

2009 – 2014 New Zealand Venison Industry Strategic Intent

Strategic Aim: Improve the linkages between New Zealand producers and customers to achieve growth and stable profitability for the New Zealand Venison Industry.

1. Introduction:

This Industry Strategy addresses issues affecting venison producers and marketers, and identifies actions to be taken, either individually or collectively, to continue the building of a profitable and stable New Zealand venison industry.

This industry strategic intent provides direction and guidance for planning, execution and resource allocation over the next five years. The current global economic recession has increased uncertainty in New Zealand's key markets. Venison producers, marketing companies and Deer Industry New Zealand will take actions to manage the effects on their individual businesses, and although the current recession affects New Zealand's main markets of Europe and North America, opportunities remain for the venison industry.

Importantly, this strategy aims to build upon the successful actions many participants are already undertaking to boost productivity and position New Zealand venison in selected markets around the world.

2. Context – Gains made over past 5 years

The objective of the 2005-2010 Venison Industry Strategic Intent was to improve and maintain venison returns, through managing supply and demand, at levels at which all sectors are sustainably profitable.

To achieve this, the industry's most important agreed objectives were to:

1. Build demand in new and existing markets 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.

Results:

1. Consumer research confirms that more German shoppers are aware of the quality and availability of New Zealand venison at retail;
2. Importers and manufacturers have been willing to pay a premium for New Zealand venison over other game meats due to the product's reputation for consistent quality;
3. Export statistics show a greater proportion of New Zealand venison is now sold outside the traditional game season; and
4. Tools are now more widely available and understood to allow changes to venison production to better meet market requirements

The average value of NZ venison exports (in Euro) has increased from €5,500 per tonne in the period 2000 to 2004 up to an average of €7,402 per tonne in the two years ending December 2008, when the volumes have increased from an average annual quantity of under 17,000 tonnes during the period 2000 to 2004 to over 19,000 tonnes p.a. in 2007 and 2008.

While many factors contribute to increasing returns (such as prices for competing proteins and global food inflation), New Zealand venison is now selling to a wider variety of customers over a greater period of the year. Individual companies have invested in market development and new product development, and collaborative industry actions have been undertaken to promote venison. These actions have been successful in achieving better returns for New Zealand venison.

Next Steps: Venison producers, processing and marketing companies, and market distributors will have their own strategies to achieve their commercial aims, and will sell their products in the forms and to the markets which they feel provide them with their best level of profitability. But within this structure there are common areas of concern, common challenges and common opportunities which can be addressed with a unified approach.

New Zealand venison production remains out of sync with the main consumption period. Improved consumer awareness and appreciation of New Zealand venison can be lost without on-going promotion. The expected reduction in New Zealand venison supply threatens many of the collaborative marketing ventures formed in recent years that rely upon marketers having some level of certainty of livestock supply.

While there is a spread of strategies employed by venison marketing companies, most New Zealand venison marketing companies have begun supply committed marketing programmes. A key issue which the venison industry must continue to work toward is supply commitment:

- Potential new deer farmers are wary of entering venison production because they are not certain that current good schedule prices can be maintained, based on past industry performance.
- Deer farmers are sometimes uncertain of what their deer will be worth, and are reluctant to make commitments to venison processors.
- Venison processing and marketing companies need confidence that they will get the livestock they need, in the condition they require in order to invest in market development.

Commitment to supply all the way up the supply chain can assist New Zealand venison move away from the uncertain conditions which have sometimes characterised the industry's past, and position the industry for a positive future. Improving linkages between venison producers and the final customer creates conditions that encourage stable profitability for the New Zealand venison industry.

Actions are being taken to better align supply with customer requirements and to create greater demand for New Zealand venison products in a number of distinct markets. These need encouragement and support: Five key strategies have been identified which will assist the New Zealand deer industry achieve stable, sufficient profitability.

3. Five Key Industry Strategies

The New Zealand deer industry can:

- Continue to create demand-led premium positioning for New Zealand venison. *To create growth, improve demand and increase profitability.*
- Take action to achieve long-term sustainable returns to the industry. *To reduce volatility.*
- Increase on-farm productivity. *To reduce costs, lessen waste and improve profitability.*
- Review measures to encourage long-term commitment to market development. *To encourage orderly marketing.*
- Ensure the industry has freedom to operate. *To protect the industry from regulatory and markets threats.*

3.1 Continue to create demand-led premium positioning for New Zealand farm raised venison.

3.1.1 Issues

The profitability for the industry comes from the market, as well as efficient venison production and processing systems. Without obtaining a sufficient price, the industry will struggle to continue profitably.

