

VENISON

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The global financial crisis dominated 2009. The collapse of western economies' highly leveraged financial sectors in September 2008 set in motion a chain of events that threatened the stability of the international financial system.

Surviving the Recession

Although a repeat of the great depression was averted during the year, the impact of rising unemployment, falling incomes and collapsing businesses was felt strongly by the food trade. Consumers drastically reduced spending as jobs were lost and expense accounts were cut. Demand for expensive meats was affected as people stopped going to restaurants and "traded down" their retail buying.

Over the course of the year it seemed New Zealand venison had escaped the worst of the crisis. The commodity boom which preceded the bust saw international food prices peak in mid 2008. Prices for venison peaked in October 2008, but as the effects of the financial crisis and falling prices for competing products were felt, venison prices too had to ease back. In Europe, prices for imported South American beef more than halved in 2009. Prices for competing European game items almost halved over the course of the year. Prices for New Zealand venison eased back about 10%.

New Zealand venison processing and exporting companies were determined to hold prices steady in the face of falling demand. Diversification, further processing and packaging, and marketing support were used to avoid overloading any particular market segment. New Zealand exporters were aided in their efforts to hold their prices steady by the expectation that production in New Zealand was on a steep decline following the contraction of the national herd over

the preceding five years. The expectation of falling production provided some customers with a sense of security that even though demand for New Zealand venison was falling, the main European market would not be oversupplied.

Nevertheless, as the 2008/09 year ended, it was becoming clear that an oversupply of frozen venison middles was being held on the European market because sales had been low through the year. As they entered the European game season in 2009, importers were holding stocks of highly priced frozen venison they had been buying through the year, while competing products fell in price.

Recognising the increasing resistance to the high prices venison was selling for in comparison to competing products, Deer Industry New Zealand and venison marketing and processing companies took action to excite interest in New Zealand venison. Advertising was placed in German, Belgian and Dutch food service magazines to remind chefs of the quality and availability of New Zealand venison. At the same time, importers promoted their own New Zealand venison brands, integrating the positive media coverage generated by the advertising with tactical sales promotions. This was successful in exposing a large audience of chefs to positive stories about New Zealand venison and contributed to confidence among importers that demand for New Zealand venison through game season 2009 would remain strong.





Market Snapshot: The Netherlands

Always an important entry point for European customers, the Netherlands is now becoming an important market for New Zealand venison. The Dutch have a tradition of eating game items. Hare, pheasant and venison are all well-recognised seasonal specialties served in the more traditional restaurants throughout the country. With a population of 16.5 million, and a land area one-sixth the size of New Zealand, the Dutch are also comfortable with importing their food requirements from other countries, acknowledging that they cannot be self-sufficient.

In recent years, several importers have begun to focus on creating demand for branded New Zealand venison at retail in the Netherlands. They are also building demand throughout the year.

Modern packaging and ready-to-cook items have been developed in conjunction with their New Zealand suppliers, with promotions undertaken in-store and through national media. These items are now available throughout the Netherlands during the game season and in increasing numbers of stores at other times of the year.

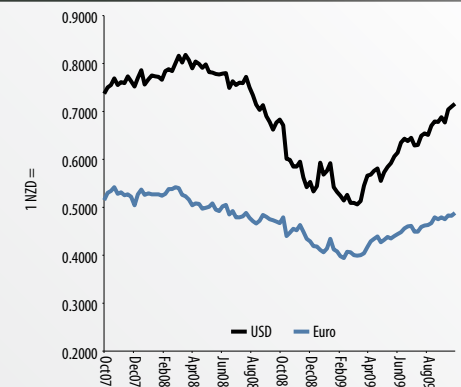
Exports are now worth over \$20 million per annum, making the Netherlands New Zealand's 5th most valuable market. This includes more than \$10 million worth of chilled venison, exported 12 months of the year.

By promoting the nutritional benefits, great flavour and easy preparation of New Zealand Venison, prospects for continued growth in this market are good.

