



DEER INDUSTRY NEW ZEALAND

# ANNUAL REPORT

2017-18



# FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**After a period of renewal the previous year, the DINZ Board had just one change in membership. Dean Hamilton, one of three representing venison marketers and processors, resigned in April after three years on the Board. I'd like to thank Dean for his valuable contribution and the insights he was able to bring to the deer industry during an eventful period for the company he headed. We welcomed Silver Fern Farms Chief Executive Simon Limmer to the Board in place of Dean.**

The market trends we saw emerging in 2017 continued in 2018, with venison prices following a very atypical path: steadily rising prices throughout the period without the usual spring peak. Prices remained firm through the year, which was welcome reward for producers who have stuck with the industry through some difficult patches. Several factors combined to create this market dynamic and it was widely expected that the more familiar seasonal pattern would return, albeit with continued strong demand underpinning prices.

Working with their in-market partners, our exporters have had to negotiate a difficult balance between remaining loyal to traditional customers and diversifying into new premium markets and different seasons. These efforts are supported by DINZ and will be further rewarded as the volumes we can supply start to grow.

It was also pleasing to see velvet prices returning to earlier levels following the minor blip a year ago that was in response to regulatory changes. This has occurred in spite of increasing volumes, and is due in part to the growing reputation of New Zealand velvet in our main markets for quality, integrity and safety, as well as the growth of the healthy food segment.

Confirmation that the 16 years of decline in the deer breeding herd has finally come to an end is welcome news and vindicates our efforts to encourage retention of hinds. Farmers who have sacrificed short-term rewards from high venison prices in the interests of longer-term sustainability for the industry are to be congratulated.

Whether or not our national herd ever reaches the levels in the early 2000s, the deer we farm over the next decades will be very different from the stock we had then. As they become more removed from their wild-caught ancestors, our national herd is producing healthier, faster-growing animals that produce more meat and antler per stock unit and a greater response to the feed we put in front of them.

As you will read in the report from our Passion2Profit programme, there are encouraging signs that we may already be starting to turn a corner in terms of productivity gains. Seasonal factors could also be at play and it's too early to call it a trend, but it's a good start.

Finally, a big highlight of the year has been a firm commitment to support environmental initiatives and help all deer farmers get on board with documented Farm Environment Plans in place by 2020. The enhancement work already being done on many deer farms is to be applauded and deserves wider recognition.

Once again, my thanks to Dan Coup and the DINZ executive team for another excellent year's work.

**Ian Walker**, Chairman



**The stars of firm market conditions and a good growing season were aligned during 2018. It has been good to see farmers able to enjoy better returns, while also taking the opportunity to invest back into their deer farming businesses. This has involved everything from upgrading sheds and velvetting facilities – making a virtue out of necessity – to investing in superior genetics and improved pastures. Beyond the farm gate, our processors and exporters have remained committed to diversification into new markets and extended seasonal windows.**

The higher venison prices in Europe did meet some expected resistance and, although more traditional seasonal patterns will reassert themselves, the price range may well have been reset. Gains in non-traditional venison markets such as North America are being complemented by a longer-term strategy to develop Asian markets.

While there will never be a substitute for the excellent in-market work by chefs like Graham Brown and Shannon Campbell, marketing channels are constantly shifting. It has been exciting to see social media and key influencers helping promote our products as fresh, healthy choices.

The return of price stability in the velvet sector was anticipated and welcome. A major coup for the industry was the signing of an MOU with Yuhan, Korea's largest pharmaceutical company. Relationships like these are the shape of the future for velvet.

The Passion2Profit (P2P) programme continued to innovate in terms of productivity gains, with the addition of an environmental focus. One challenge is to ensure that the good work being done by deer farmers is understood and appreciated by regulators and the wider public.

A further two Advance Parties were launched, bringing our total to 27 active groups. A mid-term review for the programme confirmed that more farmers are adopting good practices such as regular deer health reviews, using breeding values and regular monitoring. Efforts under P2P to develop a summer Cervena market in Europe continued to make good progress.

Our application to join a Government–Industry Agreement for Biosecurity Readiness and Response was significant, and provides certainty for the industry about its liabilities, while ensuring its views are accounted for. Resources to fund research are limited, so it was encouraging to hear that more farmers are adopting new technologies and changing practices in response to our investment in science.

