



**DEER INDUSTRY
NEW ZEALAND**



START

**ANNUAL REPORT
2008/09**

ABOUT THIS ANNUAL REPORT

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

This report document is designed in format and function to be read electronically with the ease and comfort of your home computer. Therefore we recommend using the CD-ROM attached to the inside cover of this document. The CD-ROM is easy to navigate and provides ease of access between the document and other relevant information via industry-related website links (internet connection will be required).

If you encounter any difficulties in reading or navigating the CD-ROM, please do not hesitate to contact us for assistance.

We welcome your questions and comments about the Annual Report. For more information, or general feedback and comments, please contact us on: info@deernz.org

INTRODUCTION

VENISON

VELVET

ON-FARM/PRODUCTIVITY

ANIMAL WELFARE

FINANCIALS

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.

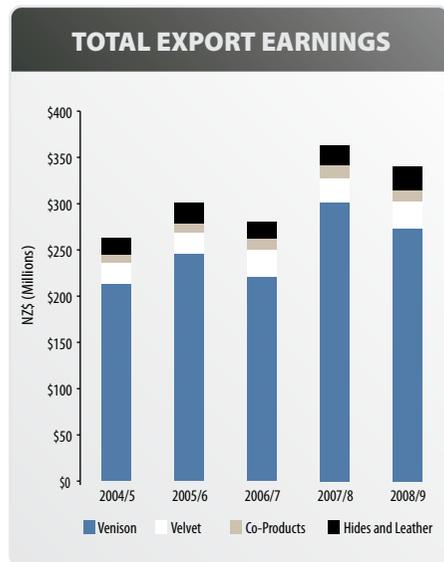
New Zealand's decrease in venison supply came at the right time, as markets weakened and consumer spending dried up as the global financial crisis impacted on European and American consumers. Even with lower supply, there was still some build up of frozen venison middle cuts. However, New Zealand venison 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.

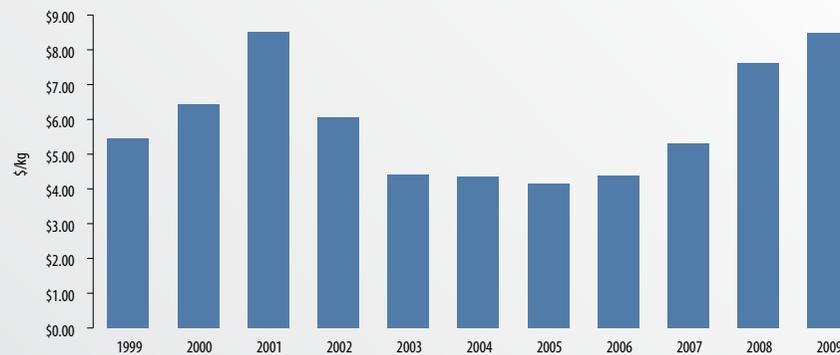
JOHN SCURR AND MARK O'CONNOR

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/package 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

Shareholder of Silver Fern Farms Limited, Pyne Gold Corporation, Southbury Group
Business consultant
Farms sheep, beef and deer

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.

VENISON

VENISON

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.

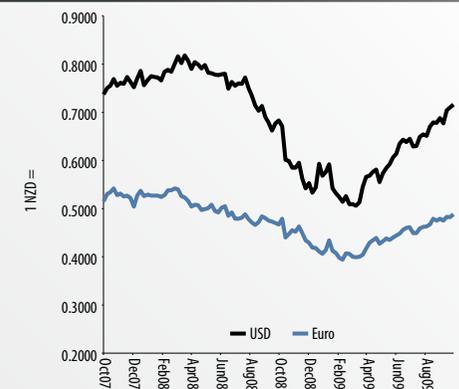
Exports are now worth over \$20 million per annum, making the Netherlands New Zealand's 5th most valuable market. This includes more than \$10 million worth of chilled venison, exported 12 months of the year.

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

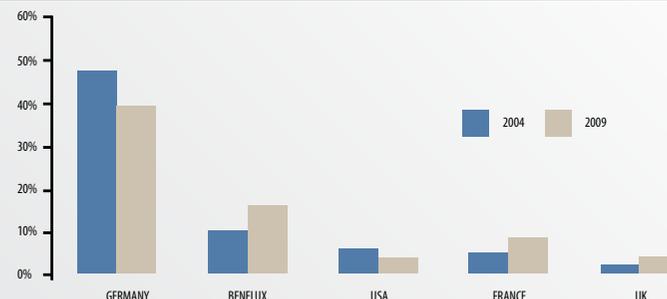
Actions:

- 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 trades' 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.

2. 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.

3. 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.

4. 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.

5. 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.

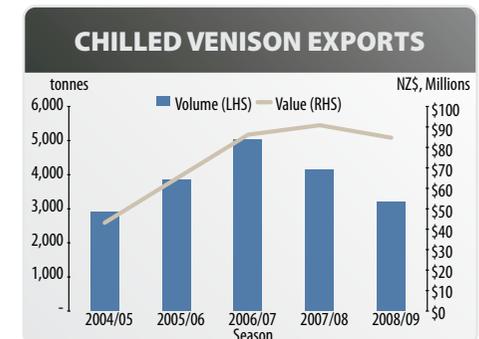
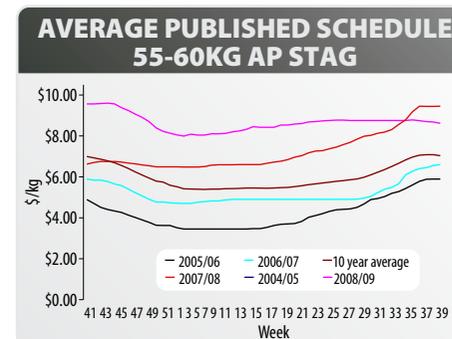
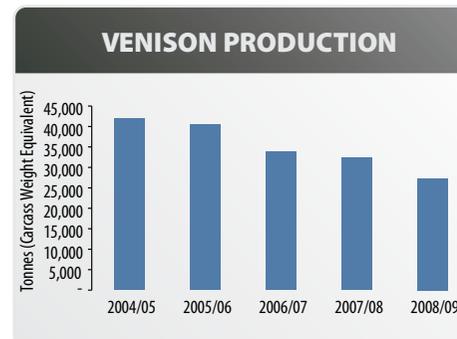
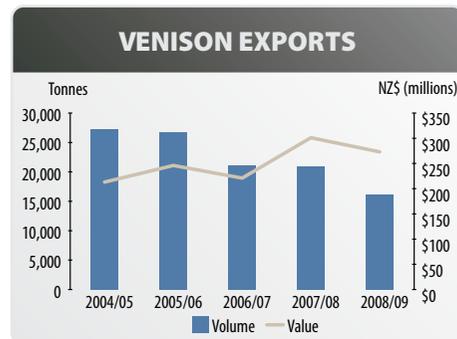
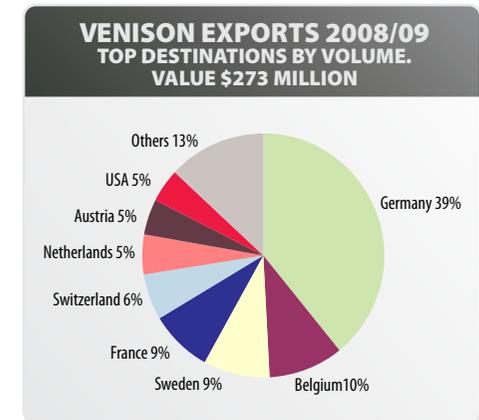
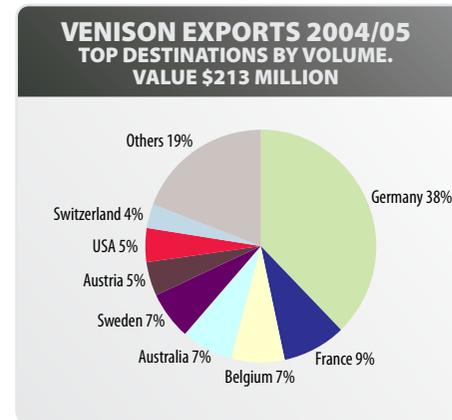
This means providing producers with the understanding of what the market wants – and when it wants it – and delivering the tools to do it.