DOLLAR VOLATILITY

Returns to New Zealand had held up very well through the year thanks to a favourable exchange rate. From October 2008 to March 2009 the New Zealand dollar fell 17 percent against the Euro, and 25 percent against the USD, this allowed the schedule to stay high after the end of the 2008 game season, even though market conditions were moving against the industry. However, the New Zealand dollar began to appreciate from March, and by the end of September 2009 was back above levels of the year previous. The normal spring chilled season lift was gobbled by the rise in the dollar's value.

NZD VS USD:EURO



STRATEGIC INTENT

Review of 2005–2009 Venison Industry Strategic Intent

Factors Within Our Control

The New Zealand industry cannot control the exchange rate and it cannot control economic conditions in its main markets. What it can control are what it makes, when it makes it and what people think of it.

The Venison Industry Strategic Intent 2005–2009 established a guide for resource allocation, planning and industry actions for those five years. Over the five years, Deer Industry New Zealand was tasked with building demand for New Zealand venison to improve returns to the New Zealand deer industry. The value of New Zealand venison sales increased from \$202 million in 2005 to \$310 million in 2009, while volumes fell.

Key changes between 2004 and 2009 are:

- 57% increase in awareness of New Zealand as a supplier of venison.
- Increase in consumers' views that venison: tastes good, is nutritious and is versatile.¹
- Increase in the proportion of the population who considered themselves venison consumers –

¹ Point of Sale survey: Promotion campaign for New Zealand Venison, Dr Detlef Schröter, June 2008.

Objective	Target: 2004	Result: 2009
1	Reliance on Germany reduced from 49% to 39%.	Exports to Germany 12 months ending September 2009 = 39%
2	Chilled out-of-season exports to reach 1,000 tonnes (Jan–July 2004 = 660 tonnes).	2007: 1,140 tonnes 2008: 1,129 tonnes 2009: 800 tonnes
	75% of the New Zealand venison sold at retail to be clearly identified.	Not quantified. However, confirmed increase in number of manufacturers using New Zealand venison logo on retail packs. Clear increase in retail country of origin identification.
3	65% of venison production (for a June year end) able to take place between August and December (averaged 47% between 1992/93 and 2002/03).	2006/07: 51% 2008/09: 44% 100kg red deer by May now a reality.

from 31% in 2004 to 39% in 2009.

- Impression of the quality of New Zealand venison improved.
- 37% improvement in the number of venison consumers willing to try venison in the summer.²

Objectives, actions and results

The venison industry strategic intent 2005–2009 had three clear objectives:

1. Build demand in new and existing countries outside traditional game channels.
2. Increase consumer demand for venison outside the game season.
3. Manage herd growth and supply of animals in line with market needs.

² Venison from New Zealand from the German consumers' point of view, Trend Census Market Research, March 2009

Progress toward these objectives would better align New Zealand production with consumer demand, reduce the inherent risk of the industry's reliance on one sector and improve returns to the industry through better prices from chilled exports.

What has been done in the past five years to try and achieve these objectives, and what progress has been made toward their attainment?

1. Build demand in new and existing countries outside traditional game channels

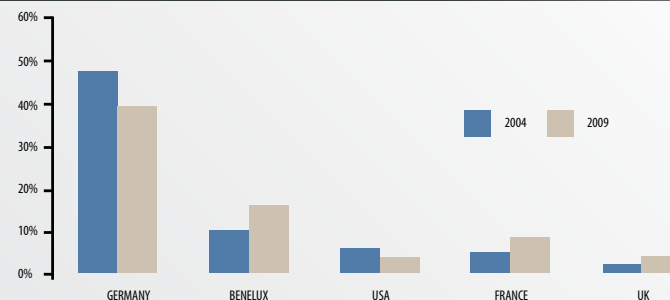
Actions:

- New Zealand venison marketing companies made great strides in developing a broad range of products and customers who now demand New Zealand venison. Clearly identified New Zealand venison is now stocked in a wider range

of outlets than before the beginning of the strategy. Examples of differentiated marketing initiatives undertaken by marketing companies include the evolution of German retail sales, Benelux ready-to-cook retail items, 12-months-a-year Scandinavian retail sales, contracts for branded venison with German cash and carries and supply agreements with up-market US restaurant chains.

