



**DEER INDUSTRY
NEW ZEALAND**



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**ANNUAL REPORT
2008/09**

ABOUT THIS ANNUAL REPORT

Welcome to the Deer Industry New Zealand electronic Annual Report for 2008/09.

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INTRODUCTION

VENISON

VELVET

ON-FARM/PRODUCTIVITY

ANIMAL WELFARE

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CONTACT DETAILS

MISSION

To promote and assist the development of the New Zealand deer industry.

VISION

A strong, stable, profitable industry for all participants.



INTRODUCTION

WHAT WE SAID WE'D DO

WHAT WE DID

Retail promotions in Germany and other European countries to cement New Zealand venison's place on European retail shelves.

On 123 days of tastings, samples were provided to an estimated 23,000 shoppers. Twelve supermarket chains and eight importers used Deer Industry New Zealand tools to promote New Zealand venison.

Agreement on a new venison industry strategic intent to guide industry thinking on marketing venison

Completed and presented at Deer Industry Conference in May 2009.

The National Heart Foundation Tick applied to venison items for sale in New Zealand.

Supported Heart Tick-approved products launched by New Zealand company; more to come.

Continued focus on differentiation of New Zealand venison in European markets.

Advertising campaign in European food service press to accentuate advantages of farm-raised New Zealand venison reached an estimated 85% of German chefs. Endorsement of New Zealand venison on top-rating US television show.

Wide range of venison promotional activities including gourmet fairs and retail tastings.

Promoted New Zealand venison at consumer gourmet fairs in Hamburg, Munich and Stuttgart. Linked promotions to supermarkets where venison was available with help from local importers.

Media coverage of New Zealand venison as a healthy meat in Germany and New Zealand.

Farm-raised venison in food magazines, TV cooking programmes.

New venison website bringing advice and inspiration to consumers.

Design completed, in construction at year end

Development of a five-year velvet industry strategy from the ground up.

Facilitated input from the industry to create the 2010–2014 Velvet Industry Strategic Intent. Launched at the 2009 Deer Industry Conference and integrated as part of Deer Industry New Zealand's

A fresh suite of marketing tools for the promotion of deer velvet products.

Reviewed and updated the Deer Velvet Technical Manual. Created supporting brochures targeting consumers and wholesalers. Translated into key market languages. Distributed throughout industry in New Zealand and core markets overseas.

Further penetration of processed velvet products into the pet nutraceuticals market.

Interaction with veterinarians and pharmaceutical companies as well as collated marketing brochures highlighting velvet's role in animal health. Opportunity exists for commercial sector to tap into this market.

Joint promotion work in Korea to further develop the market for processed New Zealand velvet products.

Continuation of the *Velvet as a health food* campaign at the Seoul Millennium Hilton. Invited VIPs included velvet importers and a major food processing company. Participated in the New Zealand Unlimited event in Seoul to promote velvet drink.

WHAT WE SAID WE'D DO

WHAT WE DID

Stronger relationships and activity in Taiwan to create a unique fit for New Zealand deer velvet.

Solid relationship with Taiwan's Medical Retailers' Association. Very positive response from the new Taiwan version of the Technical Manual, which will help promote more New Zealand velvet.

Progress in development of both traditional and non-traditional deer velvet products in China.

Co-products joint promotional campaign, positioning sinew and tails in Hong Kong.

Ensure velvet is included on the Australian Therapeutic Goods Administration's Permitted Ingredients List.

Application submitted and review underway. Ongoing interaction with the Australian Therapeutic Goods Administration. Incomplete at year-end.

A conference combining all technical aspects of the New Zealand deer industry.

Attempt made, but timing, venue and cost choice combined with difficulty of arranging sufficient time around associated industry meetings created further difficulties. Suggested that this type of event become a triennial event, to be a well-planned and promoted event that accommodates many sectors better.

Four field days for each Focus Farm property.

Completed with all four farms' field days programmed around the productivity strategy; good attendances and reporting. A further project in association with Southland and Fiordland NZDFA Branches and Landcorp Farming with an overall *Integrated Livestock Management* theme.

NAIT recognition of the deer industry's interest in alternative ultra high frequency (UHF) technologies.

Deer Industry New Zealand assisted funding of a small trial of UHF radio frequency identification (RFID) in deer on two properties. NAIT system designed to accept UHF information and NAIT open to UHF if proven.

