

>>> FROM THE CHIEF EXECUTIVE: Outlook positive

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New Velvet Marketing Services Manager

All industry eyes are beginning to turn toward the coming chilled venison season and the velvet sales season. While the outlooks for both look more positive than last year, DINZ is concerned at recent media headlines such as '...Venison prices set to soar' and 'Good times are here for the deer industry'. As an industry, it is important to look beyond this meaningless hype and to focus on what the market is actually signalling.

In venison's case:

1. Venison marketers report that the level of chilled orders being received is good for this time of year. Some have already commented that there has been enquiry for air-freighted venison. This is an indication that some buyers are concerned that they may not have secured a sufficient volume for their requirements in the coming game season.
2. Production has begun to slow in both islands, but particularly the North and there has been some resumption in the live sale of deer.
3. No guarantees, but companies are working toward offering peak venison schedules for a longer period to allow producers to get animals away in the right condition.
4. The New Zealand dollar valued at around €0.50 is also very helpful.

This doesn't tell us that venison is set to soar. It does tell us that there is some confidence in-market for New Zealand venison, that venison producers are beginning to feel more optimistic toward the industry and that companies want to provide the conditions necessary for a measured, steady improvement in venison returns. The industry has battled hard to combat the dramatic surge in production and a positive outlook is a result of the collective success of responsible industry marketing supported by a strategic plan and promotional activities.

For velvet, Canadian production is lower this year and it sold very quickly. Velvet exporters expect that this positive sentiment will flow over to New Zealand velvet. There is not reported to be large stocks in Korea at present and importers and distributors are looking forward to the New Zealand velvet season.

Productivity

The single biggest action in producers' own control to improve the bottom line is through productivity improvement. Although still in draft form, the DINZ budget for 2006/07 has set aside budget to co-fund (alongside branches) four focus farms to add to the existing two. The focus farms will be coordinated at a national level by Tony Pearse (DINZ Producer Manager) and assisted by Lindsay Fung (DINZ Science Manager), but they will be primarily driven at a local level by branches. The focus farms will be used to encourage the uptake of existing and new technology as the industry research programme unfolds (see www.deernz.org/resources or www.deeresearch.org.nz).

Deer Industry Annual Survey

You should have received the Deer Industry Annual survey in the mail. Please take five minutes to complete and return this form. Over time, the survey will give the industry a much better understanding of itself and how it is changing. Last year's solid response has been invaluable in the planning for this season.

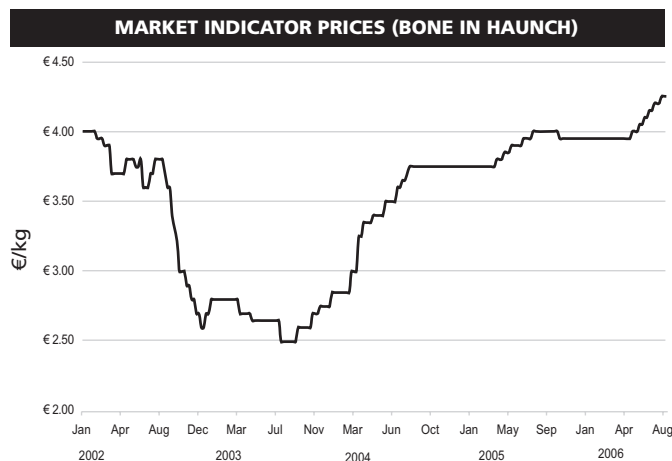
Velvet Selling Systems

Producers should have received an information piece on **Velconz** in the mail recently (available at www.deernz.org/resources). DINZ remains supportive of any initiative to move the velvet industry away from an auction style system to one that supports velvet's growth and development. **Velconz**, led by Ponty von Dadelszen, has put in a lot of time and effort to effect change, and Ponty would be very keen to receive producers' views (027 492 4549).