- Collaborative promotions, agreed around the table by exporters and implemented in conjunction with their importers, have increased demand for New Zealand venison among European consumers.
- New Zealand venison was featured in four German television shows, 60 radio broadcasts, more than 200 recipes in magazines and 2,000 outdoor billboards.

DESTINATION OF NEW ZEALAND VENISON 2004 VS 2009

**Results:**

- Branded New Zealand venison items are now found in a wider variety of markets than before.
- More European consumers now know that New Zealand venison is an easy-to-cook, delicious and tender meat. More European consumers look for it on their supermarket shelves.
- Positive messages about New Zealand venison were displayed to an estimated audience of 80 million over the five years. A 27% improvement in awareness of the quality of New Zealand venison was recorded by market research. The proportion of German meat eaters who considered themselves venison consumers increased from 31% in 2004 to 39% in 2009.
- Exit interviews undertaken in supermarkets in Germany in 2008 showed that exposure to in-store promotions improved consumers' perception of New Zealand venison in crucial facets, such as a 100 percent improvement in shoppers' impression of the taste of New Zealand venison.
- New Zealand venison has a better balance of customers, with less reliance on the traditional European seasonal restaurant sector.

2. Increase consumer demand for venison outside the game season.

Actions:

- Consumer advertising and in-store tastings via

the *Sommerkampagne*, followed by the *Impress Your Guests* theme was used to generate interest in New Zealand venison as a non-seasonal item.

- Ongoing chef education through work with distributors and culinary schools to reinforce New Zealand venison's suitability for a wide variety of cooking styles.
- Chilled venison supply push to Europe post game season.
- Promotion and advertising by individual companies in non-traditional markets with less entrenched seasonal consumption traditions.

Results:

- An improvement in the European meat traders' acceptance of New Zealand venison as a non-seasonal item, and willingness to promote it out of season.
- Increase in the proportion of venison exported in chilled form outside the traditional game season.
- More than 500 days of chef training to more than 1,000 US culinary students. Every final year polytechnic student in New Zealand and hundreds of chefs and meat sales staff educated on the benefits of using New Zealand venison.

3. Manage herd growth and supply of animals in line with market needs

Actions:

- Formation of the venison productivity strategy to improve on-farm productivity and better align production with market requirements.
- Introduction of the Focus Farms programme to disseminate productivity and environmental management to a wider farming audience.
- Industry surveys in 2005, 2006 and 2008 provide data on future intentions.

Results:

- Survey numbers used for marketing planning.
- Improvements in average slaughter weights.
- Dissemination of techniques for winter finishing and discussion of genetic potential for early calving and early finishing.

We know that the average value of New Zealand venison exports (in Euro) increased from €5,500 per tonne in the period 2000–2004 up to €8,700 per tonne in the year ending September 2009, when the volumes have increased from an average annual quantity of less than 17,000 tonnes during 2000–2004 to 19,450 tonnes in the previous 12 months.

This does not provide a figure for a return on investment of the funds that marketers have used over the past five years to promote New Zealand venison, and such an analysis has not been undertaken.

Nonetheless, New Zealand venison is now selling to a wider variety of customers, more differentiated products are being produced, collaborative industry actions have been undertaken, and more venison is being sold for a higher price than at the beginning of the strategy period. Venison marketing companies have achieved this over the past five years.

If the strategy is to be judged by the stability of the industry over the past five years, then it has not achieved its objective. The actions of the approximately 1,500 farmers with deer who have exited the industry indicated a lack of confidence in the future of the industry, and their decisions exacerbated an oversupply which subdued prices for a significant and difficult period. If the strategy is judged by the collective efforts of remaining industry participants and the situation the industry finds itself in at the end of the five-year period, then there are aspects which have been successful:

1. Market diversification – achieved.
2. Sustainable venison schedule – achieved.
3. Improved consumer awareness of New Zealand venison – achieved.
4. Improved out-of-season sales – achieved.
5. Better venison growth rates – achieved.
6. Aligning supply and demand – not achieved.