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



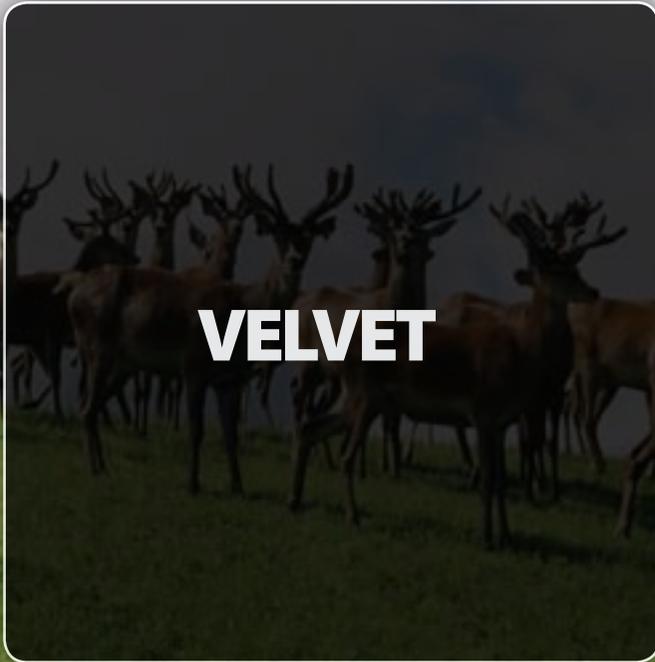
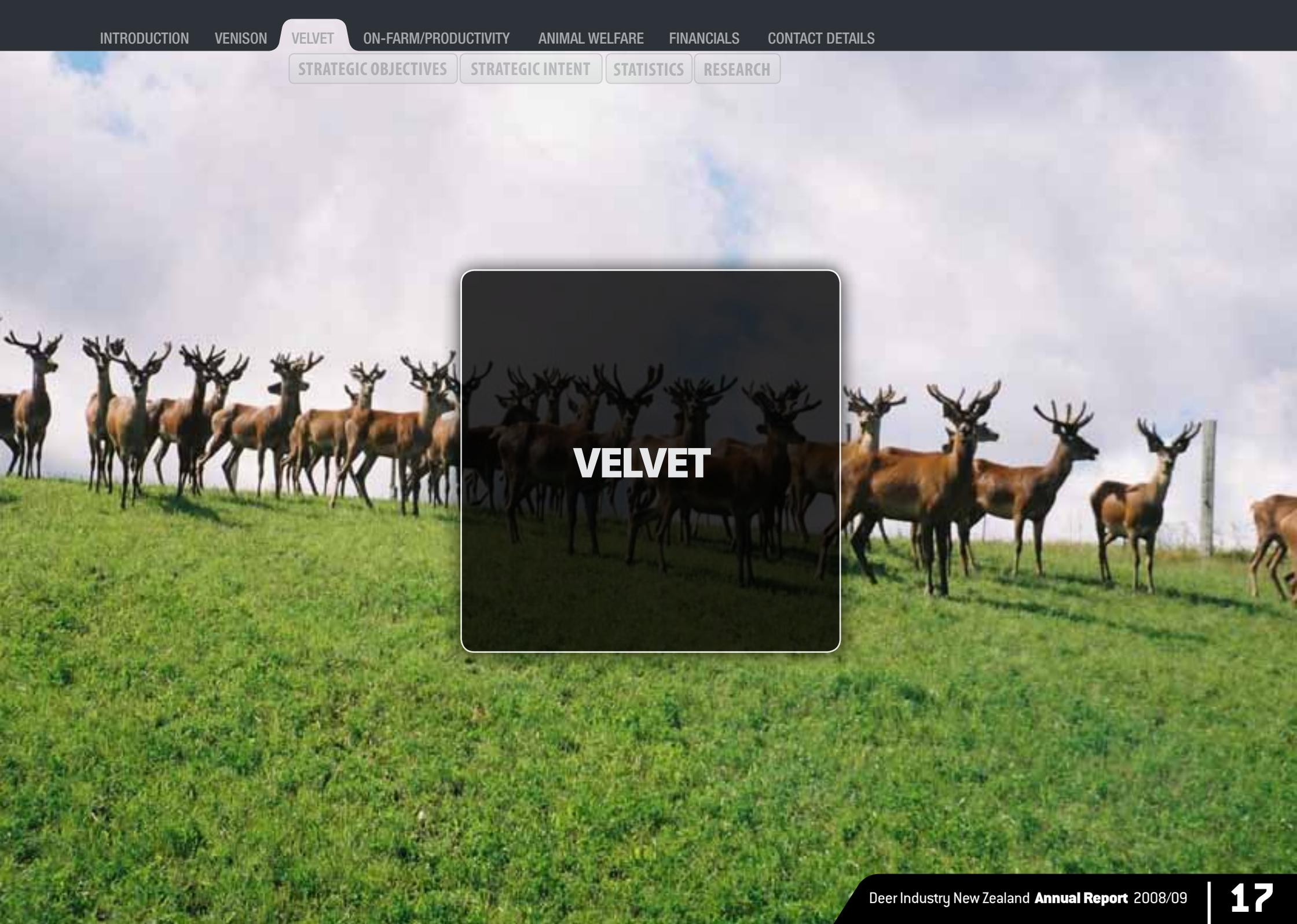
The total volume of venison exports in the year ended September 2009 fell 23% compared with the year earlier because of the reduced number of deer on New Zealand farms and an improvement in hind retention numbers.

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.



The 2008/09 season resulted in low returns for velvet producers. This led to some farmers culling their velvetting stags more aggressively and taking advantage of higher venison prices. NZ Velvet Marketing Company was formed between PGG Wrightson and Tasman Velvet Processors. Subsequently it included Velecco and another velvet farmer cooperative. More velvet was shipped to, and reportedly consumed in China – though Korea still remains New Zealand's main velvet consumer. A new Velvet Industry Strategic Intent was launched and work continued to promote velvet in New Zealand's core markets.

Strategic objectives

A new [Velvet Industry Strategic Intent](#) was written and launched in 2009 (see below for further information). The 2010–2014 Velvet Industry Strategic Intent puts emphasis on traditional markets and improving market access. The traditional markets of South Korea, China and Taiwan have a receptive audience that better understands velvet's role in health and wellbeing. With China's increasing wealth and burgeoning economy, it is important the industry acts quickly to ensure velvet is kept "top-of-mind" as a credible health product, or potentially lose to alternative, western-based supplements. Also, the industry needs to keep pace with a changing Asia as newer generations demand further evidence of efficacy and easier delivery systems.

Around the markets

Traditional and new markets in South Korea

2008/9 was a challenging year with New Zealand's biggest velvet market, Korea, not immune to the economic pressures facing the world. While Korea narrowly avoided a technical recession, spending on premium items slowed and the Korean won



NEW ZEALAND UNLIMITED APRIL 2009. NEW ZEALAND'S LARGEST FOOD AND BEVERAGE SHOWCASE TO KOREA.

suffered due to repatriation of major currencies.

On the market side, two companies in Korea used around 10% of New Zealand's velvet production in modern, ready-to-use formulations. This was a fast-growing segment where quality and authentic ingredients are desired. New Zealand was increasingly well recognised in this respect

In April 2009, Deer Industry New Zealand participated in a New Zealand food and beverage expo, run by the [New Zealand Embassy in Seoul](#). Deer Industry New Zealand participated alongside a number of leading New Zealand industries. This gave New Zealand velvet great exposure to over 12,000 Koreans. The event's public day was preceded by a "VIP" day targeting business leaders, politicians and media.

Negotiation of a [Free Trade Agreement](#) between New Zealand and the Republic of Korea began in June 2009. The first set of formal offers were tabled in September. The balance of trade between the two countries is quite even, with

Korean exports of technology and hardware complementing New Zealand's strengths in food, tourism and education.



NEW ZEALAND'S LEAD NEGOTIATOR, ALISON MANN, AT THE 2009 DEER INDUSTRY FGM. PHOTO: PHIL STEWART.



CHINA'S LARGEST PET TRADE SHOW, HELD IN SHANGHAI DURING SEPTEMBER 2009, GAVE THE CHANCE TO PROMOTE NEW ZEALAND DEER VELVET'S USE IN COMPANION ANIMALS.

Strengthening ties with Taiwan

Deer Industry New Zealand strengthened ties between the New Zealand and Taiwan deer industries when it welcomed the Chairman of the Taiwan Deer Farmers' Association and a representative of the Republic of China Deer Farmers' Association on their visits to New Zealand. (Taiwan has two deer farmers' associations, which have complementary functions.) Deer Industry New Zealand believes that a potential *win:win* strategy in lifting consumption of velvet in Taiwan could benefit both industries, ultimately leading to an increased quota.



THIS DELEGATION FROM HEILONGJIANG TO NEW ZEALAND INCLUDED CHINESE GOVERNMENT OFFICIALS AND DEER INDUSTRY REPRESENTATIVES.

Unlocking the potential in China

An increased amount of New Zealand deer velvet was exported to China over the past season. While a portion is re-exported to Korea, one major exporter commented that a growing amount was retained and consumed in China. China was less affected by the global recession than other countries, still achieving solid economic growth. As individual wealth continues to grow, it is very important for the New Zealand velvet industry to capture market opportunities. Deer Industry New Zealand continued to strengthen its relationship with importers, marketers and local Chinese government.

China's desire to trade in New Zealand velvet has strengthened with more high-level delegations to New Zealand to seek further trade opportunities.

Hong Kong creations

Deer Industry New Zealand worked closely with New Zealand's two main exporters of deer co-products in a well co-ordinated promotion. The joint promotion was designed to create interest in New Zealand deer sinew and tails as functional foods good for "health and beauty". The campaign started with a media launch leading into [Chinese New Year](#) at a well respected [5-star hotel](#). Several dishes were created with a few remaining as signature dishes on the menu well after the event. The event received widespread coverage in Hong Kong's main Chinese language magazines, newspapers and on several Hong Kong television shows. The publicity also gave an opportunity to educate the audience on identifying authentic versus imitation co-products. The event also sought to educate consumers on the difference between authentic Deer sinew and imitation products sold as deer sinew.

Pet promotions

Work continued with a Hong Kong-based company selling velvet into the companion animal market. Joint promotional activity with Deer Industry New

Zealand over the past year has included bus, newspaper and magazine advertising, veterinary conferences and trade expos in Hong Kong, Taiwan and China. [Evergrow Health Supplies](#) reported continuing growth within this market.

Strengthening the New Zealand velvet brand

The deer Velvet Technical Manual was revised and updated to link health claims with supporting scientific research. The Technical Manual is a comprehensive tool which is fully referenced to scientific papers on velvet from New Zealand and around the world.

To complement the Technical Manual, two brochures were produced: a consumer brochure, summarising key health benefits from the Technical Manual, and a wholesaler brochure highlighting New Zealand's key attributes as the premium velvet supplier. These two brochures completed the suite of marketing materials outlined in the 2007/08 Annual Report.

In line with the 2010–2014 Velvet Industry Strategic Intent, the Technical Manual and brochures were translated into Korean, and Traditional and Simplified Chinese. All received excellent feedback from the markets.

STRATEGIC INTENT

Review of 2005–2009 strategic intent

Between 2005 and 2009 Deer Industry New Zealand carried out around 30 joint promotional campaigns, worked to improve market access, and undertook research programmes to assist the development of the New Zealand velvet industry. This period saw significant challenges, however new markets are developing and opportunities have been created for the commercial sector.