Venison's natural attributes of tenderness, flavour, free-range production systems and health profile, plus the low-volume produced, means it can be positioned as a superior and scarce protein able to command higher prices than other more common meats.

The New Zealand industry's commitment to production hygiene and freedom from disease allows New Zealand venison an enviable reputation as a 'safe food', and this is backed up by company QA systems which provide customers with levels of assurance in product integrity that many competing products cannot match.

Total New Zealand venison consumption in Europe is approximately 20,000 tonnes per annum while total red meat consumption is over 10 million tonnes per annum; therefore New Zealand venison accounts for only 0.2% of European meat consumption. With such a small share of the red meat plate, there are good opportunities to provide affluent meat-eaters with a New Zealand venison item that they will pay a premium for.

While New Zealand volumes are small, the current global recession creates challenges for venison marketers maintaining premium pricing as customers seek value for money and chefs, manufacturers, and home cooks look for cheaper protein options.

3.1.2 Tactics:

The industry is focusing on diversifying the customer base where it is profitable to do so. Identification of customers willing and able to pay higher prices, and alignment of marketing strategies with affluent customers' demands mean that venison is being positioned to capture the best return from the market. New Zealand venison processing and marketing companies are pursuing a variety of tactics to continue to position New Zealand venison as a premium food.

- **Targeting Niche Segments:** New Zealand companies are working with key accounts to target subsectors within consumer and food service markets. Individual companies are

reaching deeper into the market to meet individual sector's or customers' needs, where it is cost effective to do so. The aim of some company initiatives is year-round chilled sales through retail. Other company initiatives include positioning New Zealand cuts to top-end European chefs and selected outlets in specific European cities. This Strategic Intent will continue to support the premium positioning of New Zealand venison in trade and consumer markets.

- **Differentiated Products:** This requires the development of products to suit specific market segments' needs so that New Zealand venison products are not only different from competing countries' products, but may also be different from other New Zealand venison companies' products. This may be, but is not limited to, changes in product form or new product development. Product offering includes packaging, branding, service and promotional support. Many companies are already doing this; examples include development of specific products for Scandinavian retail, USA chain restaurants, Benelux gourmet butchery, and individual specifications for manufacturing products. This Strategic Intent will support product differentiation where it adds value to the venison industry.

- **Demand Pull:** While opportunities for specialised products exist, the majority of venison sales will continue to be to the core food service and retail markets in Europe, which utilise standard specification cuts. Therefore demand creation in core markets, either individually or collaboratively by the communication of key benefits to target sectors remains important. For example, the German food service sector will continue to be the main user of New Zealand venison, but it has often been used as a substitute for local 'wild game'. This is changing and demand is being increased by educating European chefs on the qualities of New Zealand farm raised venison which set it apart from local game. The hygiene status, year round availability, tenderness and flavour of young New Zealand deer make it perfect for many more items than it is currently used for.

- **Category Promotion:** In markets where exporters are targeting retail sales, consumers are being informed of the availability and quality of New Zealand venison. Ongoing and consistent messages are required to create and maintain demand in this competitive sector. This is being done by the retailer, the importer, and the New Zealand exporter, often it is undertaken by a combination of all parties. Where two or more exporters share common consumers, collective action may be the most effective means of creating consumer demand.

3.1.3 Roles and Responsibilities:

| Partner | Responsibilities |
|------------------------|--|
| Producers | Maintain the required level of animal welfare, hygiene, food safety and compliance which will underpin all marketing claims. Provide animals when and in the condition they are required. |
| Processors/Exporters | Decide on marketing strategies, product form, placement, price and delivery. Developing individual brand strategies if these are considered beneficial to the position of New Zealand venison. |
| Importers/Distributors | Development/promotion of company specific brands to customers. Support the positioning of New Zealand venison as a premium meat. |
| DINZ | Where sector groups will respond positively to generic messages more cost efficiently than individual brand messages, communicate benefits of New Zealand venison. Implement industry good actions to promote New Zealand venison where consumers will respond to promotion messages, but final sellers will not capture the benefit, so do not undertake any promotion |

3.1.4 Expected outcomes and measures of success

- Improvements in preference for New Zealand venison in target consumer segments.
- Increased number of customer specific products marketed by New Zealand companies.
- Preference for New Zealand venison among European chefs.