To this end, the venison industry strategic intent 2010–2014 was developed and agreed among industry participants in 2009.

What is proposed?

Venison Industry Strategic Intent 2010–2014: Improving the Linkages

The New Zealand venison industry faces challenges from nature, regulators, competing land use and competing proteins. The Venison Industry Strategic Intent is expected to be a guiding document to shape Deer Industry New Zealand actions, and producer and processor thinking about longer-term industry priorities. The strategic intent includes actions that will be taken to position the industry for a profitable future. Five areas of activity are key:

1. Continue to position New Zealand venison as a premium red meat

Farm-raised venison's attributes of consistency, taste, tenderness, and health, combined with New Zealand's well-earned reputation as a producer of safe food, are underpinned by the product's relative scarcity. These are reasons why consumers will pay more for venison when it is positioned well. Deer Industry New Zealand will continue to promote New Zealand venison to core consumer and food service markets, as directed by venison marketing companies, to boost demand and assist with the maintenance of stable prices.

Take steps to ensure long-term sustainable returns to the industry

To reduce volatility and encourage long-term investment the industry is working to smooth out the fluctuations in supply and demand. This is being achieved by better alignment of seasonal supply and consumption, and longer term, by better communication of industry production and prospects. Deer Industry New Zealand will continue to educate chefs and consumers about the suitability of venison as a non-seasonal cuisine, and assist marketing companies to promote venison in non-seasonal markets.

2. Encourage commitment to long-term market development

Producers should support companies willing to invest in the industry. Deer Industry New Zealand will facilitate the flow of information to venison producers to allow companies making an investment in the industry's reputation and future to communicate this to producers. This includes individual company activities and companies' participation in industry programmes.

3. Increase on-farm productivity

More venison from fewer inputs, ready when consumers want it. By reducing on-farm wastage, producers can improve profitability. Deer Industry New Zealand will continue to focus on getting "more deer, heavier, earlier"



and providing deer farmers with the tools to do so.

4. Ensure the venison industry has freedom to operate

Regulators, competitors, lobby groups and customers all have expectations and requirements which can affect the profitable production and sale of venison in New Zealand. In many cases, concerted industry action is required to either resist unnecessary requirements or implement change when needed. Deer Industry New Zealand will continue to represent the deer industry on issues of concern, and will facilitate change when improvements are needed.

Because there are still challenges to aligning supply and demand, the central aim of the industry strategy is to improve the linkages between producers and the market. Improving the linkages means that *each link in the supply chain provides their customers with what they want, when they*

want it, knowing they'll get an adequate return.