Main market segment goals and results			
Market	Objective	Action/Target	Result by 2009
Korea	Diversify from traditional market reliance	45 tonnes into new channels by 2010	Over 35 tonnes of New Zealand velvet consumed in further processed form by Koreans, primarily as drink sachets. This market is growing.
	Improve market access	Reduce duty and Special Excise Tax	Korean Free Trade Negotiations began in 2009. Deer Industry New Zealand ensured the deer industry's interests were represented by New Zealand's negotiators.
		First shipment of sliced velvet exported in 2008	Paves the way for future shipments of sliced New Zealand deer velvet. Several tonnes were exported sliced, packaged and finished in 2008 and 2009.
China	Increase sales of New Zealand velvet	Retain and consume 55 tonnes of New Zealand velvet	2005 exports: around 100 tonnes. 2009 exports: around 345 tonnes. Deer Industry New Zealand estimates that at least 1/3rd is retained and consumed in China (more than 114 tonnes).
Taiwan	Improve market access	Increase current 5 tonne frozen velvet quota	Restrictive Tariff Rate Quota still applied to imported deer velvet. Solid working relationship with government and local industry has been instrumental in reducing fear of New Zealand velvet flooding the market. This is an important, first step toward support in reducing trade restrictions.

All figures in above table relate to frozen equivalent

Other market segment qualitative goals and results

- **Western markets:** While some companies have carved a reasonable niche for themselves in the western market, effective change in terms of New Zealand velvet exports did not occur. Compared to Asia, it would take significant promotion to educate the relatively naïve western audience and create a meaningful impact on New Zealand velvet.
- **Velvet in a wound-healing product:** Promising steps led to planning for a “first in man” trial due to commence in 2010. If successful, the project moves closer to commercialisation.
- **Co-products:** Exports of co-products continued to climb during the period from \$7.7 million to more than \$12 million. Compositional analysis and joint promotional activity helped raise the profile of co-products which included a joint functional foods promotion in Hong Kong in 2009.

Velvet Industry Strategic Intent 2010–2014

The goal of the 2010–2014 Velvet Industry Strategic Intent is to create sustainable, profitable businesses in the New Zealand velvet industry through the efficient production and successful marketing of quality velvet.

New Zealand remains a large supplier of an unfinished commodity into a historically small, single market segment. This has created an environment which results in volatile returns to the industry and although another market is emerging, there is still uncertainty ahead. The Strategic Intent acknowledges the poor state of the velvet industry through long-term diminishing returns and the recent exit of farmers and processors. The Intent also highlights exporters' diverse opinions on how velvet is best handled in terms of delivery to market.

While returns in the short to medium term may improve through decreased supply, history dictates this will change as soon as the demand:supply equilibrium adjusts. Real change needs to be effected to create sustainable and increasing demand over time.

Based on current conditions, there will be a change in tactic for the next five years. The 2005–2009 Velvet Industry Strategic Intent sought new

markets and positioning for New Zealand deer velvet, while maintaining the traditional market. The new Intent puts focus back into core markets which readily accepts the role of velvet in modern health care.

The core priorities include:

1. Freedom to operate – in terms of velvet removal and regulatory challenges.
2. Improve market access – particularly in the current environment of free trade negotiations with New Zealand's leading trading partners, including South Korea.
3. Protect and grow traditional markets – South Korea, China and Taiwan.
4. Provide efficacy-based research – to support the above core markets.
5. Strengthen the New Zealand velvet brand – to gain a "fair value" for the unique quality systems New Zealand has in place.
6. Western-based markets will receive less focus; however there could be opportunities in the companion animal market.

The Strategic Intent needs to be flexible to allow for changes in the market and industry environments. It aligns DINZ actions with commercial objectives to create a sustainable velvet industry. To download the 2010–2014 Velvet Industry Strategic Intent, please click [here](#) or email info@deernz.org

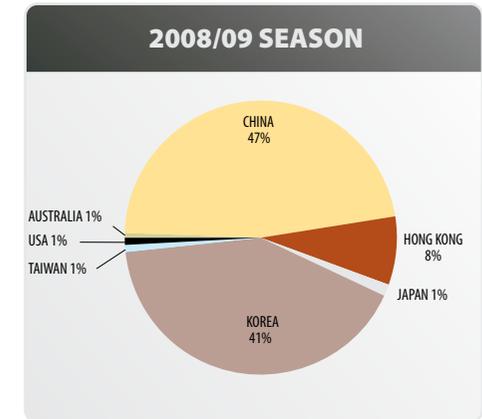
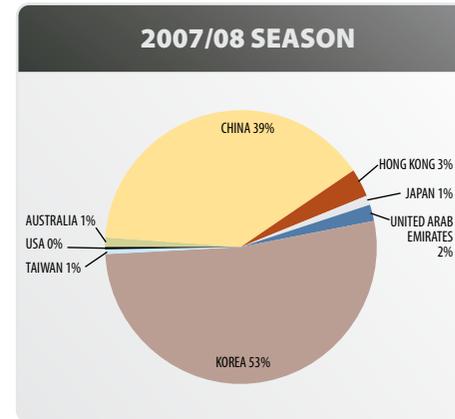


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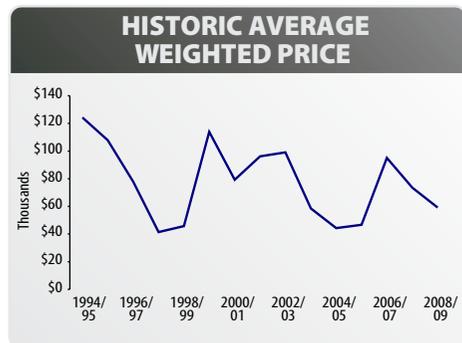
Velvet prices started 2008/9 at low levels, but improved as the year progressed. The weighted seasonal average of under \$60 per kilogram (for all grades) and around \$70 per kilogram for Korean A grades reflected the tough market conditions prevalent through the early part of 2009. Most exporters agreed that prices had improved by season's end.

The decline on 2008 was attributed to the unfavourable exchange rate with the Korean Won, the plentiful supply of velvet at the start of the season and the global financial crisis. Korea's economy was already declining when hit by the global economic recession, which caused an increase in domestic unemployment and reduced spending.

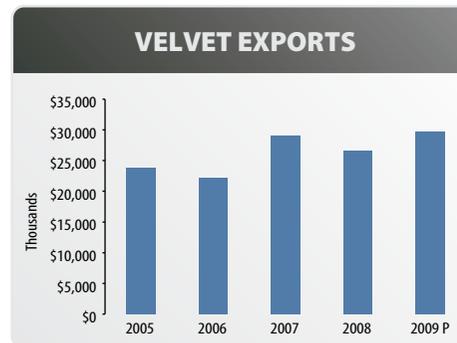
Velvet production (based on levy collected) declined from 487 frozen tonnes in 2007/08 to 443 frozen tonnes in 2008/09. While production in 2008/09 was down on the previous year, it was still higher than expected. Competition for land use continued to affect the velvet industry during the period as producers took the opportunity of the high venison schedule to reduce stag numbers. This heavy cull is expected to further reduce velvet production in the 2009/10 season.



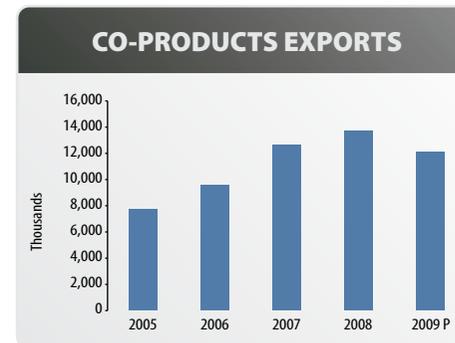
Export destination split (by value) as a percentage from 2007/08 to 2008/09



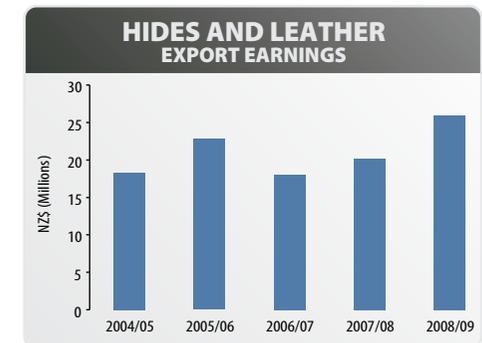
The major change in export destination was a slight shift from direct Korean exports to China. China represented 47%. Deer Industry New Zealand estimates that up to 65% of the velvet exported to China is then processed and re-exported to Korea.



VELVET
New Zealand exported velvet valued at NZ\$29.7m FOB during the year ending September 2009, a 12% increase in export value on the NZ\$26.6m earned in the year ended September 2008.



CO-PRODUCTS
New Zealand exported co-products valued at NZ\$12.1m FOB during the ended September 2009, versus NZ\$13.7 for the year ended September 2008, a 12% decrease in export value.



A 31% increase in the value of deer leather exported from New Zealand contributed to the increase in hides and leather export earnings.

RESEARCH PROGRESS AND RESULTS

Isotopic signature

This project was delayed until the 2009/10 velvetting season. Final results from the pilot study were only available towards the end of the 2008/09 velvetting season and as a result, the decision was made to hold off until the next season.