2009 Deer Industry Conference in Palmerston North and industry updates in your region.

Successful *Passion and Profit* Conference held with 230 registrants.

New style industry communications and reporting methods.

Launch of web-based annual report completed with ongoing refinement of *Stagline-Online* for NZDFA members, with development of featured sections in *Deer Industry News* for Focus Farms, John's Management Ltd and Deer Industry New Zealand activities.

Reporting of further relative profitability analysis in rural media.

Returns and input cost figures for 2009 recalculated with independent analysis based around profitability model in cents per kg of dry matter consumed. All deer enterprises for 2008/09 have been at the top of relative profitability calculations based on strong venison returns and weaker returns for other livestock options. Published in *Deer Industry News* and featured at conference.

REPORT FROM THE CHAIRMAN AND CEO

The year ended 30 September 2009 marked solid returns for venison producers in spite of growing headwinds for processors and marketers as a result of a stalling world economy. Velvet returns remained low and challenging with a continued trend to exporting raw material and the growing importance of China as a significant buyer.



JOHN SCURR, CHAIRMAN



MARK O'CONNOR, CHIEF EXECUTIVE

Venison Industry Exports and Returns

New Zealand exported approximately 16,154 tonnes of venison in the year ended 30 September 2009. As foreshadowed for some time, this was a reduction from the previous year of nearly 5,000 tonnes or 23% (September 2008 was approximately 20,900 tonnes). This reduction is a result of a smaller herd following the significant slaughter of capital stock in the previous five years. The value of New Zealand's venison exports was some \$273 million free on board (FOB), a decrease of 9% compared with the year ended September 2008 (\$301 million FOB). Export returns per tonne increased by 15% in September 2009

over September 2008. Venison production in the year ended September 2009 was approximately 490,000 deer compared with approximately 606,000 in the year ended September 2008, a 19% decrease.

Schedule returns to producers continued to recover strongly with an average schedule paid for an AP stag of \$8.65 per kilogram hot carcass weight. This was 19% higher than for the same period in 2008 and 105% higher than for the same period in 2006. The higher schedule returns were the result of a benign exchange rate, industry marketing commitment over the previous five years and reasonable market conditions. However, the impact of weak economic conditions in Europe and the United States was beginning to show at the end of the period, and conditions have become more

challenging since 30 September 2009. These are covered in more detail in the [Venison Report](#) and [venison statistics](#) section.

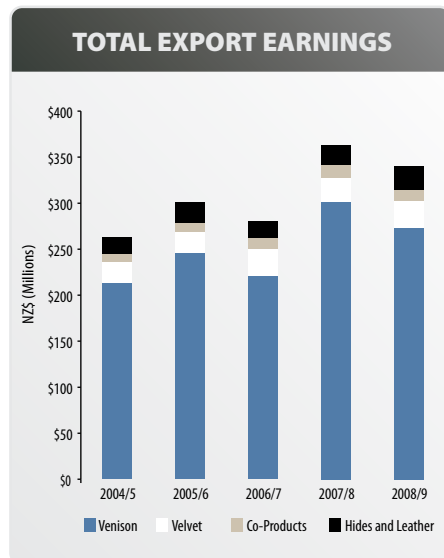
New Zealand's decrease in venison supply came at the right time, as markets weakened and consumer spending dried up as the global financial crisis impacted on European and American consumers. Even with lower supply, there was still some build up of frozen venison middle cuts. However, New Zealand venison fared better than competing specialty game items and more traditional red meat proteins such as beef.

The industry continued to commit to the positioning of New Zealand venison as a lean, healthy, great tasting and versatile red meat protein. Given weaker demand and lower pricing

by competitors, Deer Industry New Zealand implemented a European trade focused campaign using chefs' magazines, chef events and direct mail to communicate the availability and qualities of New Zealand venison during the game season. Deer Industry New Zealand also participated in 46 promotional projects with New Zealand venison marketing companies in the year ended September 2009.

Velvet Industry Exports and Returns

Deer Industry New Zealand collected levy on 443 tonnes of velvet in the year ended 30 September 2009 compared with 487 tonnes, a reduction of 9%. Velvet exported was 209 tonnes dried equivalent, an increase of 5% over the 200 tonnes dried



equivalent exported during the previous period. Dried equivalent figures include hard antler. Velvet export income was approximately \$30 million, an increase of 12% over the previous period.