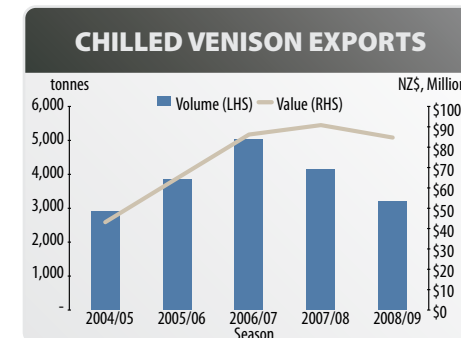
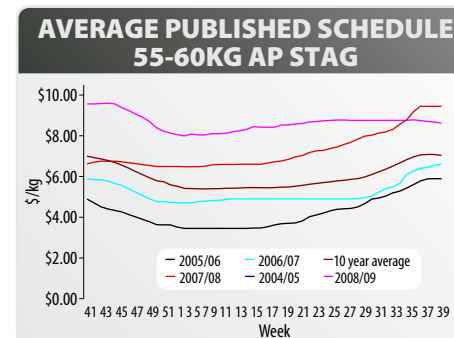
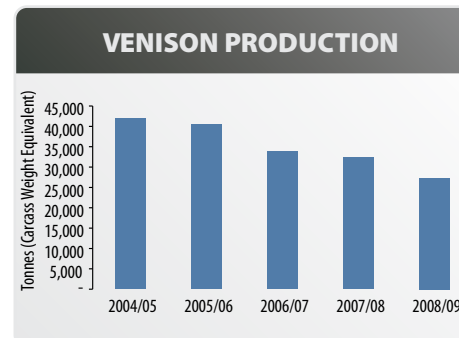
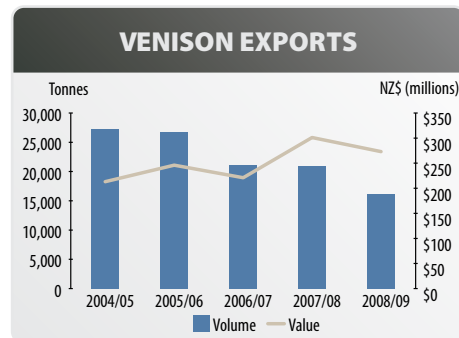
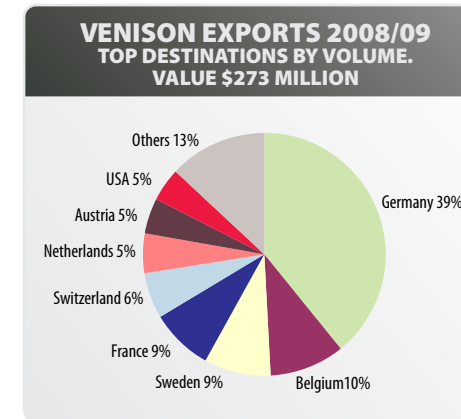
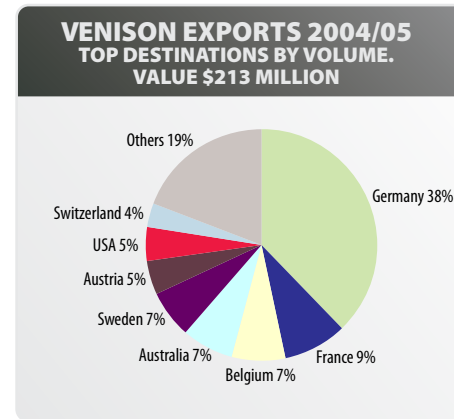
This means providing producers with the understanding of what the market wants – and when it wants it – and delivering the tools to do it.

For processing and marketing companies it means developing mechanisms to obtain greater certainty of supply of the right types of animals at the right times of the year. It is having the certainty of supply to be able to commit to marketing programmes to boost demand for New Zealand venison. For our international customers it means helping them choose New Zealand venison because it meets their needs, they look for it and they are prepared to pay a premium for it.

From better linkages comes better stability, better mutual understanding and improved long-term profitability.

For a full copy of the Venison Five Year Industry Strategic Intent, click [here](#) or email info@deernz.org

STATISTICS



The total volume of venison exports in the year ended September 2009 fell 23% compared with the year earlier because of the reduced number of deer on New Zealand farms and an improvement in hind retention numbers.

Total free on board (FOB) returns decreased 9% to \$273 million for the year ended September 2009. The average FOB venison price per tonne increased 18% over the year due to improved market prices and a weaker New Zealand dollar. However, the dollar then moved against exporters over the later part of the year, appreciating more than 20% against the Euro between March and September 2009.

Total venison production of 27,215 tonnes (carcass weight equivalent) was 16% down on the previous year and 35% down on the peak of 2004/05. The timing of this reduction in production has been fortuitous for the venison industry as it coincided with the reduction in demand due to the global financial crisis which constrained demand for expensive meats as the year progressed.

Throughout the 2008/09 season venison farmers received an average of \$8.44/kg. The combination of strong demand for venison, high international commodity prices and a weaker New Zealand dollar boosted farm returns over the year.

Chilled venison exports were worth more than \$80 million in 2008/09, back slightly on 2007/08.