RepaiRx

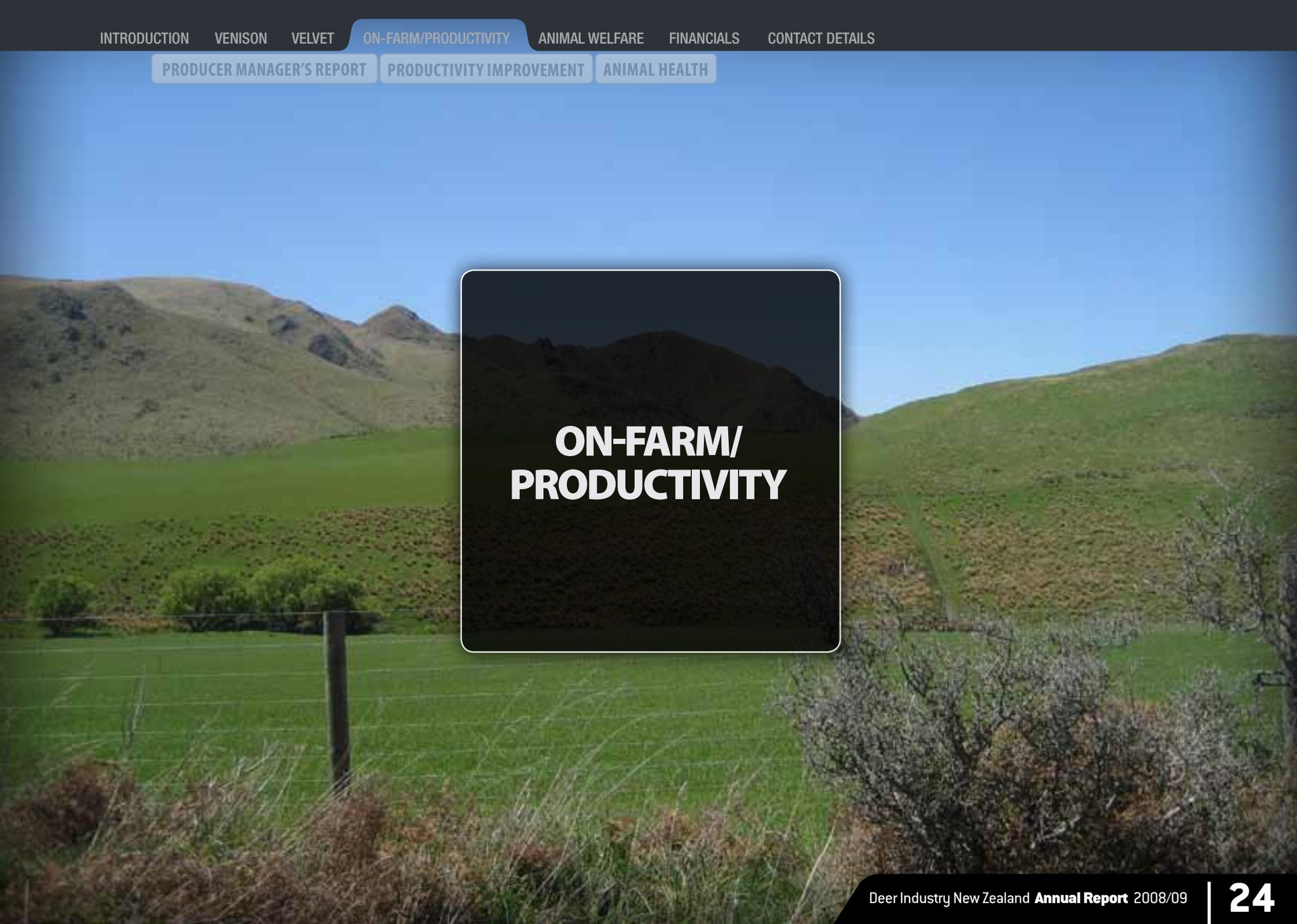
Development of the wound-healing product from a velvet extract has continued at an appropriate pace. Throughout 2008/09 the components for conducting a small-scale human study were determined, negotiated with providers and assembled. Early in the year the expertise and clinic (where the study will take place) of a burns specialist was secured. Much of the remainder of the year was spent determining Australian regulatory requirements for a human study. Advice from a regulatory consultant was that the information gathered to date is very comprehensive

and should meet regulatory requirements. The later stages of the year were spent in securing manufacturing facilities and material.

As a result, expenditure on this project was relatively small this year, but will increase in 2009/10 as an application is made to conduct the study and the study itself gets underway.

Strategic research workshop

In 2009/10 the industry funding contribution to VARNZ will drop in line with the reduced velvet levy. This, coupled with projects ending or soon to end, provided a good opportunity to engage with some key velvet industry stakeholders to determine research needs to underpin the 2010–2014 Velvet Industry Strategic Intent. A workshop was held in August 2009 for participants to provide the VARNZ Board with ideas and industry issues to allow research topics to be prioritised according to their relevance to the 2009–2014 Velvet Industry Strategic Intent and affordability.



**ON-FARM/
PRODUCTIVITY**

PRODUCER MANAGER'S REPORT

Provision of contracted and additional services to the New Zealand Deer Farmers' Association (NZDFA) at national, branch and local level continued with the appointment of Hannah Hsu in the Marketing and Communications Assistant (MCA) role, following Natalie Fraser's move to full-time university study. Hannah brings additional skills in translation and communication for Mandarin-speaking countries that will assist the velvet marketing programme. Around 60% of the MCA's duties are directed towards servicing NZDFA and producer interests, as well as supporting the Producer Manager's role.

Communications, apart from *Deer Industry News*, centred around producing newsletters, advertising events and reporting on the *Making the Difference* Focus Farm Project. The monthly production of the electronic newsletter *Stagline-Online* is an exclusive service to subscription-paying NZDFA

members. *Stagline-Online* is now well into its third year. (NZDFA members wishing to receive the newsletter should contact Hannah Hsu at: hannah.hsu@deernz.org)

The Deer Industry New Zealand and NZDFA relationship is defined within a formal service agreement and the range of topics and issues addressed remains typically varied throughout the year.

Deer Industry New Zealand funded producer working groups or producer support include:

- The Tb Free New Zealand Working Group, which had a major role in association with the NZDFA Executive Committee in submissions, largely supporting the proposed National Pest Management Strategy. Separate submissions were made by [Deer Industry New Zealand](#) and [NZDFA](#).
- Representation on the [Venison Supply Systems](#)

- panel associated with DEEResearch
- AHB Representatives Committee attended by NZDFA member, Ponty von Dadelszen
- NZDFA viewpoint on [NAIT](#)
- Productivity Strategy
- DEERSelect and genetic progress especially in venison estimated breeding values (EBV).

In addition, the Producer Manager is closely associated with John's Management Ltd (JML), the John's Research Group 2 (JRG2), and [Sustainable Farming Fund](#) projects. Dr Jaimie Hunnam from JML joined [JRG2](#) as the Technical Project manager to assist working toward achieving the milestones around this important piece of work.

DEERSelect published sire stag venison growth trait EBVs for Eastern, Composites and English sires from over 400 stags. These are systematically ranked, objectively recorded and analysed for growth traits. The DEERSelect [website](#)

also features a sortable function for growth rate EBVs.

The NZDFA Executive Committee met regularly throughout the year with Deer Industry New Zealand Executives who report in detail on their activities. This offers a strong boost to communication and feedback to the NZDFA for Branches' information.

The October 2008 Branch Chairmen's meetings with the Deer Industry New Zealand Board and Executive again developed further into a full afternoon and evening session, with a formal structure involving the Board in reporting and Q&A sessions.

The format for the two-day event this year was to extend the market reports with a series of key speakers on wide-ranging topics including:

- the likely impact of the 2009 Government

version of the Emissions Trading Scheme, (Dr Brent Layton, NZIER)

- the Pastoral Genomics Consortium
- the development of new cisgenic drought-resistant grasses, high production clovers and other grass cultivars
- updates from Johnes's Management Ltd and Landcorp Farming.

The meeting also hosted the President and CEO of Federated Farmers. This remains a unique opportunity for NZDFA leaders to engage with Deer Industry New Zealand Board members and the Executive and is an annual highlight.

Deer Industry New Zealand remains committed to encouraging an active Producer Manager role at the branch level, made more effective through association with the Focus Farms project. Better timetabling and planning with linked Branch activities would make the travel and time spent more cost effective and is an area under review.

Conference 2009: Passion and Profit

The Central Regions Branch hosted the [May 2009 conference](#) in Palmerston North. It exceeded early expectations. Themed *Passion and Profit*, the conference succeeded on the back of strong

venison prices continuing well into the frozen season, and farmer confidence in strong industry returns and prospects.

The conference opened with an agribusiness seminar, featuring a quality presentation from Rabobank giving an international perspective on the world financial crisis and the position of New Zealand agriculture and the deer industry. Landcorp Farming's CEO, Chris Kelly positively assessed the future of venison production for the industry, and Landcorp's position. This key session discussed traceability from the perspectives of processors and technology suppliers and the application of Radio Frequency Identification (RFID). The agribusiness seminar proved very popular and will be maintained and refined as a key feature of future conferences ahead of the formal general meeting (FGM) and NZDFA annual general meeting sessions.

The welcome function featured Deer Industry New Zealand Executive Chef, Graham Brown, who led a talented local chef team in preparing and demonstrating a five-course degustation menu, with video link from the kitchen. By using the leg cuts, they showed the versatility with which farm-raised venison can be used in restaurants.

Deer Industry New Zealand's FGM featured in-depth market reports and perspectives from four venison processors. The FGM has become a conference





highlight with its series of executive reports and opportunity for vigorous Q&A. The conference venue was dominated by a spectacular antler wall curated by the Central Regions Branch. It featured most of the greatest red, elk and fallow heads grown recently on New Zealand farms, manifesting the passion for antler genetics and the trophy aspects of the business.

The conference, with its emphasis on traceability, also gave a mandate to the NZDFA Executive Committee to charge a working group to develop practical, cost-effective criteria for deer farmers to support NAIT, when introduced.

NAIT

The deer industry was represented by the Deer Industry New Zealand CEO on the National Animal Identification and Tracing (NAIT) Governance Group, and also through the Producer Manager on the Technical Advisory Group, with a Deer Industry New Zealand and NZDFA view expressed. The year saw a considerable shift in deer farmers' earlier concerns and opposition based around perceived added cost for marginal benefit, with an agreement with NAIT that:

- the deer industry would join the scheme twelve months following its mandatory approval for the dairy and beef industries (expected to be 2010)
- that the RFID tagging of weaners be completed

by six months of age, rather than the three months originally suggested as a practical aid to many deer farm management systems

- that there be a three-year transition time to tag capital stock, but accepting that any capital stock leaving the property for sale or slaughter would be fully NAIT compliant and RFID tagged.

