

PRODUCTIVITY STRATEGY: FOCUS FARMS UPDATE

Successful planning meetings have been held in all four further regional areas, DINZ Producer Manager Tony Pearse reports.

There has been a commitment to advance the project in all of the regions – Northern Regions, Central Regions/Hawke’s Bay, Canterbury, South Canterbury, plus the existing Focus farms in Otago & Southland – although progress varies between them. Finding alternate funding sources and the degree of enthusiasm for fund-raising and further sponsorship in each area, invariably impacts on progress. However, it is anticipated all four new areas will have a planned operation underway by the end of May 2007. AgResearch has committed to providing staff to sit on committees in all areas as part of the objective ‘Enhanced on-farm productivity from venison systems’ in the current bid.

In summary, progress is:

- The Meat & Wool New Zealand (M&WNZ) Focus Farm Participants guide manual is being followed as a model and adapted to meet the Deer Industry Focus Farm concepts and the DEEResearch technology transfer objectives.
- Meetings with all four areas steering committees and branches have been completed. Areas have identified individual projects and main areas of production interest. Links to the venison and productivity strategy have been discussed and emphasised.
- A facilitator has been confirmed for the Northern Region (John Hunter, Taupo) and others are being advertised for in the remaining regions. A draft position description for facilitators has been developed and circulated in three regions.
- A special deer M&WNZ West Coast Monitor Farm field day at the Coates property in Haupiri was promoted to West Coast and Canterbury deer farmers and held on 8 March. Attended by 74, aided with input from Massey and Otago Universities (Simone Hoskin and Frank Griffin), it was considered a highly successful event by M&WNZ, farmers and DFA Branches.
- *Steering Committees* have already been formed in the Northern Region (supported by five branches), Central Regions/Hawke’s Bay and Canterbury and South Canterbury.
- *Focus Farms*
 - o The *Northern Region Focus Farm* has been confirmed. This is an integrated deer, sheep and cattle environmental award-winning property with interest in lifting killable venison weights from the current 54kg to 60kg in the same time-frame and production patterns for animals targeted for pre-Christmas slaughter. The integrated stock systems also feature velvet and trophy antler production and deer breeding unit aiming to improve weaning percentage. The objectives here fit closely with the productivity strategy.
 - o *Central Regions/ Hawke’s Bay* – an EOI for farms is being developed and will be targeted towards Hawke’s Bay units with some

- o Canterbury – a North Canterbury breeding finishing unit is preferred by the steering committee, with parasitism and summer dry lactation areas of interest. A link to a West Coast property and Lincoln University is considered important.
- o *South Canterbury* – the project list and special interests of areas are being considered. Parasitism, improved growth and productivity strategy principles are all well supported.
- o *Otago and Southland* - the detailed parasitism study is already underway.

- o *Satellite Farms* as feature one-off field days have been confirmed in principle in the Northern Region, which has identified three possible properties - Landcorp, Ngati Whakaue and potentially a Maori Trust property - for study. Central Regions/Hawke’s Bay are looking at a special interest in Massey deer unit projects and specialised total livestock finishing systems in the Manawatu.

The first new *Focus Farm open day* is planned in the Northern Region (1 May). Recent activities in Southland and Otago have already been profiled in *Deer Industry News* (February). Their next field days are on 11 and 12 April respectively.

Cont’d from page 3

- **Industry Awards Dinner (24 May)** - features a new guest chef dish featuring velvet, a venison main course and headliner entertainment act *Chris and Chet* promising musical and standup improvisation of high quality, humour and good taste. The evening’s highlights include the annual Deer Industry and Matuschka Awards and the Warnham/ Woburn photographic competition.

We hope to see you there and enjoy some of the fresh confidence and sound prospects ahead for the industry in the warm environment of the traditional deer industry conference. The industry is grateful for support from our industry partners: Rabobank, Ravensdown, Telford Polytechnic, Intervet, PPCS and Duncan & Co.

INNOVATE! Conference Registration

Registration forms will be sent to all deer farmers with Deer Industry News in later April. There is an early bird offer of \$175 now plus the optional \$50 for the Innovation field trip with the Waikato Branch. Registration forms and other information are available on the www.dinz.org and www.dcms.co.nz web-sites or on request from conference organiser Pat Johnston (03-477 1377) pat@dcms.co.nz, or from the DINZ Producer Manager at 021-719 038, tony.pearse@deemz.org or by calling DINZ reception at 04-473 4500.