The successful launch of a research breeding value for CARLA is just one example of science being applied to productivity.

Direct engagement with producers is valued and never taken for granted. There is excellent communication through the NZDFA and our continued support of the Next Generation programme.

Our social licence to operate is another privilege not taken lightly. It was encouraging to see compliance with hygiene and welfare standards remained high, but we must never be complacent – these expectations of our industry will constantly rise.

DINZ continues to operate within tight financial constraints and I thank all staff for helping ensure we deliver good value for the investment deer farmers and marketers make in their organisation.

**Dan Coup**, Chief Executive Officer



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# VENISON

## YEAR IN REVIEW

- It was a great year for venison exports in 2017/18, which saw the national published average venison schedule (AP Stags) climb to an all-time high of \$11.36/kg in September (Figure 1). Strong demand for the full range of cuts of venison in Europe and the United States resulted in a schedule that steadily climbed throughout the year.
- The average venison schedule price for the year was \$10.36.
- Total volume of venison exported was 12,132 tonnes, up slightly on 2016/17 due to a small increase in the number of deer slaughtered along with an increase in the average weight of both stags and hinds.
- The United States continued to be the largest market for venison, with exports increasing by 857 tonnes to 4,306 tonnes in 2017/18. This led to an increase in export value of around \$15m, and a total value of exports to this market of \$53m (Figure 2). Strong demand for trim product helped support this growth.
- In addition, increased demand for co-products (bone, fat, meals) from the pet food sector saw a doubling of the value of exports of these products to the United States. Venison has become a favoured ingredient for discerning pet owners, resulting in competition among manufacturers for the limited supply from New Zealand. Co-product exports were worth \$50 million to the United States in 2017/18.

- German importers reversed the recent downward trend and bought more New Zealand venison in 2017/18. The strong German economy remains vital to New Zealand venison exports and volumes were up 200 tonnes on the previous year. Strong demand for venison saw average values across most cuts lift and returns from Germany increase by \$10m, to a total of \$50m.
- The NZ dollar weakened against the US dollar, from 0.72 cents in October 2017 down to 0.66 cents by September 2018. This made a positive contribution to the venison schedule.

Figure 1: Published average venison schedule AP stag \$/kg gross

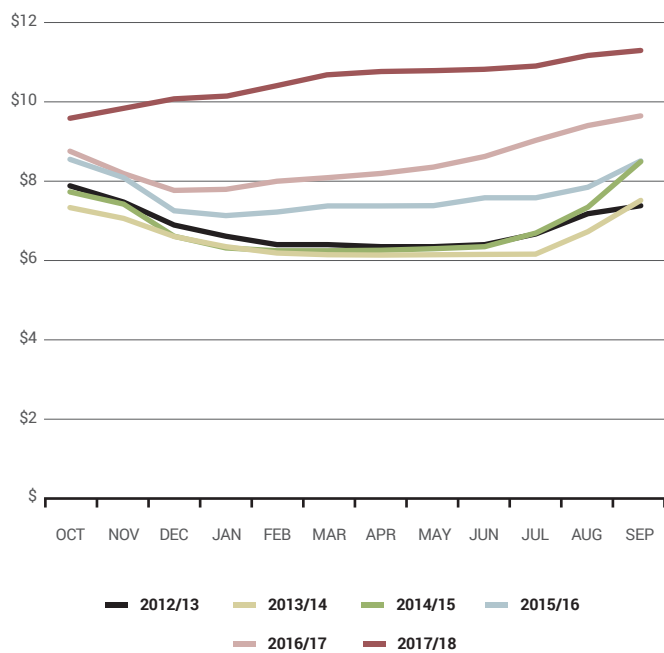
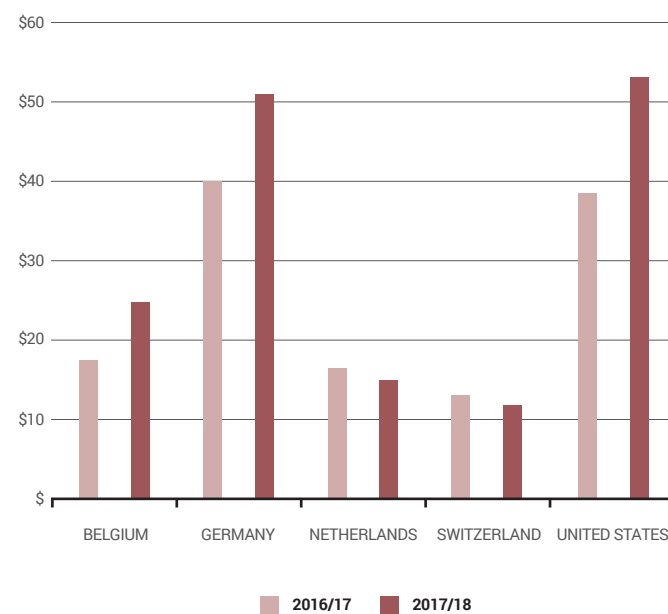