The deer industry is also keen to pursue a cheaper direct-to-slaughter RFID tag option with interested manufacturers and has been investigating ultra high frequency and RFID tag technology.

ON-FARM PRODUCTIVITY IMPROVEMENT AND PROFITABILITY

Making the DIFFerence, the Deer Industry Focus Farms Project

The 2008/09 year marked further refinement and gathering momentum around this important technology transfer initiative. Strong attendances, ranging from 45 to 160 participants, continued to feature across the three or four field days per regional project. These events attract solid regional interest and are well established alongside associated New Zealand Deer Farmers' Association Branch activities. Public rural media continued to strongly support the project and have featured all properties in-depth, alongside deer industry reports in *Deer Industry News* and *The Deer Farmer*.

While each farm and region has its own priorities, some common themes emerged as key parts of the “*more deer, heavier and earlier*” goal. These included:

- the use of summer and autumn brassicas and specialist pastures to enhance lactation and weaner growth pre-winter
- greater awareness of growth rate Estimated Breeding Values
- terminal sires in breeding programmes
- diagnosis, test and cull programmes around Johne's disease.

In addition there was steady interest in electronic identification and its associated management

applications as the industry began to accept the inevitable transition to the National Animal Identification and Tracing (NAIT) programme. The Focus Farms were an effective way to demonstrate this technology.

A key feature of the project was the annual Focus Farm Conference, bringing together focus farming couples, facilitators and community group chairmen, venison supply systems researchers and Deer Industry New Zealand executives and Board Members.

This Deer Industry New Zealand-funded review of the year also allowed direct feedback and development of new areas and approaches to technology transfer, measuring and encouraging uptake. This year's conference identified the need for a theme leading each field day and a concentration on short, sharp, simple take-home messages – practical and relevant to the theme and season.

Deer Industry New Zealand also recognised that there is a vast amount of information that has already been developed over previous years, with projects like DEER Master and the Richmond/Wrightson deer performance project of the early 2000s. Relevant aspects of this basic knowledge will be featured at Focus Farm field days, as the newer faces and next generation of deer farmers and skilled staff emerges.

There will be more emphasis on determining uptake and on-farm application. Feedback from attendees will be sought, with more community involvement in themes and programme planning and with greater emphasis on reducing operational costs and improving profitability.

Funding is always under pressure, as the project scope and time commitment increases. Deer Industry New Zealand is acutely aware of the huge voluntary contribution made to these projects and thanks are extended those involved for this exceptional effort. A tangible expression of that enthusiasm was realised when the combined South Canterbury and Canterbury late winter field day hosted the Minister of Agriculture, Hon. David Carter as a featured guest, covering a wide range of regional and national issues, and a frank Q&A session in a packed Dunsandel Community Hall.

All four established Focus Farms are mid-way through their three (or possibly four) year programme and continued to make progress towards their objectives. This was led by solid increases in conception and weaning rates and in growth and carcass performance.

Disappointingly this year, no further projects associated with the farms were approved for funding under the Ministry of Agriculture's Sustainable Farming Fund, although there was strong interest at regional level in areas such

as the evaluation of genetic performance and suitability of different breed and strain types in tough hill country. Some within-project work will continue, nonetheless.

Late in the year, a new initiative for the large catchment of deer farmers in South Otago, Southland and Fiordland (about 950 deer farms) was launched in a joint venture between Deer Industry New Zealand, the local New Zealand Deer Farmers' Association Branches and Landcorp Farming Ltd. There is additional support from the local Meat and Wool New Zealand Monitor Farm Programme. This new Focus Farm will concentrate on “Integration”, recognising that most deer farms also run beef and sheep. The concept mixes demonstration of innovative management and technology systems across breeding, finishing and stud stock programmes, run by Landcorp in the Fiordland area with two Southland deer farmers' specialist finishing and breeding finishing units. A self-funding discussion group will be run in tandem with a three-year field day programme, similar to DEER South. There will be an in-depth review of the management and drivers around productivity, efficiency and profitability.

ANIMAL HEALTH

Johne's disease

Johne's disease has been estimated by Johne's Management Limited (JML) to cost the industry about \$12 million each year. Deer Industry New Zealand continued to invest in management of this significant animal health issue through JML and the Johne's Disease Research Consortium (JDRC).

JML

Established two years ago, JML provides management services to farmers in addition to the information feedback on carcass status of Johne's disease. Highlights in 2008/09 included:

- production of a technical manual, *Understanding Johne's disease*, for veterinarians
- development of a network of 30 specialist consultants on Johne's disease (including three training workshops and support software)
- ongoing assistance from plant inspectors to determine and detect enlarged lymph nodes indicative of Johne's disease
- presentations at Focus Farm events and field days and regular coverage in *Deer Industry News*.

JDRC

The consortium has now been running for one year, although research programmes have been set up in previous years and brought into the consortium. The first annual report is available at www.jdrc.co.nz

Highlights of particular relevance to deer included:

- Preliminary survey results across livestock species reported that 18–35% of deer farmers, 18–21% of dairy farmers, 5–14% of sheep farmers and 2–4% of beef farmers have suspected or confirmed clinical Johne's disease on their farms.
- A three-year age-susceptibility study of deer to Johne's disease (originally started and funded by DEEResearch) was completed and proved that weaners were more likely to be shedding the causative bacteria and show clinical signs than older animals.

Leptospirosis

Communication plan

Leptospirosis is one of the most common diseases transmitted from animals to humans. A Deer Industry New Zealand-facilitated working group developed an industry communications plan for leptospirosis, which was released in July 2008.

The first major communication was the release of an information brochure and wallet card (to show to doctors if leptospirosis is suspected). Deer Industry New Zealand was also provided a number of copies of a booklet produced by the Meat Industry Association, *Common illnesses in the meat industry*, which is provided to all new deer farmers or upon request.

Further independent research on impacts on deer productivity and responses to vaccination is being conducted by Massey University; results were presented at the annual conference of the New Zealand Veterinary Association's Deer Branch and in industry publications.

A framework for identifying communication gaps and key steps required to create greater awareness of risk factors and management of the disease will be developed in 2009/10 and key industry groups that can assist will be approached.



ANIMAL WELFARE AND DEERQA

ANIMAL WELFARE AND DEERQA

Quality is an essential element of the New Zealand deer industry's approach and philosophy. To the deer industry, quality includes animal welfare, animal health, food safety, identification and traceability and environmental issues.

National Velveting Standards Body and Welfare Projects

The National Velveting Standards Body (NVS) devetvetting programme completed its 16th year of existence. Over this period, the programme has undergone continued improvement with changes implemented to strengthen and enhance the process of velvet removal.

The NVS programme continues to be a joint venture between veterinarians and deer farmers to underpin the Code of Welfare for the removal of velvet antler and latterly, the Animal Welfare Act 1999.

It was always recognised that total compliance to the programme by all constituents would take time and this has shown to be true over the years. However, with the new initiatives undertaken within the industry in recent times, the level of compliance has improved markedly. Once again, the past season's audit results showed an increase in compliance over the previous season, indicating the deer industry is nearing its goal of total compliance.

Without doubt, the majority of deer farmers who velvet their own deer in New Zealand do so in a professional manner, observing the correct procedures and ensuring the welfare of their

animals during the process. They are undoubtedly proud of their achievements and pride themselves on the way they are able to humanely remove their own velvet.

By comparison, the number of non-compliant people who attempted to remove their own velvet is relatively small and getting smaller, as industry initiatives are able to identify when this occurs and steps are taken to gather these people into the NVS programme, or at least ensure that a veterinarian is engaged to remove the velvet.

These small numbers of non-compliant people jeopardise the reputation of the whole deer industry.

The joint venture surveillance programme working in conjunction with the New Zealand Food Safety Authority (NZFSA) and the MAF Enforcement Directorate (MAFED) was very successful, in that a small number of people were identified as being non-compliant during the 2008/09 velvet season. Some of those identified were given educational guidance, while some were issued with legal warnings to comply. Because of the success and impact of the surveillance programme, it has been extended to encompass the 2009/10 velvet season.

Once again, all consignments of deer being sent to processing plants are being identified and those with animals that have been velvettted are being



tracked back to their suppliers for confirmation of who and how the velvet was removed.

It is vital for our industry to maintain its privileged position and its hard-won right to velvet its own deer. It would be sad to lose this position because of the actions of just a small number of individuals.

The number of registered certified velvetters at the end of the 2008/09 velvet season was 1,020. The number in abeyance was 201 and the number of new entrants into the programme during the season was 145.

Because of changes to the Agricultural Compounds and Veterinary Medicines Act (ACVM), the National Velvetting Standards Body Code of Practice for the Use of Prescription Animal Remedies will cease to exist from October 2010.

To ensure the continued smooth operation of the NVSB programme, the industry is working with the New Zealand Veterinary Association and the New Zealand Veterinary Council.

The requirement for humane velvet removal is clearly stated within the Animal Welfare Act.

However it is proposed that the National Animal Welfare Advisory Committee (NAWAC) will include a section on velvet removal in the Code of Welfare for Painful Procedures. This section would state that velvetting must only be performed with analgesia (pain relief). If velvet was removed without analgesia it would be an offence under the Animal Welfare Act. The status of velvet removal being a controlled surgical procedure will not change.

The Code of Practice will be reviewed jointly by all parties, in order that it can be converted into an industry guideline and continue to encourage farmers and veterinarians to operate within the current NVSB programme. It is also envisaged that the industry guideline could be used as a guideline pursuant to the Veterinarians Code of Professional Conduct.

Transport QA

The NAWAC draft *Transport within New Zealand Code of Welfare* (the Code) was awaiting approval from the Minister of Agriculture at year-end. The Code will set outcome-based standards for all

animals being transported. The current DeerQA Transport Quality Assurance Programme will be enhanced by the production of the Code. It is not expected that any of the current standards within the DeerQA programme will need to change to meet any requirements from the Code.

