's (\$28 million).

#### Pools

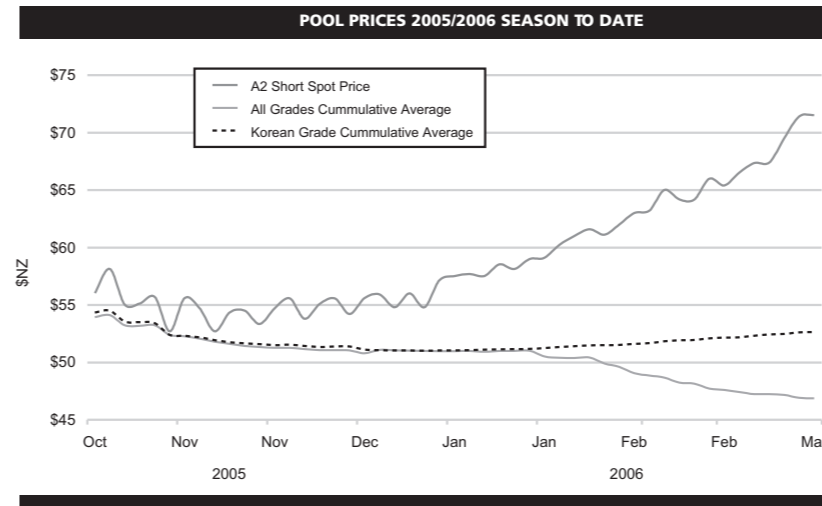
- The weight of Korean grade velvet sold through the pools to date is approximately 12% down on the same time last year.
- Korean grade prices in the latter part of the season have shown a strengthening trend. However, with the lion's share of Korean grade velvet being sold earlier on, the overall effect on the weighted average price is small.
- The overall weighted average price for the season is estimated to be about \$47, compared to last year's \$44.

#### International Markets

- Korean Customs Statistics show that for the November–December 2005 period the overall import of velvet increased by 5% (but declined 15% in value) over the same quarter in 2004. Imports from New Zealand declined 1% in volume and 13% in value. This points towards a slowdown in the general volume of exports from New Zealand, consistent with lower volumes of production in New Zealand this season.
- Import prices of New Zealand velvet are reported to be unchanged from three months ago, when they were at similar levels to the previous season, while import prices from China and Russia, reportedly, have declined by 5%. The drop in the import price for Russian velvet is a reflection of recent concerns by Oriental Medicine Doctors (OMDs) about the authenticity of Russian velvet.
- The price velvet sells to OMDs is reported to have declined 5% due to continued weak demand and consumption of velvet.

#### Wenche Seeks Work

Wenche Hoem, 21, is a Norwegian agriculture student who wants to come to New Zealand to work on a deer farm. She is part of an exchange programme. Wenche was born on a dairy farm, with forestry and dogs and she is, reportedly, very skilled with animals. She has also been working at a store for a while and is used to communicating with people. She is described as having good communications skills, a good sense of humour and being very reliable. She holds a drivers license and a stalkers license. Her English is excellent. If you can offer Wenche work for her stay in New Zealand, please email Johan Trygve Solheim at [johan@svanoy.com](mailto:johan@svanoy.com).



- The return of the Special Excise Tax from 4.9% to 7% has largely been absorbed by the Korean-based traders. The recent and sharp strengthening of the Korea won has given importers stronger purchasing power and margin to absorb the additional cost.
- DINZ facilitated a set of meetings for a Chinese retailer to New Zealand recently. The retailer was sourcing velvet-based consumer-ready products which are planned to become part of a range of deer health products leveraging New Zealand's clean and green image. The retailer was very pleased with the quality of both products and processing in New Zealand.

#### Adventure Race Team Third

Team Discovery Powered by Velvet.org.nz, sponsored by Deer Industry New Zealand, recently came third (in a field of 43 international teams) at the Australian XPD adventure race, held in Tasmania 28 February–3 March. Teams navigated their way through 650+ kms in the disciplines of trekking, mountain biking, kayaking and roping. They raced 24 hours a day, sleeping only when they dared. This success comes on top of a top-ten placing at the World Championship event of the Adventure racing circuit, the Southern Traverse, held in the West Coast of the South Island in November last year.