Figure 2: Value of venison exports to key markets in 2016/17 and 2017/18 (\$m)



## EUROPEAN SUMMER CERVENA® PROGRAMME

The Cervena programme is funded by Passion2Profit, a Primary Growth Partnership between DINZ and the Ministry for Primary Industries.

Sales volumes of chilled Cervena in Europe remained steady during the 2018 summer season, despite upward pressure on prices, unseasonably warm temperatures and the distraction of the FIFA World Cup. This was the third year of the programme in the Benelux countries and the second in Germany.

The importance of social media as a platform for promotion undertaken within the Passion2Profit Primary Growth Partnership continued to grow, with DINZ activities providing umbrella support for individual exporters' market activities from April through to August.

Activities in Germany included a press dinner at one of the country's top restaurants to open summer Cervena activity, while other leading restaurants were selected to offer a summer Cervena tasting menu.

Food bloggers like the influential Chicks Love Food continued to show their value and several featured posts and recipes centred on Cervena venison.

Cooking demonstrations, chef events and trade shows were also used to help generate interest in Cervena as the summer season got under way.

Changing centuries-old consumer habits to accept Cervena as a basis for innovative summer recipes in Europe will not happen overnight, but exporters and their in-market partners are confident that their efforts are gaining traction.

All companies involved in the European Summer Cervena programme are positive and remain committed to it.

**"Getting chefs and diners to serve and order venison in summer takes time and consistent pressure through wholesalers and butchers," said Alliance group marketing manager Katrina Allan. "However, after three years, many chefs and restaurants are now familiar with Cervena."**

Below: A Cervena cooking demonstration with Delta at the Internoga foodservice trade show in Hamburg, Germany, in March 2018.



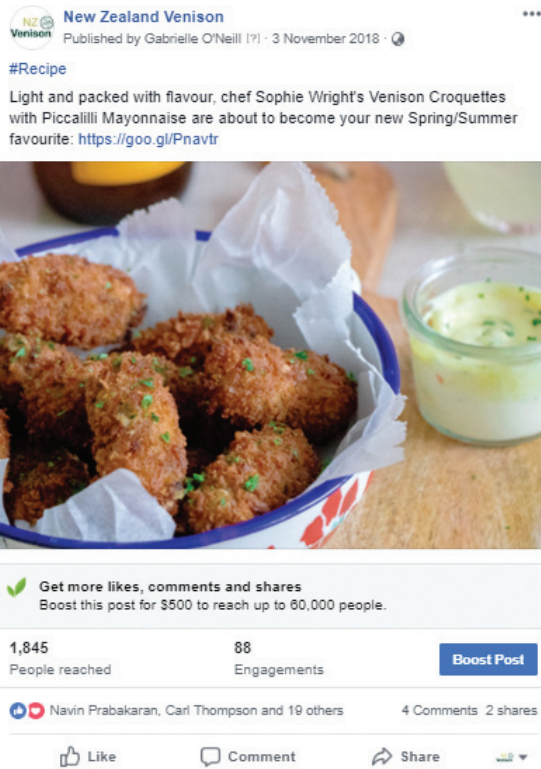
## SOCIAL MEDIA

Over the past year DINZ continued to invest and grow its social media presence. Social media is a key communications channel for many consumers, and it is important that New Zealand venison is active in this space. Because it is the most widely used social media platform in New Zealand\*, presence on Facebook is a priority.