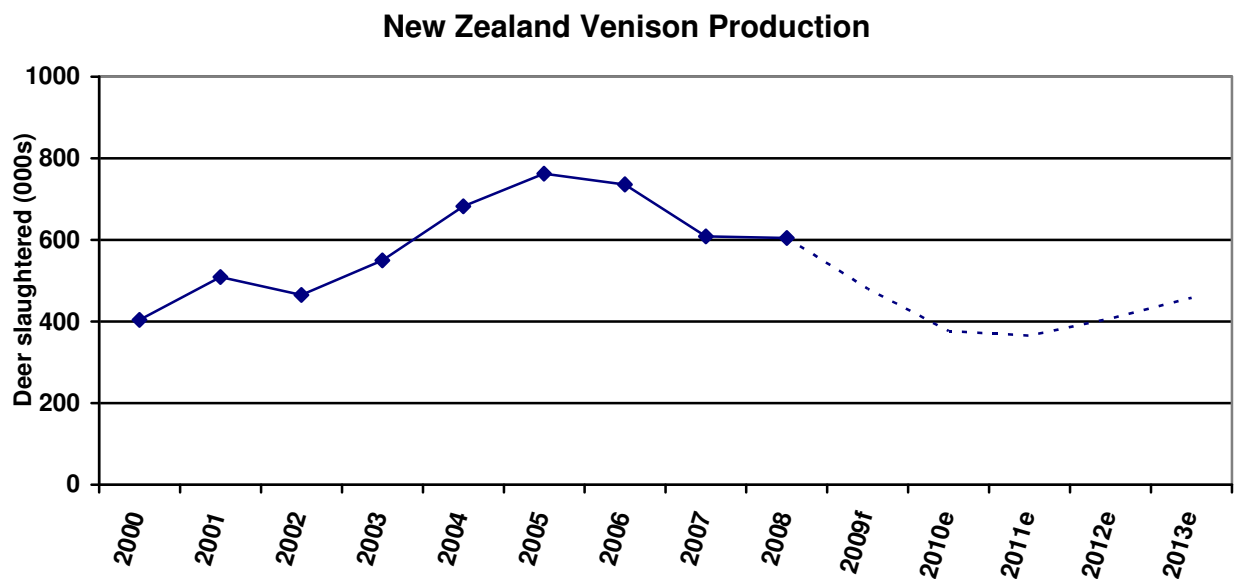
3.2 Long-Term Sustainable Returns (On and Off Farm).

3.2.1 Issues

The New Zealand venison industry is characterised by fluctuations in production and returns. The price of venison in the main European markets has fluctuated by an average of nearly 20% each year over the past decade. Either responding to these price fluctuations, or causing them, venison production has changed by an average of 12% per annum over the same period. Lack of profitability led to a 30% decrease in the number of farmed deer between 2002 and 2007. The expectation of volatility discourages new investment. If producers are able to foresee longer-term stable returns, this would enhance the attractiveness of the business. Some of the reasons for this volatility in the industry are:

- **Production fluctuations:** The counter-cyclical production response in New Zealand results in oversupplying depressed markets, and undersupplying the market when it is short. When market conditions have reversed, prices fall in New Zealand, leading to an exit from the deer industry, which increases venison production. Over time the market has expanded to absorb this increase in production, and so prices have begun to improve, which has encouraged reinvestment into venison production and the retention of hinds, which undersupplies the market.

2008 saw the venison business provide sufficient profitability for all parties. With the actions being taken by committed deer farmers and venison marketing companies, it is hoped some measure of stability in the venison schedule can be maintained. However, DINZ production scenarios indicate a probable decline in production of 30% on 2007/8 levels over the next few seasons, before a hoped for gradual increase of perhaps 10% per annum (assuming productivity improvements and increased hind retention).