Selling conditions remained difficult for New Zealand velvet during the period with a weighted average price to producers of approximately \$60 per frozen kilogram compared with \$73.50 in the previous season and a 10-year average of approximately \$76 per frozen kilogram.

There appears to have been a significant slaughter of older stags from July to December 2008. This will have an impact on the size of the New Zealand velvetting herd and therefore on the quantity of velvet produced.

China continued to grow in importance to the New Zealand velvet industry during the period, with 6% more velvet exported by volume and 32% more by value. Growth is primarily from China acting as a trading hub to South Korea. However, opportunity continues to grow for New Zealand velvet and co-products as China continues to grow and a middle class emerges. Market access issues continue to hamper the development of the Chinese market for New Zealand velvet.

South Korea continued to consume the lion's share of New Zealand velvet. It remains based on the oriental medicine trade, but increasing quantities of New Zealand velvet were used in finished

product formats. Finished, packaged, sliced velvet was exported directly from New Zealand to South Korea for the first time in New Zealand's history during the period, following access being officially granted in 2005.

North Asian economies have weathered the economic crisis well so far compared with western economies. North Asian economies appear well positioned with healthy national balance sheets and strong resilience in tough times. Good opportunities remain for New Zealand velvet and co-products in these markets if the industry can sell in a more structured way to customers who are dedicated to marketing and good positioning of New Zealand deer products.

Industry Strategic Intent

Deer Industry New Zealand charted its course and allocated resources over the past five years in line with industry strategic intents for venison and velvet (2004 to 2009). These strategic intents concluded on 30 September 2009 and they are covered in this annual report. Although both strategic intents met many of their targets, there remained different levels of commercial maturity between venison and velvet. While individual venison marketers were very competitive and implemented their own commercial strategies, they acknowledged the benefit of working collectively

on industry-related issues and opportunities. The velvet industry tended to be more partisan and unwilling or unable to work for the collective good while still pursuing individual company activities. There are signs that this is changing and some momentum developing. Deer Industry New Zealand remains very supportive of change which improves how New Zealand velvet is sold.

New strategic intents were developed during the year for the period 2010–2014 and summaries are also provided in this annual report. Input was received from a wide range of velvet and venison industry participants. The industry strategic intents reflect this input and provide sound direction for the venison and velvet industries over the next five years.

DINZ Financial Performance

Deer Industry New Zealand ended the period in a healthy reserves position of \$4.4 million. As previously planned and advised to industry, Deer Industry New Zealand built reserves during the recent period of very high venison production to enable it to continue its existing levels of industry good investment in the face of falling production. As such, Deer Industry New Zealand operated a deficit budget which resulted in a loss of approximately \$192,000, funded by reserves. Deer Industry New Zealand expects to run a deficit again



SUCCESSFUL RESTAURATEUR CHARLIE PALMER (WITH MICROPHONE) INTRODUCES DINZ EXECUTIVE CHEF GRAHAM BROWN AT A GOURMET CHARITY EVENT IN THE UNITED STATES IN MARCH 2009.

in the year ending 30 September 2010.

Deer Industry New Zealand also reviewed its costs during the period. The Executive set a target to reduce expenditure on administration by 20% and will report on progress during 2010.

Industry Relationships

Deer Industry New Zealand coordinated and administered a large number of committees and groups to ensure the effective coordination of the industry wherever sensible. These included the New Zealand Deer Farmers' Association, Venison Processors Technical Committee, Venison Marketing Managers/Deer Industry Association, National Velveting Standards Body and Cervena. Deer Industry New Zealand sincerely thanks all industry participants in these various forums. Their energetic input and expertise contribute mightily to the strength of the New Zealand deer industry.

Productivity/Focus Farms

The Deer Industry Focus Farms, *Making the DIFFerence*, continued to grow and gain momentum through the hard work and commitment of a large number of people including the organising committees, facilitators, participating farmers, scientists, veterinarians and deer farmers who

attended and contributed at field days. Many thanks to all, particularly those who put in much time for little recompense, but who have a clear sense of contributing to a stronger, more profitable deer industry. The Focus Farms project is fundamental to achieving improvements to productivity alongside genetic enhancement of desirable traits and new knowledge from science programmes.

Board Changes

Finally, John Spiers completed his term on the Board of Deer Industry New Zealand in June. John's fellow directors and the Executive thank him for his sound judgment and guidance. Deer Industry New Zealand welcomed Jerry Bell to the Board. We are certain Jerry will be a very positive contributor to Deer Industry New Zealand.