## MARKET REPORT

### MARKET TALK: 'Green-ecological' Positive for New Zealand Venison

Bruno Piaulet of Euro Wild is a French distributor of game meat products. He talks about the new opportunities offered by the opening up of the French game season.



Bruno created Euro Wild, a specialist game meat company, in 1991. The company sells all kinds of wild and farmed game products, mainly frozen, but also fresh and chilled. A frozen seafood department was added in 2003, to complement the game activity.

"We serve the industry, distribution and home service, as well as catering and the restaurant trade," Bruno explains. "Our total turnover is about 18 million Euro for a volume of about 3,200 tonnes."

Most New Zealand venison products – including haunches, shoulders and more elaborated cuts such as goulash, pavés, and rotis – are imported and sold by Euro Wild.

"I've been in this business for more than 25 years now, and I'm proud to have been one of the first importers of farm-raised deer from New Zealand."

Since the lifting of the seasonal limitations for venison sales, Bruno estimates that his company sells about 10% of its venison products from January through May, with 90% remaining for the September-December traditional game season.

His company is trying to develop with customers, such as the French retail group Picard, some specific products that would be acceptable for summer cooking (such as for the barbecue) in order to generate sales in June-July and August.

An advantage of using New Zealand venison products for Bruno is that his company can rely on its stable quality, with responsible farmers and processors.

The task now is to develop new products to answer customers' demands. "The mild taste of the venison meat is an important factor to conquer new customers, especially the younger ones that are not used to game meats but are health-minded. The 'green-ecological' image of New Zealand could also be a factor to help boost sales of New Zealand venison products," he says.

Looking ahead to the coming season, Bruno thinks that the traditional French autumn market will be stable in the coming years; however, he believes that Euro Wild should be able to develop the venison market for the remainder of this year for winter and spring on one hand, and for summer on the other.

## Deer Industry Conference 2006 Update

The 2006 Industry Conference Day is 24 May at Christchurch's Cophorne Commodore Hotel, Memorial Avenue.

A shorter, no frills version has been chosen this year, partly in recognition of industry finances for all sectors and partly as a response to those who may have already attended the World Deer farming congress IV in Melbourne on 20-22 April ([www.diaa.org](http://www.diaa.org)) and can't support two full events.

#### • 9.00am-12.30pm - DINZ Formal General Meeting

Intended to be as interactive as possible with less emphasis on formal executive reports and more emphasis on market place feedback. It will include an open dialogue and question and answer with the Board and CEO and is the traditional opportunity to take the time to question the Board on your issues and concerns. As in the past, it is open to full and frank discussion over all topics.

#### • 1.30pm to close - NZDFA Annual General Meeting

The AGM has a number of significant issues to address including the need, or otherwise, for the Remandation of the NZDFA Deer Products commodity levy which expires in 2007, followed by a discussion on the value of the present structure and combined function of DINZ/NZDFA. The usual Branch remits will occupy general business with reports from the Animal Health Board, the Johne's Research Group and the traditional debate and discussion across all areas.

The conference day will be preceded on Tuesday 23 by the **Branch Chairmen's meeting** starting at 10.00am and the traditional **Industry Awards Dinner** on the evening of

Tuesday, 23 May. The Minister of Agriculture Jim Anderton intends, if possible, to attend this function in his first formal contact with the wider industry.

*Delegates must register in advance for the Awards Dinner, which will cost \$60/head. The Dinner will be a buffet affair with numbers limited through space restrictions to 150 attendees. Registration is available from Reception at DINZ (04 473 4500), or through Tony Pearce (021 719 038, [tony.pearce@deemz.org](mailto:tony.pearce@deemz.org)) and will be sent out generally in the April Deer Industry News.*

Indication of your attendance at the FGM and AGM also will greatly assist catering.

The Commodore Hotel is holding 70 confirmed rooms for 23 May and 40 for 24 May both single and share twin for the conference price of \$145 plus GST per night. This includes free airport transfer in the hotel shuttle. These rooms are held until 10 May, two weeks prior to the event, when they will be available for general sale.

Booking is to be direct with the hotel on your own account. Toll Free Reservations 0508 COMMODORE (266 663).

There are preliminary plans developed to hold a Canterbury branch day at Lincoln University on Thursday, 25 May, which will feature an emphasis on ruminant nutrition, demonstration of the new Forage Master™ pasture species predictive programme recently adapted from M&WNZ programme and other points of technical interest.