The Transport DeerQA committee (made up of current transport operators) decided to change the training criteria for accredited transport companies and certified drivers within the programme during the period. In the past, it was a requirement that all drivers and dispatchers attend the industry training course once only to become certified to the programme. The new requirement is that dispatchers will need to attend a refresher (more condensed) course every three years and for drivers to attend every five years to maintain accreditation.

Statistics provided by the New Zealand Food Safety Authority for deer mortality and injuries during transport to processing premises, including lairage and emergency slaughter, showed similar percentage results to that of previous years. While the percentage figures were very small against the

total number of animals transported, any deaths are an issue of concern for the industry and steps must be taken to eliminate avoidable instances of this occurring.

Sixty-five transport companies were re-audited and accreditation reconfirmed to the Transport DeerQA programme during the year. This audit system is ongoing for all transport companies carrying deer to licensed slaughter plants and is valid for three years.

FINANCIALS



TO THE READERS OF THE DEER INDUSTRY NEW ZEALAND AND GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

AUDIT REPORT

The Auditor-General is the auditor of Deer Industry New Zealand and Group. The Auditor-General has appointed me, Jacqueline Robertson, using the staff and resources of Deloitte, to carry out the audit of the financial statements of Deer Industry New Zealand and Group, for the year ended 30 September 2009.

Unqualified Opinion

In our opinion:

The financial statements of Deer Industry New Zealand and Group on pages 35 to 43:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - Deer Industry New Zealand and Group's financial position as at 30 September 2009; and
 - the results of its operations and cash flows for the year ended on that date

Based on our examination, Deer Industry New Zealand and Group kept proper accounting records.

The audit was completed on 26 November 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;

- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements that show the financial position of Deer Industry New Zealand and Group as at 30 September 2009. They must also fairly reflect the results of its operations and cash flows for the year ended on that date. The Board of Directors responsibilities arise from the Primary Products Marketing Act 1953.

We are responsible for expressing an independent

opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 12 of the Primary Products Marketing Act 1953.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and the provision of taxation advice, we have no relationship with or interests in the Deer Industry New Zealand and Group.

Jacqueline Robertson

DELOITTE

*On behalf of the Auditor-General
WELLINGTON, New Zealand*

This audit report relates to the financial statements of Deer Industry New Zealand and Group ("DINZ") for the year ended 30 September 2009 included on DINZ's website. The Board of Directors is responsible for the maintenance and integrity of DINZ's website. We have not been engaged to report on the integrity of DINZ's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 November 2009 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
INCOME					
Levy Income Venison	1	3,246,867	3,873,238	3,246,867	3,873,238
Levy Income Velvet	1	1,266,445	1,297,602	1,266,445	1,297,602
Interest Received	1	303,274	454,847	157,700	288,289
Dividends Received		-	-	-	550,162
Foreign Currency Gain		-	14,448	-	14,448
Other Income		209,705	202,998	209,180	202,998
Animal Health Board Levy Received	2	1,265,931	1,185,854	1,265,931	1,185,591
Processor Voluntary Contribution for Johnes Management Ltd		195,454	209,163	195,454	209,163
TOTAL INCOME		6,487,676	7,238,150	6,341,577	7,621,491
EXPENDITURE					
RESEARCH INVESTMENT					
Research Expenditure	13	901,006	1,218,544	804,545	1,500,040
Johnes Management Limited Operating Expenses		248,912	124,379	-	-
Total Research Investment		1,149,918	1,342,923	804,545	1,500,040
VENISON PROMOTION					
Generic Promotion		1,161,173	1,317,455	1,161,173	1,317,455
Joint Promotion		781,803	677,072	781,803	677,072
Total Venison Promotion		1,942,976	1,994,527	1,942,976	1,994,527
VELVET					
Promotion		493,629	513,872	493,629	513,872
Velvet Removal		301,270	231,164	301,270	231,164
Total Velvet Expenditure		794,899	745,036	794,899	745,036
ANIMAL HEALTH BOARD LEVY	2	1,265,931	1,185,591	1,265,931	1,185,591
JOHNES MANAGEMENT LIMITED LEVY		-	-	195,454	209,163
COMMUNICATIONS		339,247	322,928	339,247	322,928
QUALITY ASSURANCE		195,930	194,765	195,930	194,765
PRODUCER MANAGEMENT		259,475	258,653	259,475	258,653
OPERATING EXPENDITURE					
Audit Fees	3	32,018	30,546	27,818	26,196
Depreciation	7	17,974	26,981	12,318	23,855
Board and Directors' Fees and Expenses	10	223,654	243,588	197,020	213,838
Foreign Currency Loss		46,993	-	46,993	-
Insurance		48,693	47,084	48,693	47,084
Other Fees Paid to Auditors		19,440	24,749	18,840	19,749
Other Operating Expenses		241,346	300,368	222,423	279,159
Grant To Cervena Trust Limited		-	-	21,951	18,719
Premises Rental and Costs		99,976	82,211	99,976	82,211
Total Operating Expenditure		730,094	755,527	696,032	710,811
Total Expenditure		6,678,470	6,799,950	6,494,489	7,121,514
(Deficit)/Surplus Before Taxation		(190,794)	438,200	(152,912)	499,977
Taxation Expense	4	938	1,283	-	-
(Deficit)/Surplus After Taxation		(191,732)	436,917	(152,912)	499,977
(Deficit)/Surplus Attributable to:					
Deer Industry New Zealand Members		(148,830)	(61,444)	(152,912)	499,977
Game Industry Research Trust		-	(492,902)	-	-
Deer Industry New Zealand Research Trust		35,548	933,838	-	-
Johnes Management Limited		(78,450)	57,425	-	-
		(191,732)	436,917	(152,912)	499,977

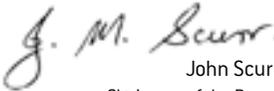
	Notes	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
Opening Accumulated Funds		4,570,880	4,133,963	1,998,490	1,498,513
Net (Deficit)/Surplus		(191,732)	436,917	(152,912)	499,977
Total Recognised Revenue and Expenses		(191,732)	436,917	(152,912)	499,977
Closing Accumulated Funds		4,379,148	4,570,880	1,845,578	1,998,490
Closing Accumulated Funds relate to:					
Deer Industry New Zealand	11	1,857,721	2,006,552	1,845,578	1,998,490
Deer Industry New Zealand Research Trust	11	2,502,667	2,467,119	-	-
Game Industry Research Trust	11	-	-	-	-
Johnes Management Limited	11	18,760	97,209	-	-
		4,379,148	4,570,880	1,845,578	1,998,490

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS

	Notes	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
Accumulated Funds	11	4,379,148	4,570,880	1,845,578	1,998,490
Represented By :					
Current Assets					
Short Term Bank Deposits		5,252,615	5,646,493	2,500,118	2,952,379
Trade Receivables		443,033	352,454	425,542	493,717
Inter-Company Receivables	6	22,206	59,619	11,218	9,877
Accrued Interest		56,746	63,891	43,817	55,023
Prepayments		5,330	3,967	5,330	3,967
Tax Refund Due		94	39,356	-	-
Total Current Assets		5,780,024	6,165,780	2,986,025	3,514,963
Less Current Liabilities					
Accounts Payable		724,421	479,098	452,154	254,480
Inter-Company Payables	6	4,621	100,884	11,372	262,125
Accruals		646,539	998,977	646,539	978,827
Employee Entitlements		48,780	39,877	48,780	39,877
Total Current Liabilities		1,424,361	1,618,836	1,158,845	1,535,309
Non Current Assets					
Fixed Assets	7	23,455	23,906	18,098	18,536
Investment in Subsidiaries / Associates	5	30	30	300	300
Total Non Current Assets		23,485	23,936	18,398	18,836
Net Assets		4,379,148	4,570,880	1,845,578	1,998,490

STATEMENT OF FINANCIAL POSITION

The Financial Statements were authorised on behalf of the Board by:


John Scurr
Chairman of the Board


Stuart Nattrass
Chairman of Audit Committee

STATEMENT OF CASHFLOWS

	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
Cashflows from Operating Activities				
Cash was provided from:				
Venison, Velvet, Animal Health Board Levies & Johnes Mgmt Contributions	5,884,118	6,886,382	6,042,872	6,743,626
Interest Received	310,419	447,781	168,906	276,596
Other Operating Income	209,705	202,998	209,180	202,998
Taxation Refund	38,324	-	-	-
Cash was applied to :				
Payments to Suppliers and Employees	6,771,928	6,973,122	6,814,346	7,030,201
Taxation Paid	-	24,129	-	-
	6,771,928	6,997,251	6,814,346	7,030,201
Net Cashflows from Operating Activities	(329,362)	539,910	(393,388)	193,019
Cashflows from Investing Activities				
Cash was provided from:				
Dividend - Cervena Company Ltd	-	-	-	545,169
Cash was applied to :				
Purchase of Fixed Assets	17,523	10,948	11,880	7,545
Net Cashflows from Investing Activities	(17,523)	(10,948)	(11,880)	537,624
Net Increase in Cash Held	(346,885)	528,962	(405,268)	730,643
Opening Cash Balance	5,646,493	5,103,083	2,952,379	2,207,288
Effect of exchange rate change on foreign currency balances	(46,993)	14,448	(46,993)	14,448
Closing Cash Balance	5,252,615	5,646,493	2,500,118	2,952,379
Reconciliation of Net Surplus/(Deficit) after tax With Operating Activities				
Reported Surplus/(Deficit)	(191,732)	436,917	(152,912)	499,977
Less:				
Dividend received from Cervena Company Ltd	-	-	-	(550,162)
Add:				
Non Cash Items				
Depreciation	17,974	26,981	12,318	23,855
Foreign Currency Loss/(Gain)	46,993	(14,448)	46,993	(14,448)
	64,967	12,533	59,311	9,407
Movement in working capital				
Accounts Receivable	(83,434)	313,459	79,381	166,341
Prepayments	(1,363)	13,643	(1,363)	13,643
Tax Refund Due	39,262	(22,846)	-	-
Accounts Payable	205,446	(178,837)	206,577	(69,673)
Accruals	(303,658)	(96,431)	(332,288)	(116,582)
Subsidiary and Associates Receivables / Payables	(58,850)	61,472	(102,094)	90,068
Game Industry Research Trust/ Deer Industry New Zealand Research Trust	-	-	(150,000)	150,000
	(202,597)	90,460	(299,787)	233,797
Net Cashflows from Operating Activities	(329,362)	539,910	(393,388)	193,019

NOTES

TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 SEPTEMBER 2009

Deer Industry New Zealand is a marketing authority established under the Primary Products Marketing Act 1953 and the Deer Industry New Zealand Regulations 2004.