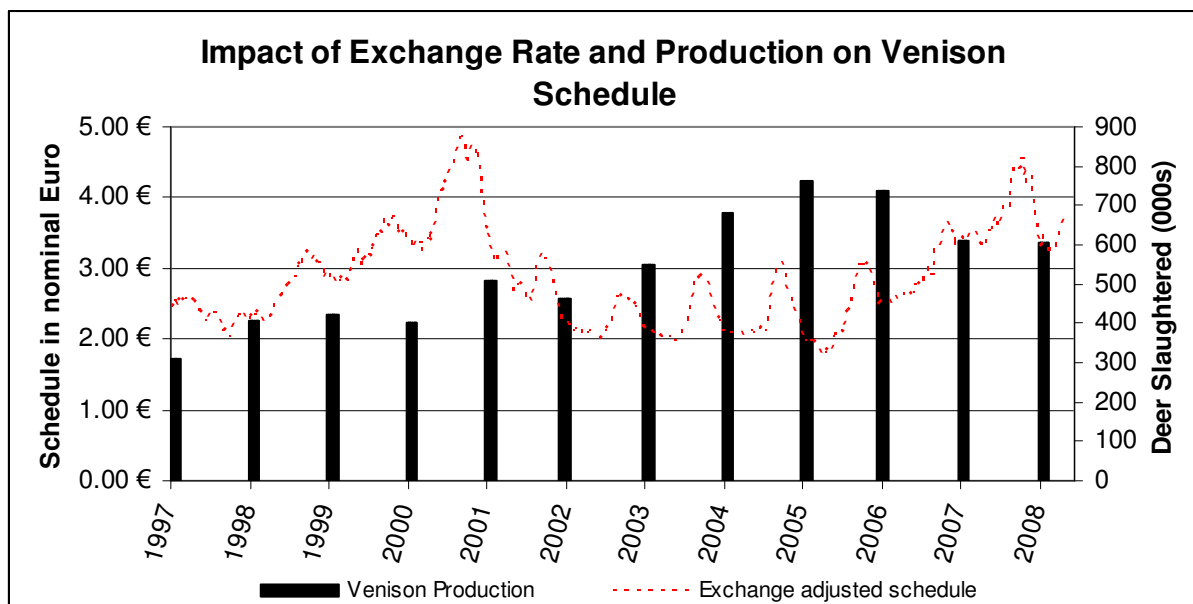


Source: Deer Industry New Zealand

Stability in livestock numbers allows an increased level of certainty in marketing the products of the industry, allowing more investment in brand building and longer term marketing relationships. Stability in deer numbers, both nationally, and by suppliers to individual venison processing and marketing companies, will be the first step in achieving stability in prices.

- **Exchange Rate Fluctuations:** Because the New Zealand industry exports approximately 90 – 95% of the venison it produces, it is very exposed to the changes in the value of the New Zealand dollar. The exchange rate contributes a substantial amount of volatility to the returns received in New Zealand. Over the past 12 months the New Zealand dollar appreciated by 20% before falling by over 30% against the main trading currencies and these changes have to be reflected in the price paid to producers and the price charged to customers.

However, as the graph with changes in currency removed from the schedule indicates, the exchange rate is not responsible for all the change to the venison schedule. Volumes produced have an obvious impact, and historically, when volume rises, prices have fallen, and vice versa. In recent years though, this relationship has not held as strongly. From 2002 - 2003, as volumes rose substantially, prices in Euro also rose steadily. In the past two years, prices have increased as volumes have remained stable. Other factors, beside the volume produced each year, affect the price of venison and the instability of returns.



Source: Deer Industry New Zealand

Market instability has been driven by three important sources:

- Exogenous shocks – Chernobyl, BSE/FMD in Europe and the 2008/9 credit crisis are examples of factors beyond the New Zealand industry’s control that have had substantial impacts on demand. The industry has been rocked by these events, and must consider risk mitigation measures to reduce the impact of events in the future.
- The industry’s past reliance on sales through one sector (European restaurants and catering institutions) with a short consumption period. When one sector has absorbed a dominant share of New Zealand’s production, small changes in supply and demand have a large impact on price. Market diversification to reduce reliance on this sector improves prospects for greater stability in returns.

- **Seasonality of consumption** which does not coincide with New Zealand’s main production season. This has meant that the industry has been reliant on a European trade which has been prepared to buy frozen venison and store it in the expectation of making sales during the game season. When sales through this period have not matched expectations, unsold stock has been carried forward, to compete with the following year’s production. While it is important to retain the premium pricing that can come from supplying venison as a seasonal speciality, reduced reliance on the seasonal market will lessen the uncertainty which has characterised the development of the New Zealand venison industry.