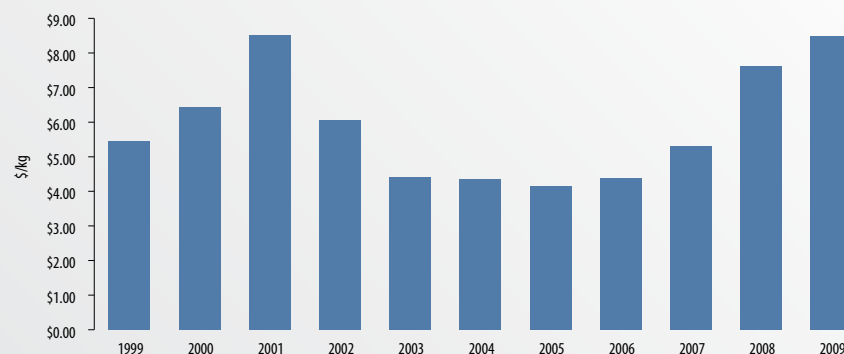
JOHN SCURR AND MARK O'CONNOR

HIGHLIGHTS

Venison

- Due to a mostly favourable exchange rate, continued strong demand and market diversification, the unweighted average AP Stag venison schedule for 2008/09 was an all-time high of \$8.68.
- The agreement of the 2010–2014 Venison Industry Strategic Intent with venison marketers and producers, providing clear objectives to guide Deer Industry New Zealand activity for the next five years ([see separate section](#)).
- An article on New Zealand venison in Germany's top-selling women's magazine, *Brigitte*, with a readership of over 20 million.
- Initiating a visit to New Zealand, and an interview with Prime Minister John Key, by Germany's highest-circulation newspaper, *Stern*.
- Continuation of the Pure New Zealand Cuisine culinary education. Leading collaborative work with other New Zealand food exporters, teaching the next generation of US chefs about the quality of New Zealand products.
- Endorsement of New Zealand venison on top-rating US television show *Iron Chef America*. Star chef Brad Farmerie used New Zealand venison on the show which has an audience of more than 7 million.

AVERAGE SEASONAL SCHEDULE - 55-60KG AP STAG



Velvet and Co-products

- The new 2010–2014 Velvet Industry Strategic Intent was agreed by the velvet industry.
- The start of free trade negotiations between New Zealand and South Korea, the largest consumer of New Zealand's velvet which has the potential to significantly improve the competitive position of New Zealand deer velvet.
- A well-conducted co-products promotion in Hong Kong achieved good coverage and results.
- The new suite of velvet marketing materials including the revised Velvet Technical Manual.
- An overall lift in velvet exports from the previous year (\$26.6m to \$29.7m).

Producer Management

- Consolidation of the Focus Farm programme and growing strength of field day activity and productivity themes.
- Development of the Southland Focus Farm initiative based around a theme of *integrated livestock management*, in association with generous support from Landcorp Farming Ltd, the New Zealand Deer Farmers' Association (NZDFA) Southland Branch, and Meat and Wool New Zealand.
- Further funding of a new Johne's Research Group programme (JRG2) through the MAF Sustainable Farming Fund, Deer Industry New Zealand, Johne's Management Ltd and

NZDFA, to support extension and advisory work in conjunction with expertise from Johne's Management Ltd and key farmers and vets from Johne's Research Group 1.

- Three successful field days held with the winners of the industry biennial environmental awards programme.
- The 35th Annual Deer Industry Conference, *Passion and Profit*, in Palmerston North.
- Agreement with NAIT to accommodate deer farmer suggestions regarding practicality of tagging, implementation and timing.
- Strong on-farm profitability led by venison returns and confirmation of the strength of deer farming compared with other livestock farming options based on the margin returned per kilogram of dry matter consumed.
- Further involvement of key decision makers in emissions trading, research, the Animal Health Board, MAF Biosecurity New Zealand, Landcorp, Federated Farmers and the Deer Industry New Zealand Board and Executive with the NZDFA Branch Chairmen's two-day meeting.