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.



Market Report is published by Deer Industry New Zealand
PO Box 10-702
Wellington
New Zealand

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



MARKET REPORT

April 2007, Issue 86

FROM THE CEO

IN THIS ISSUE

- Venison**
- Schedule rises 42% on last year
 - Production 7% down
 - Good sales in Europe
 - Pre-Easter retail promotions on way
 - Pure NZ Cuisine initiative

- Velvet**
- Pool prices have risen
 - Little velvet remains on farm
 - Promotion update
 - SET considered by Korea
 - Country-of-origin labelling

INNOVATE! Deer Industry Conference 2007

Focus Farms Update

Generally improving producer prices don’t tell the full story. The whole New Zealand deer industry needs to look beyond current spot prices for venison and velvet so that: producers make good investment decisions; velvet and venison marketers position themselves well; and DINZ employs resources entrusted to it efficiently and effectively in line with industry strategies.

Venison

In terms of a quick ‘health check’ of important factors for New Zealand venison:

- The average (AP 55-60 kg) schedule at this time of year at around \$4.90/kg is getting close to the 10-year average at the time of writing.
- Marketers have commented that venison is currently ‘fairly’ positioned in the market relative to competing products such as beef.
- The Euro, at about €0.52 is close to its average since 2000 of €0.51.
- The EU economy is showing some positive signs of life (but still has a long way to go). EU GDP growth in 2006 was 2.9%. The *Economist* recently reported that “In the fourth quarter of last year the Euro Area’s GDP growth outstripped America’s for the first time in five years... and the Euro area has generated 12 million new jobs over the past eight years and even productivity growth has started to pick up. Across Europe, the mood has become noticeably more optimistic.”

These things appear generally in balance or pointing in the right direction. Of course, that does not take into account any hefty decrease in production of New Zealand venison and what that could do to the schedule and, therefore, venison’s price relative to its competition. There is still a fine line to walk but, given the industry’s recent past, all parties are focused on keeping things in balance.

As indicated in the venison section, the market for venison in Europe is stable and customers are preparing for an expected reduction on volumes. Positively, marketers have commented that chilled sales have continued longer into the year than previously. Consistent with this, a number of European importers have pre-Easter chilled retail promotions

planned. DINZ is assisting with in-store tastings and promotional material and although volumes are small, it will be an interesting test to see if consumers will purchase venison at this time of year.

Velvet

On the velvet side of the industry, producers are recouping losses of the past several years with prices around double last year’s. While velvet processors are doing little processing, most are at least able to stay ‘in the black’ on the back of a rising market as long as they bought early and have a reasonable average price.

However, no one should assume that everything is alright with velvet now. Prices halving one year, staying down for two then doubling the next are not a basis for a sustainable business – from neither a responsible buyer nor producer’s point of view. It is not sensible either to produce the best velvet in the world, only to let it be ‘traded unofficially’, adulterated and misrepresented. There is too much opportunity for New Zealand velvet to accept that as ‘our lot’.

Finally... Some good work from MAF late last year has resulted in an agreement with the EU which establishes and pre-agrees the conditions that would be applied to New Zealand exports, including venison, in the event of a serious animal disease outbreak. It may allow trade to continue rather than immediately stop for an indeterminate time as was previously the case.

Finally, DINZ wishes *Veluxco’s* Lewis Patterson all the best following the end of his stint in South Korea. He gained the respect of many in the Korean velvet trade which is a considerable tribute.