3.2.2 Tactics:

To reduce the fluctuations in supply and prices and enhance stability in returns the industry can:

- Encourage supply committed marketing programmes.
- Improve year round consumption of New Zealand venison, specifically targeting post-Christmas European consumption through both retail and food service where these alternative markets provide returns equivalent to selling New Zealand venison as a seasonal speciality, but fit New Zealand’s production system better.
- Provide the New Zealand farming sector with greater certainty about future prospects to encourage supply in line with demand. Clear, long-term signals need to be provided up and down the supply chain to attempt to encourage more long-term thinking from producers to reward long-term commitment to the deer industry.
- Improve returns for venison co-products. Deer co-products and skins make a significant contribution to the industry and a better return can be provided to the industry by successfully differentiating New Zealand products from competing products in key markets.
- Over the long-term, establish demand for New Zealand venison ahead of expected increases in supply, not in response to increases. Awareness and appreciation of the benefits of New Zealand venison should be maintained in core markets through the period of lower supply to assist the premium positing currently achieved, and prepare the market for volume increases in the future.

3.2.3 Roles and Responsibilities:

| Partner | Responsibilities |
|------------------------|---|
| Producers | Provide venison processors and marketers with certainty of animal availability. |
| Processors/Exporters | Secure certainty of supply from producers by best commercial means. Provide certainty to suppliers in terms of expected returns for the year. Undertake marketing programmes to reduce the speculative element from the venison trade. |
| Importers/Distributors | Specify requirements to suppliers, commit to suppliers to provide confidence to invest in market brands. Support marketing programmes to reduce speculative element of the trade. |
| DINZ | Compilation and dissemination of industry production statistics to venison producers and to marketers to provide their customers some level of certainty in planning. Undertaking profitability analysis. Assist industry by promoting venison in line with strategic objectives. |

3.2.4 Expected outcomes and measures of success

- Increase in certainty of livestock procurement.
- Increased chilled exports 12 months of the year.
- Increased venison consumption post-Christmas in Europe.
- Increased promotion of deer co-products.
- Producers are well informed of industry's prospects.

3.3 Increased On-Farm Productivity

3.3.1 Issues

Alongside earning more from the market, the venison industry can improve returns by increasing on-farm productivity. Other meat producing industries have demonstrated the dramatic increases in productivity achievable through the application of improved genetics and management techniques. For example, the New Zealand sheepmeat industry has increased the volume of lamb produced from a declining ewe flock, with productivity improvements averaging 4% per annum in the last decade. But care must be taken to ensure that increases in productivity do not come at a cost to quality, or product reputation in international markets.

'Wastage' or costs can be reduced, and profitability increased via improvements in reproductive efficiency and animal growth rates. These can be achieved through inputs such as genetic selection and applying more effective pasture and feed management. Genetics has the potential to assist in bringing forward calving dates, increasing growth rates and improving carcass traits. Where information already exists on improvements in productivity, the industry can take steps to effectively communicate this to producers for application in their businesses. An example of this is the availability of Breeding Values for venison production available on DeerSelect. If gaps in knowledge exist, steps can be taken to find answers to productivity questions.

Importantly, improvements in productivity must not come at the cost of product quality or be detrimental to the product's market image. Also any increase in total volume must be in line with increases in consumer demand so the industry can capture the advances in production, without oversupplying the market and reducing returns to producers. Processing efficiency and advancements are also important for industry profitability, however these are assumed to be best dealt with by individual venison processing and marketing companies, in the first instance.

The deer industry is currently working on venison productivity with the aim of more deer, earlier, heavier. It has three central objectives:

1. Improve hind productivity through improved weaning rates and fawn survival.
2. Earlier calving animals, to allow deer to hit target weights earlier to meet venison processing and marketing companies' seasonal demand.
3. Grow faster – more meat per kg of dry matter consumed.

Fundamental to these objectives is the uptake of genetics, technology and techniques by deer farmers which will enable productivity increases. See the [New Zealand Deer Industry Productivity Strategy](#) for more detail.

3.3.2 Tactics:

- Identification of technology and management techniques which will enhance the venison industry's productivity.
- Effective communication of these productivity improving measures to producers.
- Uptake by producers, measurement and recording of productivity performance.