WHAT TO LOOK OUT FOR IN 2009/10

- Increased promotion of New Zealand venison to the European Food service post-game trade.
- Increased promotion of New Zealand venison in non-traditional markets, post game season.
- Promotion of new venison items in New Zealand.
- Continuation of strategic positioning activities for Cervena™ in the United States.
- Strong links with venison marketing companies promoting branded products.
- Cement Deer Industry New Zealand's activities to align with the 2010-2014 Velvet Industry Strategic Intent (VISI)
- Increased exposure of New Zealand sliced and branded/packaged velvet into Korea.
- Working with authorities in Korea on traceability of New Zealand deer products.
- Increase the New Zealand deer industry's exposure through prominent exhibition(s).
- Launch a Chinese website to ensure a presence for New Zealand deer velvet and co-products for this emerging market.
- Investigation of a joint partnership programme with the Taiwanese Deer Farmers' Association.
- Creation of a new interactive velvet industry DVD with updated video clips and promotional e-books.
- *Focu\$ed 2010*, the 36th Deer Industry Conference in Napier (18–20 May), incorporating a wide-ranging agribusiness seminar, fine food and entertainment, Deer Industry New Zealand's Formal General Meeting, the NZDFA AGM and industry awards including the 6th biennial environmental awards.
- Associated *Focu\$ed 2010* field day at the Hawke's Bay Focus Farm on 20 May.
- Further activity with John's disease control programmes, John's Research Group 2 the specialist advisory network and John's Management Ltd.
- Ongoing Focus Farms programme, delivering better-defined themes and promoting application of current and past research.
- Added communications through *Deer Industry News* and the NZDFA Branch network, especially in the areas of productivity, Focus Farm reporting and technical advice.
- Review of *Deer Industry News* to ensure it is fresh and relevant to the New Zealand deer industry.
- Initiation of a project to move DEERSelect to the next stage in its development.
- Launch of a new Deer Industry New Zealand web site.



BOARD OF DIRECTORS

APPOINTED BY THE NEW ZEALAND
DEER FARMERS' ASSOCIATION



Graham Carr

Director of Graham Carr [NZ] Limited, Southbury Group, Lindale Farming Company Limited

Shareholder of Velexco Limited, a velvet marketing company, Silver Fern Farms Limited



Keith Neylon

Chairman of General Trust Fund, NZTR
Director of Blue River Dairy Limited, Southern Deer Corporation Limited, Neylon Livestock Limited, New Zealand Health and Nature Livestock Limited, Nucleus Management Limited, New Zealand Deer Farms Limited, New Zealand Velvet Marketing Company, Cloudy Bay Aquaculture Limited, Nucleus Assets Limited, Impian Technologies Limited, Antara Ag Limited, Grange Farm Limited, 2C Management Limited
Shareholder of Silver Fern Farms Limited, Velexco Cooperative Group Farms near Winton



John Scurr

Chairman of Cardrona Residents and Rate Payers Society

Director of Spotburn Investments Limited

Shareholder of Velexco Limited, a velvet marketing company, Silver Fern Farms Limited, Farms at Wanaka



Jeremy Bell

Director of Jeremy Bell Investments Limited, trading as Criffel Station, Wanaka Trading Ltd, Nantong Xirun Healthy Food Limited – China

Shareholder of Velexco Limited, a velvet marketing company, Alliance Group Limited, Beech Resources Limited

ELECTED BY VENISON MARKETERS
AND VENISON PROCESSORS



Grant Cuff

CEO of Alliance Group Limited

Council member of Meat Industry Association



Andrew Duncan

Director and shareholder of Duncan and Company Limited, Duncan Processors Limited, HDF Holdings Limited, Velvet Antler Developers Limited

Shareholder of Otago Venison Limited



Stuart Natrass

Chairman of Specialised Sales and Marketing
Chairman and shareholder of Global Horticulture Limited
Director of Pike River Coal Limited

Director and shareholder of Cambiste Limited, Wool Services International, Fonterra Co-operative Group
Shareholder of Silver Fern Farms Limited, Pyne Gold Corporation, Southbury Group

Business consultant

Farms sheep, beef and deer



John MacDonald

Director of Bellbrook Investments Limited, D4 Limited, Shopping Centre Investments Limited

Shareholder of Canterbury Antler Limited – a velvet and co-product processor and exporter, Shopping Centre Investments Limited

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

Deer Industry New Zealand indemnifies all directors named in this report, and current executive directors of the Group against all liabilities (other than to Deer Industry New Zealand or members of the Group) which arise out of the performance of their normal duties as director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has directors' and officers' insurance.