Deer Industry New Zealand is charged with promoting and assisting the development of the deer industry in New Zealand.

1. Statement of Accounting Policies

(a) General Accounting Policies

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by Deer Industry New Zealand. Reliance is placed on the fact that Deer Industry New Zealand is a going concern.

(b) Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of profit and the financial position have been applied:

Basis of Consolidation

The consolidated financial statements include Deer Industry New Zealand and its subsidiaries, using the purchase method. All significant inter-company transactions are eliminated on consolidation. Investments in subsidiaries made by the parent are stated in its financial statements at cost.

The following entities have been consolidated for the year ended 30 September 2009. All subsidiaries and the Trusts have a 30 September balance date.

- Deer Industry New Zealand Research Trust

The Trust is a charitable research trust established by Deer Industry New Zealand on 10 June 2008. Operations began on 1 July 2008. The Trust is registered as a charitable entity under the Charities Act 2005 (Registration Number CC33142). The purposes of this Trust include:

- undertake, and arrange to be undertaken, research into deer and into processing methods for slaughtered deer;
- undertake, and arrange to be undertaken, research into products derived from deer including venison and velvet;
- undertake, and arrange to be undertaken, research into processing and dealing with products derived from deer including venison and velvet;
- undertake, and arrange to be undertaken, research into the farming of deer to enhance the value, quality and marketability of the production from deer farming;
- disseminate research outcomes to the deer industry;

- Group Research Holdings Limited

A wholly owned subsidiary which is responsible for the research activities of Deer Industry New Zealand.

- Cervena Trust Limited

Cervena Trust Limited is the corporate trustee of the Cervena Trust. Deer Industry New Zealand owns 25 percent of the share capital of Cervena Trust Limited and the remaining 75 percent is held in a fiduciary capacity by the directors on behalf of Deer Industry New Zealand. In these circumstances, while not operationally part of the Deer Industry New Zealand Group, power and benefit elements are present and therefore the financial statements of the Cervena Trust Limited are required to be consolidated with those of Deer Industry New Zealand under FRS 37: *Consolidating Investments in Subsidiaries*.

- Johne's Management Limited (JML)

JML is a wholly owned subsidiary (through Group Research Holdings Limited) that was established on 23 November 2006 to gather epidemiology information on Johnes disease, and provide information to farmers so that they may manage the disease. JML is funded entirely from voluntary contributions collected by DINZ. DINZ passes the funds through to JML which applies them towards the cost of

undertaking the project and on any associated administration costs incurred in carrying out the project.

The following entities have not been consolidated for the year ended 30 September 2009:

- Cervena Trust

The purpose of the Cervena Trust is to develop and promote the Cervena appellation. It does this by licensing the appellation through Cervena Trust Limited to sub-licensees. The Trust has not been consolidated, as Deer Industry New Zealand does not have an ownership interest in the Trust. In addition, the beneficiaries of the Trust are not the same group as the stakeholders in Deer Industry New Zealand, but are a subset of that group.

The following companies are associated entities of Deer Industry New Zealand:

- Velvet Antler Research New Zealand Limited (VARNZ)

VARNZ is a joint venture company between the New Zealand Deer Industry (through Group Research Holdings Limited) and AgResearch Limited, which undertakes research into velvet antler. Payments by the Group to VARNZ are accounted for as research or administration expenditure.

VARNZ Limited has a 30 September balance date.

- DEEResearch Limited

DEEResearch Limited is a joint venture company, whose shareholders are AgResearch Limited (50%), Group Research Holdings Limited (25%) and the New Zealand Deer Farmers' Association (25%). The objectives of the company are to research non-velvet related deer products. Payments by the Group to DEEResearch Limited are accounted for as research or administration expenditure.

DEEResearch Limited has three subsidiaries which are each 100% owned. They are DEEResearch Emissions Mitigation Company Limited, DEEResearch Pastoral Genomics Company Limited and DEEResearch John's Limited.

DEEResearch Limited has a 30 June balance date.

The equity accounting provisions of FRS 38: *Accounting for Investments in Associates* have not been applied in respect of the above associated entities as its application would not result in any material differences in the currently reported position.

Fixed Assets

Deer Industry New Zealand has three classes of fixed assets: Furniture & Fittings, Computer Equipment and Office Equipment. Fixed assets are stated at cost less accumulated depreciation.

Depreciation

Depreciation is recognised in the Statement of Financial Performance on a straight line basis, at rates calculated to allocate the assets' cost over their estimated useful lives. Major depreciation periods are: Furniture & Fittings: 5-10 years; Office Equipment: 5 years; Computer Equipment: 3 years.

Goods and Services Tax (GST)

These financial statements are prepared on a GST exclusive basis, apart from accounts receivable and accounts payable which are on a GST inclusive basis. GST payable at year end is included in Accounts Payable.

Income Tax

The income tax expense charged against the surplus for the year is the estimated liability in respect of that surplus and is calculated after an allowance for permanent differences. The liability method of accounting for deferred taxation is applied on a comprehensive basis.

Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Foreign exchange gains or losses have been accounted for in the statement of financial performance. At balance date, bank accounts holding foreign currency are converted to New Zealand dollars using the closing rate.

Financial Instruments

Deer Industry New Zealand is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, trade creditors and forward rate agreements for foreign currency. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments except foreign currency contracts are recognised in the Statement of Financial Position.

Statement of Cashflows

The following are the definitions of the terms used in the statement of cashflows:

- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Income

Income comprises of venison and velvet levies received from members in the ordinary course of business and voluntary contributions from venison processors. These are accounted for on an accrual basis.

Interest income is accounted for on an accrual basis.

Changes in Accounting Policies

There have been no changes in accounting policies.

All policies have been applied on a basis consistent with those used in previous years.

2. Animal Health Board Levy

Deer Industry New Zealand collects the Animal Health Board ('AHB') levy at a rate set annually from 1 October, and makes minimum monthly payments based on the annual contribution agreed with the AHB. During the 2006 financial year Deer Industry New Zealand executed a Deed of Amendment and Restatement with the Animal Health Board requiring all excess of AHB levy funds

over the monthly minimum payment collected by Deer Industry New Zealand, to be remitted to the Animal Health Board.

These funds are managed by the Animal Health Board and accounted for by the Deer Industry New Zealand. Where these levies are surplus to the annual requirement of the Animal Health Board's deer programmes, the funds are carried forward by the Animal Health Board and interest is accrued at commercial rates for the benefit of Deer Industry New Zealand members. The Animal Health Board levy is reviewed annually by Deer Industry New Zealand. As at 30 June 2009 the Animal Health Board reported levies held on behalf of the deer industry of \$0.9 million (2008: \$1.68 million).

3. Audit Fees

Audit fees paid by Deer Industry New Zealand include the cost of the audit of other Group entities:

	2009	2008
Audit of Deer Industry New Zealand:	\$22,260	\$23,096
Audit of other Group entities	\$6,558	\$7,450
	\$28,818	\$30,546

4. Taxation

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Net Surplus Before Tax	(190,794)	438,200	(152,912)	499,977
Permanent Differences	84,091	(474,198)	7,508	(528,993)
	(106,703)	(35,998)	(145,404)	(29,016)
Tax @30% (2008: 33%)	(32,011)	(11,879)	(43,621)	(9,575)
Deferred Tax Asset not Previously Recognised	(32,949)	(13,162)	43,621	9,575
Income Tax Charge as per Statement of Financial Performance	938	1,283		

From 1 April 2009, the income tax rate applicable to DINZ reduced to 30%.

The Group has income tax losses of \$283,215 (2008: \$133,719) available to be carried forward to be offset against taxable income in future periods. The availability of these losses is subject to the requirements of income tax legislation being met.

The deferred tax benefit in respect of the losses has not been recognised.

Imputation Credits	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Opening Balance	771,724	1,145,099	500,749	500,749
Dividends Received	-	-	270,975	270,975
Imputation Credits lost on dissolution of The Cervena Company Ltd	-	(373,375)	-	-
Closing Balance	771,724	771,724	771,724	771,724

Deer Industry New Zealand, Cervena Trust Limited and Group Research Holdings Limited are all taxable entities. The Deer Industry New Zealand Research Trust is tax exempt, due to Charitable Trust status.

5. Investment in Subsidiaries & Associates

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Group Research Holdings Ltd	-	-	200	200
Cervena Trust Ltd	-	-	100	100
DEEResearch Ltd	30	30	-	-

6. Intercompany Receivables and Payables

	Consolidated 2009 \$	Consolidated 2008 \$	Parent 2009 \$	Parent 2008 \$
Intercompany Account Cervena Trust	4,449	4,893	4,449	4,893
Intercompany Account VARNZ Ltd	17,073	5,757	6,085	3,415
Intercompany Account DEEResearch Ltd	684	48,969	684	1,569
Inter Company Receivables	22,206	59,619	11,218	9,877
Intercompany Account DEEResearch Ltd	4,621	100,884	-	-
Intercompany Account Group Research Holdings	-	-	11,372	112,125
Intercompany Account Research Trust	-	-	-	150,000
Inter Company Payables	4,621	100,884	11,372	262,125

7. Fixed Assets

PARENT	Cost \$	Accumulated Depreciation \$	NBV 2009 \$	NBV 2008 \$	Depreciation 2009 \$	Depreciation 2008 \$
Computer Equipment & Software	124,454	109,630	14,824	11,995	7,909	12,019
Office Equipment	10,068	7,544	2,524	2,697	744	500
	206,781	188,683	18,098	18,536	12,318	23,855

CONSOLIDATED	Cost \$	Accumulated Depreciation \$	NBV 2009 \$	NBV 2008 \$	Depreciation 2009 \$	Depreciation 2008 \$
Computer Equipment & Software	140,265	120,084	20,181	17,365	13,566	15,146
Office Equipment	10,068	7,544	2,524	2,697	743	500
	222,592	199,137	23,455	23,906	17,974	26,981

8. Segmental Reporting

Deer Industry New Zealand and its controlled entities operate solely in one industry segment, being the deer industry.