Mark O’Connor, Chief Executive



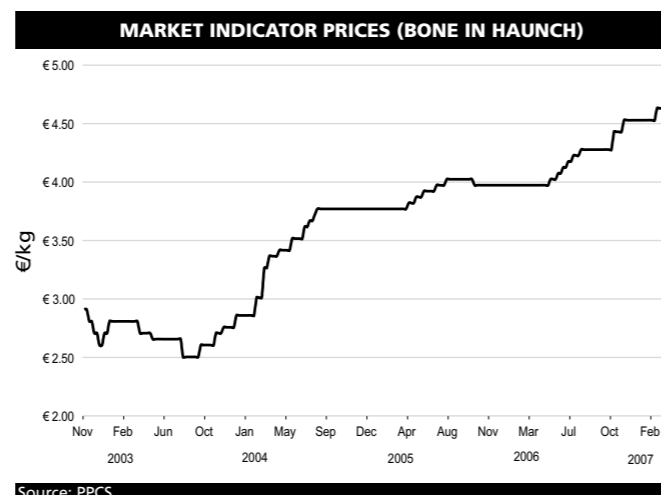
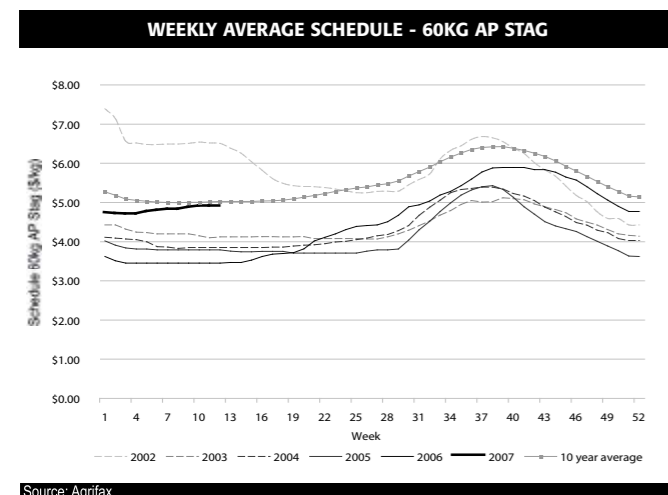
Market Report is published by Deer Industry New Zealand
P O Box 10-702
Wellington
New Zealand

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

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..

>>> VENISON

At Week 12, the venison schedule price is 42% higher than last year. Production is down by 7% and exports have slowed by 4%. The European trade reports good interest pre-Easter with promotions helping to raise awareness of New Zealand venison. In the US, the Pure New Zealand Cuisine initiative has stirred interest for New Zealand venison in some of America's top culinary schools.



Schedule

- In week 12 the average published schedule for AP 60kg stags was \$4.90. This is 42% higher than 2006 and 3% below the 10-year average.

Production

- In the 12 months to the end of November 2006, total venison production was 39,517 tonnes (carcass weight equivalent) from 731,000 animals. Production was 7% less than for the 12 months ending November 2005.

Exports

- Total exports in the 12 months to the end of November 2006 of 26,513 tonnes (product weight) were 4% down on the same period 12 months earlier.

Market Conditions

- Europe** - Following good sales through the game season at the end of 2006, importers are filling orders for 2007. Chilled sales have continued for longer than is traditionally the case, with interest in sales through until Easter. Importers are bracing for the reduction in supply from New Zealand and this has led to price increases on some items on the wholesale market. Middle cuts are now reported to be recovering to more normal levels now that the surplus has moved through the market.

Venison Promotion

- Pre-Easter Retail Promotions** - DINZ is working with two importers to promote New Zealand venison in the weeks before Easter - the time when families gather together to enjoy a short break from work and a big family meal.

Traditionally lamb has been a favourite at this time of year, but importers and their retail partners are keen to get New Zealand venison into shoppers' baskets this year. DINZ is assisting with in-store tastings and advertising through supermarket flyers to make shoppers aware that New Zealand venison is available.

- DINZ is working with Meat and Wool New Zealand on one set of promotions pre-Easter - sharing the cost and doubling the exposure for our products.
- Pure New Zealand Cuisine** - The joint promotion initiative between Deer Industry New Zealand, Meat and Wool New Zealand, Greenshell Mussels and Pernod Ricard winery began the series of cooking school demonstrations in the USA in March including six demonstrations to students and a function for food and beverage professionals in San Francisco. In all, over 300 students and staff at some of America's top schools have been exposed to New Zealand cuisine. The initiative has been invited back to every school, with requests for more of this type of presentation to student and professional groups. DINZ initiated and co-ordinated the events.
- Graham Brown conducted several of the demonstrations while he was in the USA for a culinary education tour. He presented to a chefs table of executive chefs from Los Angeles' top five-star hotels as well as taking Cervena™ cooking demonstrations in five other cities during his tour. He was especially pleased with the presentation to the executive chefs. These professionals oversee functions on a massive scale and do buffets for 1,200 people most nights of the week. Brown reports that getting access to them was a privilege. DINZ will work with the distributor on ideas as to how they can use Cervena on their menus.