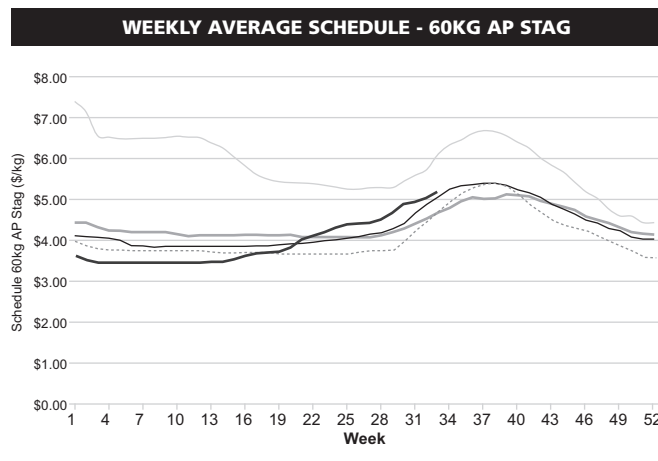
Mark O'Connor, Chief Executive

>>> VENISON

The combination of weaker currency and improved market prices is feeding into a higher schedule. Production is trending downwards after peaking in the year to March. Strong demand for chilled venison and solid increases for manufacturing items are reported from Europe. The German retail promotion and a cash-and-carry promotion in Benelux match culinary activity in the US and contact with dieticians here in New Zealand to ensure venison's profile is increasing.



Source: PPCS



Source: Agrifax

Schedule

- In week 33, the average published schedule was \$5.19 – 42 cents up on the same week in 2005 and 35 cents above the three-year average (2002 to 2005). However the schedule remains 6% down on the 10-year average for this week.

Production

- Production in the 12 months ended April was 755,000 head, down from the peak of 773,000 in March, but 4% ahead of production in the 12 months to April 2005.

Exports

- Exports of 27,000 tonnes in the 12 months ended April were 7% ahead of the same period the year earlier.
- New Zealand exporters have ensured that the extra production has been distributed to the markets and New Zealand does not have stocks of venison building.

European Game Market

- New Zealand exporters report strong demand from Europe for chilled venison. Plants are now moving into peak production for the European game season.
- DINZ has received reports of solid increases in the prices of manufacturing items, as food processors and large users begin to look to secure sufficient supplies for later in the year as the reality of the reduced availability of some items begins to take hold. This is putting upward pressure on prices of some items.
- Frozen middle cuts, which have been over-supplied on the market for several years, are now returning to a more balanced position, although sufficient stocks remain in the market and it will take a good cold winter with high consumption to move that volume through the market.

- The question mark hanging over the trade is: How quickly will the weather cool and encourage consumption of winter items following the blistering, hot summer which hit Europe this year?

German Retail Promotion 2006: 'Impress Your Guests'

- The first set of store promotions is scheduled to begin on 1 September with in-store tasting and local advertising supporting the early introduction of New Zealand venison in a number of retail and cash and carry stores. Promotions are then scheduled to continue in about 40 more locations throughout Germany over the following two months.
- Five European importers will attend the Inter-meat trade fair in Düsseldorf in September. Each of these companies will be using the new promotional material to promote our venison to the German food trade.
- DINZ has produced new materials to support the sale of venison in supermarkets and these are being distributed to stores at the moment.

Benelux Promotions

DINZ will be assisting an importer with a series of cash-and-carry promotions in the Netherlands and Belgium throughout September and October. The promotion includes tastings in stores, designed to attract the attention of home gourmets and professional chefs.

US Culinary Programme

DINZ will be collaborating with Meat and Wool New Zealand, Pernod-Ricard New Zealand Wines (formerly Montana) and other food exporters to establish a series of New Zealand food and wine classes with culinary schools across the USA.

>>>VELVET

Velvet export volume increased by 7% over the past year, with value down by 13%. However, velvet production dropped around 5% in the 2005/06 season. Promotions are being planned in the US, China and Korea, while a close eye is being kept on the proposed joint Australian/New Zealand therapeutic products body and legislation.

Exports

- Export volume for the 12 months ending April 2006 was 247 tonnes dried equivalent. This is an increase of 7% over the previous 12 months, when the volume of exports was 230 tonnes dried equivalent, according to Statistics New Zealand figures.
- Export value for the 12 months ending April 2006 was \$22 million, a 13% decline over last year's (\$25 million).
- Exporters have reported a slight increase in the whole dry stick price to US\$150 per dry kg (up from US\$135 a year previously). However, the large majority of velvet is now exported frozen so that New Zealand drying capacity is not being efficiently used.