3.3.3 Roles and Responsibilities:

| Partner | Responsibilities |
|------------------------|---|
| Producers | Implement productivity improvements. |
| Processors/Exporters | Communicate market needs and product timing requirements. Advances in processing efficiency applied. |
| Importers/Distributors | |
| DINZ | Fund research, development and adoption in the absence of any commercial activity. |

3.3.4 Expected outcomes and measures of success

- Producers are well informed of measures they can take to increase productivity.
- Information is used on-farm.
- Survival to sale percentages up.
- Slaughter weights up.
- More deer available earlier.

3.4 Review Measures to Encourage Long-Term Commitment to Market Development.

3.4.1 Issues

One factor exacerbating the volatility in supply of New Zealand venison is the ease with which sellers can enter, and exit, the export trade. The open and competitive structure of the industry is such that farmers are able to supply venison processing and marketing companies or toll processors who can then supply existing exporters, brokers or people without long term commitment to the New Zealand deer industry.

Competition has many benefits, and while the increased demand for venison that results from competition benefits farmers on a rising market, it exacerbates the downward trend as companies decide to leave the industry if the market contracts and the business becomes tougher.

In addition, the entry and exit of uncommitted exporters disrupts attempts to build longer-term supply commitments up, and down, the value chain, leading to more speculative behaviour by marketing companies, and thus, greater volatility in industry returns, and less investment in the industry's future.

There are commercial mechanisms available to the deer industry to encourage greater commitment by participants in the value chain, to build in some measure of loyalty to suppliers, and customers, and reward behaviour which makes a constructive contribution to stable venison marketing. These initiatives are important and are supported by this strategic intent.

There are examples of supply management which have been tried in the past by the New Zealand meat industry. These include licensing processors, appellation strategies, export licensing, processing and marketing committees, voluntary restraint agreements, and ultimately, single desk marketing. The deer industry good organisation, DINZ, does not have any powers to impose any restraints on the industry, and it is unlikely that competition authorities in New Zealand, or in the main markets, would allow any kind of perceived collusion. It is also unlikely that industry participants would unanimously agree to any collective action on this issue.

Commercial arrangements are being put into place by venison marketing companies, with contracts on offer by a number of companies. It is up to producers to demonstrate a commitment to the stability of the market by providing certainty of product delivery to marketing companies, and for processing and marketing companies to provide the level of service required to obtain that commitment.

3.4.2 Tactics:

- Raise industry awareness as to the seriousness of the issue and support commercial resolution of the issue.
- Publication of venison marketing companies' activities to position New Zealand venison, and alignment with industry objectives.
- Industry discussion on ways to encourage long term commitment to market development.

3.4.3 Roles and Responsibilities:

| Partner | Responsibilities |
|------------------------|--|
| Producers | Provide processor with supply certainty. Consider marketing companies contribution to industry stability and market development. |
| Processors/Exporters | Provide supplier with payment and space certainty. Demonstrate commitment to marketing venison in line with industry objectives. |
| Importers/Distributors | Establish preferential suppliers. |
| DINZ | Facilitate discussion of the issue. Implement industry good initiatives to encourage loyalty which support commercial efforts as agreed by industry participants. Provide a conduit for companies wishing to communicate their market development activities to producers. |

3.4.4 Expected outcomes and measures of success

- Industry discussion on the impact of long-term supply decisions
- Producers provided with understanding of different companies marketing strategies and able to decide on preferred course of action.

3.5 Ensure industry has freedom to operate

3.5.1 Issues

Regulators, competitors, lobby groups, and customers all have expectations and requirements which can have an effect upon the profitable production and sale of New Zealand venison. Issues such as climate change regulation, environmental stewardship, food safety, animal welfare, and market access have the potential to constrain the industry's ability to produce and sell venison for the best returns. In many cases, concerted industry action is required to either resist unnecessary requirements, or implement change when needed.

Examples of issues which constrain the industry's ability to operate profitably include:

- **ETS:** New Zealand's government has indicated it will impose an emissions trading scheme on New Zealand agriculture to force emitters of carbon to pay for their emissions.
- **Sanitary market access requirements:** Our main markets, the EU, Switzerland and the USA all have in place strict requirements for the production and importation of food products for human consumption. These place considerable cost on the industry, both through the application of the measures, and their monitoring by NZ FSA.
- **Tariff and non-tariff barriers to trade.** Several markets maintain import tariffs on venison; Norway, the Peoples Republic of China, the Republic of Korea, and Thailand to name a few. Belgium operates an archaic seasonal sales restriction on game products which impedes the development of year-round consumption in a major market.