>>> VELVET

The 2006/2007 velvet season is coming to a close. Export value for the 12 months ending January 2007 was \$25 million - 20% up on the same period last year (\$21 million). With volumes through the pools estimated between 10-15% back on last year, the majority of farmers will have enjoyed the resulting returns and will be feeling some well-overdue relief. Promotion of New Zealand velvet products in China and pet products is making progress.

Pools

- The season started with prices for SA and A grade velvet at around \$100 and \$85 respectively. With only a number of pools remaining, average prices for the two grades have consistently risen to reach \$138 and \$127 respectively.
- Road buyers have been increasingly active this season and many have reported that little velvet remains on farm.
- Despite two reported cost increases to Korean importers, a high dollar and a relatively challenging year for Korean consumers, velvet has reached premiums not seen for seven years.

Promotion

- The joint promotion underway with a Chinese distributor is gaining momentum. After having considerable success as a result of their presence at the China International Nutritional Health Expo, the company has since distributed over 8,000 units of deer velvet and deer product capsules throughout China. The next strategic move is to feature the products on the country's largest television network China Central TV (CCTV). The products are set to feature on a home shopping network and will reach millions of potential consumers. Attendance at the Hong Kong Natural Products Expo in June is hoped to further the awareness and consumption of the New Zealand products.
- As a result of the successful promotion held at the Seoul Millennium Hilton in December, another high class hotel is set to replicate the "velvet as a healthy food" concept in May. Executive Chef Paul Schenk from the COEX Intercontinental was present at the special gala dinner put on for food planners, food-writers, chefs and Food and Beverage directors during December at the Hilton. The COEX Intercontinental

boasts a younger and more up-market clientele than the Hilton and is, therefore, another platform to test the "velvet as a healthy food" concept.

- Attendance at the North American Veterinary Conference has paid off for one New Zealand company. Over 700 contacts were made over the four days of promoting the velvet pet supplement and there is now interest from Romania, Italy, the Netherlands and the US. A special interest was taken by holistic vets who commented on how the product would fit into their type of practice. The company plans to exhibit at the Holistic Veterinary Conference in Alabama during October 2007.

Taxes/Regulations

- The Special Excise Tax (SET) may be addressed by the Korean Government in the coming months. Thirteen MPs, reportedly, have proposed to revise the SET laws to remove 7% SET from deer velvet and royal jelly. DINZ is following up on this matter and will communicate with one of the largest lobbyists against the removal of the SET, the Korean Deer Breeders Association (KDBA), during travel to Korea this month. DINZ will also discuss the potential of branding New Zealand velvet in Korea.
- The Korean Customs Service recently enforced a regulation whereby all countries, including New Zealand, are required to label all their products (including industrial) with country-of-origin. This means that every single stick of velvet exported to Korea must retain its DINZ/NVSB tag (or an alternative approved tag applied by the processor) all the way to Korea. In addition to the unique six digit number, the new DINZ tags will also have the words "New Zealand" printed on them. These will be distributed as existing stocks deplete.

INNOVATE! DEER INDUSTRY CONFERENCE 2007: **Kingsgate Hotel, Te Rapa, Tuesday 22 May to Thursday 24 May.**

This year's conference theme *Innovate*, is based on: a recognition of the innovative new *Impress your Guest* retail promotion of venison in Europe; the promotion of velvet as a food in Korea; the uses of velvet in western markets; the developing productivity and focus farms initiatives; and the innovative approach the Waikato area has taken to promoting agribusiness in its own area.

Programme highlights include;

- Tuesday 22 May** - a relaxed, *social welcoming function* featuring a five-course promotion of venison versatility and a NZ/ Pacifica theme, with matched wines, beers and non-alcoholic drinks.
- Wednesday 23 May** - Deer Industry New Zealand *Formal General Meeting* in the morning. In the afternoon the 32nd *New Zealand Deer Farmers' Association AGM*, remits and debate will be held.
- Thursday 24 May** - *Waikato Branch field-day and technical session*. Taking the conference *Innovate* theme,

hear leading-edge agribusiness discussions with AgResearch around MIRINZ carcass imaging and yield work, Dexcell and the robotic milking platform and deer genetics from Deer Improvement Ltd. Lunch at the Waikato Stadium, with some rugby highlights, followed by a trip to the Gallagher Group of companies following the theme of traceability. This includes a factory tour and an *Electronics in Agriculture* Innovation seminar and feedback. As an added option, the Waikato branch is also planning a visit to one of the famous Cambridge horse-studs. This will be open to conference delegates and other locals.