Korean Market

- The sentiment of Korean importers has improved slightly with renewed interest in velvet generally. Velvet stocks in Korea are reported to be low. Interest in the smaller volume of Canadian velvet was strong and it sold quickly at reportedly around \$ Canadian 15 per pound (NZ\$46/kg).
- The NZ \$-Korean Won exchange is currently neutral to positive. The exchange rate is currently about KRW630. This time last year it was around KRW720. This is better from the industry's perspective. However, it is fairly close to the five year average of KRW670 and a long way off the KRW450 the industry enjoyed in the 1999/2000 season.

New Zealand Production

- DINZ collected levy on 501 tonnes of frozen velvet from October 2005 to June 2006 in comparison to 525 tonnes for the previously comparable period. This would imply that

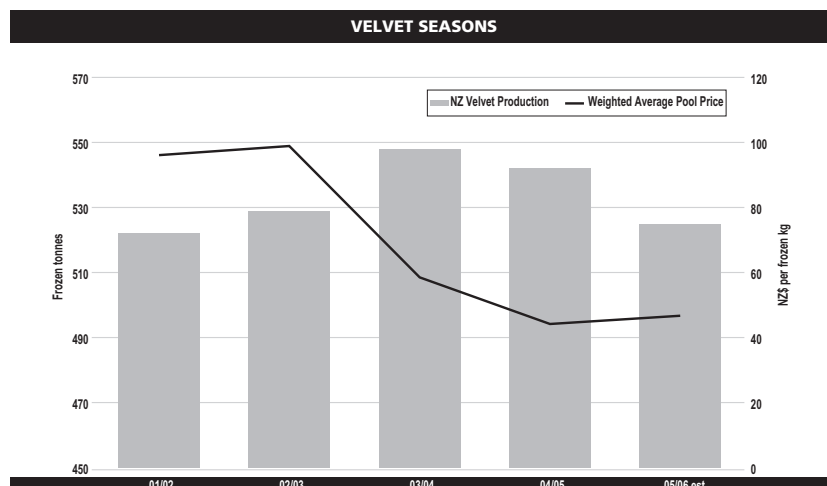
... Venison Cont'd

Chefs' Tours

- US importers will again benefit from the services of Graham Brown teaching their customers how to get the best from New Zealand venison. Another packed cooking tour is planned on the West and East Coasts as well as Mexico City.
- Venison demonstrations took place at cooking polytechnics in New Zealand in August.

NZ Dieticians Conference

DINZ will spread the venison message to health professionals at the New Zealand Dieticians Association conference in Wellington in September. Although higher in iron and lower in fat than other red meats, venison is often overlooked by health professionals when they are providing dietary advice. Dietary information is being prepared to remind health professionals of the valuable role venison can play in a healthy diet.



velvet production is likely to be down by at least 5% on the 2004/05 velvet season, in which production was 548 tonnes.

Promotion

- A New Zealand velvet marketer expects to be running a New Zealand velvet trial in between 1,000 and 2,500 sports nutrition stores in the US in the next month. In conjunction with DINZ, the company has run a coordinated public relations campaign and has achieved a good level of coverage in sports nutrition magazines as well as dietary supplement industry publications.
- A Chinese marketing company has picked up a range of velvet products from three New Zealand suppliers. It is in the final stages of editing a video which will play in retail outlets which sell the velvet.
- DINZ is currently investigating running another 'velvet as a healthy food ingredient' promotion in Korea following the successful Imperial Palace promotion in May. This promotion will take place at a high profile hotel and will include a media and trade function.

Regulatory

In December 2003, the Australian and New Zealand Governments signed an agreement to establish a joint regulatory scheme for therapeutic products called the Australia New Zealand Therapeutic Products Authority. If legislation in both countries passes, the joint scheme will regulate complementary medicines which includes deer velvet and co-products.

DINZ and others in the industry are concerned that the result of the new authority would be high compliance costs and regulation for little benefit. As such DINZ and several velvet and co-product marketers have lodged submissions with the Authority indicating concern with the proposal. A copy of the submission is available on www.deernz.org/resources.