The industry has responded in many ways to the expected and actual requirements of markets and regulators:

- **Animal welfare codes.** The NVSB, transport accreditation scheme and company QA programmes are examples of tools the New Zealand deer industry employ to maintain high levels of animal welfare. Differing markets have different interpretations and expectations of animal welfare, and New Zealand agriculture must avoid attempts to impose unrealistic or unnecessary restrictions, while still ensuring high standards and compliance with New Zealand's requirements.
- **NAIT:** Individual animal identification and tracing may provide the New Zealand deer industry with a valuable tool to assist with market access, food safety, production management, bio-security and marketing initiatives.
- **Quality Assurance:** Deer QA has been superseded by commercially driven company QA schemes. These customer driven requirements may be based upon some industry standards, such as the New Zealand deer industry transport accreditation scheme. There may be other areas where collective action can reduce costs and duplication, and resist unnecessary impositions from customers and regulators.
- **Natural Capital:** For New Zealand venison production to continue, the deer industry must manage and protect its factors of production including deer, soil, water and biological systems which enable venison production.

3.5.2 Tactics:

- Appropriate industry working groups are maintained to ensure issues can be addressed as they arise.
- Commercial QA programmes cover off industry basics so statements on industry's behalf have credibility.
- Compilation of statistics on proportion of companies with QA programmes and proportion of national throughout under some QA programme. Examination of issues not universally covered through companies QA schemes.
- Continue to object to the cost of the ETS and any other environmental impost which constrains the industry without meeting a clear benefit.
- Continue monitoring for and taking action to exclude animal health issues such as CWD from the nation.

3.5.3 Roles and Responsibilities:

| Partner | Responsibilities |
|------------------------|--|
| Producers | Maintain standards and comply with commercial and regulatory requirements. |
| Processors/Exporters | Maintain standards and implement systems to ensure compliance with customer and regulatory requirements. |
| Importers/Distributors | Inform New Zealand of future issues and defend New Zealand against unnecessary impositions. |
| DINZ | Respond to industry requests for representation on issues constraining trade. Identify, analyse and inform industry of implications of impediments to trade. Representation to avoid impediments to trade. |

3.5.4 Expected outcomes and measures of success

- Industry enjoys improved access to markets
- Industry ensures appropriate environmental, animal welfare, and product quality standards.

Appendix 1. Similarities and Differences to 2004-2010.

Differences:

- In 2004 the industry faced robust world growth and rapidly increasing volumes of venison to market. The suggestion that venison was a good summer item was not accepted by many in traditional markets, and exporting was handled by five exporting companies.
- In 2009 the world faces a period of severe economic disruption, with economic growth and consumer incomes falling in all main markets. The volume of venison produced in New Zealand is expected to sharply contract in the next few years due to a reduction in the breeding herd, while the number of New Zealand companies selling venison has increased to about a dozen.
- In 2004 prices for venison were recovering from all time lows following the collapse of 2002. Deer farmers had begun to respond by exiting the industry in favour of more profitable land-use options.
- In 2009, venison prices have eased back from historic peaks, but still remain well above long-term averages. Venison finishing is among the most profitable means of converting grass into dollars. Breeding and selling weaners is providing good returns for many farmers.
- Most European importers are now embracing options for increasing out-of-season sales. Specifically post-Christmas and Easter, but also some 12 month retail accounts.
- In 2004 no companies offered guaranteed price contracts for supply. In 2009 two companies (that the writer knows of) offered guaranteed price contracts to farmer suppliers.

Similarities:

- European restaurants serving Game in the northern hemisphere autumn remain the cornerstone of demand for the New Zealand industry.
- Most venison is still consumed in the traditional European season between October and December.
- Large volumes of venison are exported over the New Zealand summer and autumn, arriving too late for the peak consumption season.
- Large volumes of New Zealand venison are exported in frozen form for storage in Europe till the game season.
- Venison is still not considered a summer meat by the majority of German consumers.
- Venison remains an exotic product, untried by large portions of society in all our main markets.
- Fawn survival to sale remains low in comparison to other livestock species.