The Group entities conduct work in New Zealand and a number of overseas countries in the fulfilment of their

purpose - assisting the orderly development of the deer industry and promoting products derived from deer.

9. Financial Instruments

Nature and Extent

The Group enters into forward exchange agreements from time to time to hedge against currency movements.

Fair Value

The carrying values of all balance sheet financial assets and liabilities are considered to be equivalent to their fair market values.

Credit Risk

Financial instruments, which potentially subject the Group to credit risk, consist of cash and short term bank deposits and accounts receivable. The maximum exposure to credit risk is the carrying value of these financial instruments.

The Group deposits its cash with National Bank of New Zealand and KiwiBank, which the Board of Directors considers to be financial institutions of high quality. The credit risk with respect to accounts receivable is limited due to the number of debtors.

Interest Rate and Currency Risk

While the majority of the Group's activities are carried out in New Zealand, of the total expenditures incurred by the Group approximately 30% were denominated in foreign currency.

At balance date, foreign currency deposits totalled \$7,817 (2008: \$4,730). The notional or principal contract amounts of foreign exchange instruments at balance date for the parent and group for forward exchange contracts was nil (2008: \$nil). The unrealised gain/losses on these contracts at balance date is \$nil (2008: \$nil). All deposits held

by the Group are short term in nature. The Group receives interest at current market rates.

10. Board and Directors' Fees and Related Expenses

These expenses cover amounts paid to Board Members and Directors in the form of honoraria, attendance fees for board meetings and other special meetings that may arise from time to time. It also covers the cost of travel for Board Members and Directors incurred in fulfilling their respective roles.

There were no changes made to fees and honoraria for Deer Industry New Zealand Board Members this year. The Chairman receives \$35,000, the Deputy Chairman receives \$22,500 and Board Members \$17,500. The Board comprises of eight members.

The 2009 year total for Deer Industry New Zealand is \$197,020 (2008: \$213,838). This comprises of \$162,500 in Board fees (2008: \$162,500), and \$34,520 in travel and accommodation expenses (2008: \$46,538), and discretionary expenses nil (2008: \$4,800).

The following change in Board composition has taken place this year:

- Mr John Spiers resigned from the Board on 30 June 2009 and was replaced on 1 July 2009 by Mr Jeremy Bell.

Cervena Trust Limited

Directors' fees totalled \$9,000 (2008: \$12,000). Trustees Mr David Wright, Mr James Guild and Mr John Upton received fees of \$3,000 each in the current financial year. Travel expenses were \$384 (2008: \$ nil).

Johne's Management Limited

Directors' fees were paid to Mr GW Neilson \$15,000, Chairman, Mr E A Brook \$750, Mr ID Stewart \$750 and Mr IS Hercus \$750.

The Chairman of Johne's Management Limited is also Chairman of Ovis Management Limited, which provides certain services to Johne's Management Limited on an arm's length commercial basis. There have been no other transactions with related parties.

11. Accumulated Funds

The accumulated funds of the Group are \$4,379,148 (2008: \$4,570,880), of which \$2,502,667 (2008: \$2,467,119) is held by the Deer Industry New Zealand Research Trust and \$18,760 is held by Johnes Management Ltd (2008: \$97,209).

	2009	2008
Deer Industry New Zealand	\$	\$
Opening Balance	1,998,490	1,498,513
(Deficit)/Surplus attributable to Deer Industry New Zealand	(152,912)	499,977
Closing Balance	1,845,578	1,998,490

	2009	2008
Game Industry Research Trust	\$	\$
Opening Balance	-	2,026,083
Deficit attributable to Game Industry Research Trust	-	(492,902)
Transferred to Deer Industry New Zealand Research Trust	-	(1,533,181)
Closing Balance	Nil	Nil

The Game Industry Research Trust was wound up on 30 June 2008.

	2009	2008
Deer Industry New Zealand Research Trust	\$	\$
Opening Balance	2,467,119	-
Transferred from Game Industry Research Trust	-	1,533,181
Trust Funds settled by Deer Industry New Zealand	-	100
Surplus attributable to Deer Industry New Zealand Research Trust	35,548	933,838
Closing Balance	2,502,667	2,467,119

	2009	2008
Group Research Holdings Ltd (Parent Only)	\$	\$
Opening Balance	2,442	13,630
Surplus/(Deficit) attributable to Deer Industry New Zealand	4,055	(11,188)
Closing Balance	6,497	2,442

	2009	2008
Johne's Management Ltd	\$	\$
Opening Balance	97,209	39,784
(Deficit)/Surplus attributable to members JML	(78,449)	57,425
Closing Balance	18,760	97,209

12. Employee Remuneration

Set out below are the numbers of employees of Deer Industry New Zealand and its subsidiaries who received remuneration and other benefits of \$100,000 or more during the year, in their capacity as employees.

Remuneration Range	Number of Employees
\$100,000 - \$119,999	2
\$210,000 - \$219,999	1

13. Related Parties

All transactions between entities within the Group were conducted on an arm's length basis.

During the year Deer Industry New Zealand provided research administration grants to associated entities: VARNZ 2009: \$15,852 (2008: \$19,385) and DEEResearch Limited 2009: \$7,531 (2008: \$105,935 including a research payment). This funding is provided via Group Research Holdings Limited.

The Deer Industry Research Trust provides the research funding to VARNZ of \$135,367 (2008: \$292,165) and DEEResearch Limited of \$565,150 (2008: \$615,152).

Deer Industry New Zealand provided a research grant to the Deer Industry New Zealand Research Trust of \$600,000 (2008: \$1,200,000).

An operational grant of \$21,951 (2008: \$18,719) was provided from Deer Industry New Zealand to Cervena Trust Limited.

During the year Deer Industry New Zealand collected voluntary contributions for Johnes Management Limited and passed the funds directly on to them, as disclosed in the Statement of Financial Performance.

Payments are made to fund joint promotional activities to venison processing companies who have directors, officers or shareholders who are also board members of Deer Industry New Zealand.

As part of the annual budget setting process, the Board is responsible for allocating the total pool of funds to be spent on joint promotion, which is then subject to industry consultation. This pool is allocated to venison processing companies, based on a formal allocation policy administered by Deer Industry New Zealand management. As such, the Deer Industry New Zealand Board has no influence on the allocation of these funds to venison companies.

14. Commitments

Commitments in respect of non-cancellable operating leases for rental of office premises are as follows:

	Parent & Consolidated	Parent & Consolidated
	2009	2008
	\$	\$
Not later than 1 year	77,740	92,966
Later than 1 year and not later than 2 years	-	77,740
Later than 2 years	-	-

Deer Industry New Zealand group provides funding for approved research contracts entered into by DEEResearch Limited, subject to milestones being achieved. These commitments are as follows:

	2009	2008
	\$	\$
Not later than one year	543,000	660,000
Later than 1 year and not later than 2 years	577,000	543,000
Later than 2 years and not later than 5 years	577,000	543,000

Commitments in respect of research contracts entered into by Velvet Antler Research New Zealand Limited subject to the completion of milestones are as follows:

	2009	2008
	\$	\$
Not later than 1 year	228,159	-

Commitments in respect of funding of deer sector indivisible costs entered into by Deer Industry New Zealand for the National Bovine Tuberculosis Pest Management Strategy with the Animal Health Board are as follows:

	2009	2008
	\$	\$
Not later than 1 year	1,200,000	1,200,000
Later than 1 year and not later than 2 years	-	1,200,000
Later than 2 years	-	-

The funding agreement between Deer Industry New Zealand and the Animal Health Board requires funding from Deer Industry New Zealand subsequent to the Animal Health Board's June 2009 financial year; at no less than 2008 funding levels of \$1.2 million per annum until a new agreement is signed. The Minister of Agriculture has notified that there will be a review of the National Pest Management Strategy for bovine Tb. This may have an impact on future funding obligations.

15. Contingencies

Deer Industry New Zealand's associated entity DEEResearch Limited has three wholly-owned subsidiary entities which have been established to hold DEEResearch Limited's interest in three unincorporated joint ventures: Pastoral Greenhouse Gas Research Consortium (1.82% holding), Pastoral Genomics Consortium (1.0% holding) and Johnes Disease Research Consortium (12% holding). DEEResearch Limited has unconditional guarantees to the other partners in the unincorporated joint ventures which:

- guarantee the due performance and observance of the guaranteed obligations by its subsidiary companies; and
- indemnify against any loss or damage

due to any breach of the unincorporated joint venture agreements by its subsidiary companies. No claims have been made.

16. Adoption of New Zealand Equivalents to International Financial Reporting Standards

In December 2002, the New Zealand Accounting Standards Review Board announced that the New Zealand equivalents to the International Financial Reporting Standards ("NZIFRS") will apply to most New Zealand entities for the periods commencing on or after 1 January 2007.

Deer Industry New Zealand under its founding legislation, the Primary Products Marketing Act 1953 and the Deer Industry New Zealand Regulations 2004, is currently not required to adopt NZIFRS and the Directors have elected not to adopt NZIFRS at this time.

17. Subsequent Events

There were no material events subsequent to the balance date requiring disclosure in the financial statements (2008: nil).

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