SCIENCE UPDATE

Stag Deaths Hotline - 0800 0800 70

Farmers and vets are encouraged to use a freephone service to report any stag deaths following velvetting.

Stag death following velvetting under sedation with xylazine has been reported since 1987. Massey University researcher, Pania Flint, has examined reported stag deaths in an attempt to understand the cause or causes of these deaths that cost farmers both financially and emotionally.

This work is ongoing and relies heavily on farmer and veterinarian feedback.

Pania has set up a freephone number (0800 0800 70) for cases to be reported and to allow her or her team to contact people directly.

Calls will be treated in confidence. Please support this service.

Please remember to obtain a *post mortem*, if the body is in a condition to do so, ideally **within 12 or less hours** of any stag death.

A copy of Pania's work to date can be found at www.deerresearch.org.nz/research.asp.

Productivity

A suite of four focus farms (coordinated by Tony Pearse, DINZ Producer Manager) will provide an ideal platform for research on integrated livestock management and control of internal parasites following a workshop to determine a long-term programme between Massey, Lincoln and AgResearch. Upcoming events and work currently in progress include:

- Release of the Johne's Research Group-produced Johne's Disease Manual (contact Group Convenor Peter Aitken on 03 614 7482, or aitken@orcon.net.nz).
- Review of DEERResearch funded projects (currently with producer and processor groups)
- Alignment of an AgResearch-led programme of Venison Production Systems research with industry priorities. This programme is funded principally by central government via the Foundation for Research Science and Technology (FRST) and co-funded by DEERResearch and Landcorp
- Research will be undertaken into the level of pressure required to restrict lignocaine in velvet to acceptable levels, good velvetting techniques to produce effective analgesia for velvetting and use of compression techniques in spiker removal (all VARNZ funded projects).

New Velvet Marketing Services Manager

Vanessa Crowley has accepted a role at DINZ as Velvet Marketing Services Manager and begins in late August. Vanessa will be well known to many in the deer industry. She brings a true passion for velvet and the New Zealand deer industry, and importantly, a desire for success. This role will be a further step in her career which is built around deer. Hailing from a deer farming family, Vanessa's Bachelor of Ag Science (Hons) focused on deer after which she became North Island Field Manager at Deer Improvement Ltd. The staff at DINZ looks forward to welcoming her to the team and to the very positive contribution we are sure she will make.

Johne's Disease

DEERResearch funded projects undertaken by AgResearch veterinary scientist, Colin Mackintosh, have recently been completed and further work is underway.

- "Gudair™" vaccine (used in Australia for sheep) significantly reduced the severity of Johne's disease but did not prevent infection. Studies showed Gudair could be effective in reducing clinical losses on deer farms and reducing the problems associated with gross lesions in the slaughter plant. Copies of Colin's report can be downloaded from the DEERResearch website www.deerresearch.org.nz/project.asp and a paper will be submitted to a scientific journal by December 2006.
- This year the efficacy of a new vaccine (Silirum® used in cattle) will be evaluated.
- Other work shows that there is a significant risk of fawns born to hinds that are sub-clinically infected with *Mycobacterium avium* sub species *paratuberculosis* being infected in the womb or from ingestion of milk.

DEERResearch Website

The DEERResearch website – www.deerresearch.org.nz - contains a large number of reports and scientific papers commissioned by DEERResearch as well as other work of interest to the industry. Recent developments include:

- The last newsletter from the Otago and Southland focus farms
- The latest sire breeding values
- ForageMaster™ update

- A summary of projects funded by DEERResearch for the 2006/07 financial year
- Epidemiology of leptospirosis
- Effects of trees on fence-line pacing
- Stream recovery from wallowing

Contact DINZ Science Manager, Lindsay Fung (Lindsay.Fung@deernz.org or 04- 471 6116), if you have difficulty accessing the site or have forgotten your ID number and password.



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Deer Industry New Zealand
PO Box 10-702
Wellington
New Zealand

Tel: +64-4 473 4500
Fax: +64-4 472 5549
www.deernz.org
www.velvet.org.nz
www.nzvenison.com

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