DINZ has focused on steadily growing its Facebook audience, targeting New Zealanders who have an interest in food and cooking. The New Zealand Venison Facebook page ([www.facebook.com/NewZealandVenison/](http://www.facebook.com/NewZealandVenison/)) has grown from 1,500 fans to more than 6,500 in the past year. Growing the number of followers is an important way to ensure people see content without DINZ incurring advertising costs. About 20,000 users per month see material published on the page.

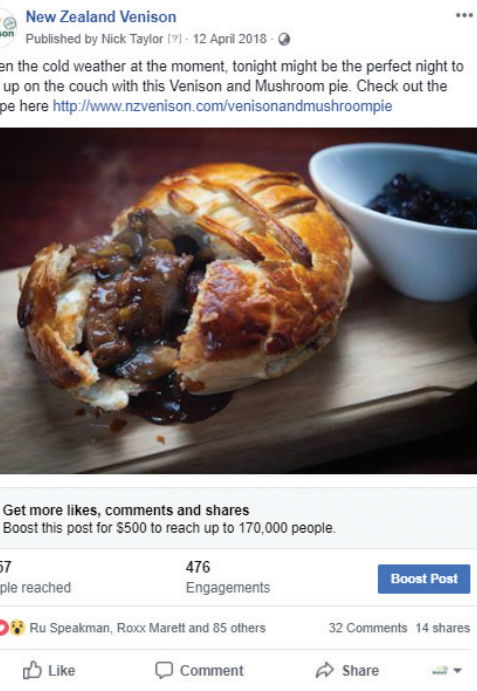
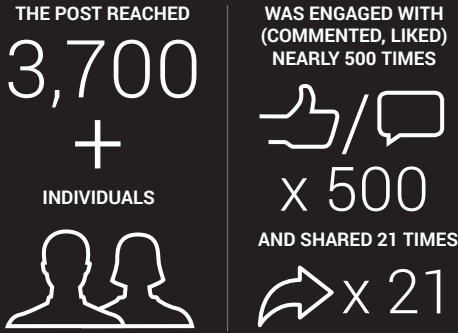
A lot of work goes in to making the content relevant to audiences. The page focuses on recipes and cooking tips, local restaurants that are serving venison, health information about venison and updates on DINZ activities.

The level of engagement and activity can vary greatly depending on the post. For example, a post about the nutritional composition of venison compared with other meats generated a lot of engagement with just over 7,000 users seeing the post and 79 sharing it on their pages.





One of the recipes that attracted strong interest was for a good old venison pie.



Social media also allows DINZ to support venison companies by actively sharing and promoting their content. It is important for companies to value social media and dedicate time and resources to utilise this channel. DINZ is committed to continue growing its social media presence in all markets and will keep investing in these channels.

\* More than 1.9 million Kiwis access Facebook each day, and a further 700,000 access it at least once a month.

CERVENA® DESIGN REFRESHED

The appearance and design of Cervena was modernised in line with changing chef demands and the broadening range of markets that now seek our finest venison. The Cervena licensees – Alliance, Duncan New Zealand, Firstlight Foods, Mountain River Venison and Silver Fern Farms – worked together to develop the contemporary and powerful “Cervena – Pure Freedom” platform.

Secondary messages promote New Zealand’s leadership in deer farming, quality systems and the creative culinary platform provided by Cervena.

The refreshed design places the emphasis on the chef and their freedom to create culinary perfection with Cervena as the star ingredient. The new design system incorporates summer-specific taglines for use in marketing material, with strong colour accents complementing the logo.

The refreshed Cervena design retained the diamond motif.



Chef photography was commissioned to bring a dynamic, contemporary edge to Cervena marketing materials.



BUSY YEAR PROMOTING NEW ZEALAND VENISON

DINZ continues to undertake numerous workshops, demonstrations and tasting events around the globe promoting farm-raised New Zealand venison. Executive chef Graham Brown split his time between the United States, China and Europe, while Berlin-based chef Shannon Campbell was kept busy in Europe.

DINZ works with importers to determine the most appropriate type of event for their customers and market. During a highly successful series of workshops with Mountain River Venison and Swedish foodservice company Menigo, chefs came together in a colleague’s restaurant. After a brief talk about New Zealand venison and where it comes from (see photo lower right), they worked in small groups to prepare a dish to share with the other chefs.

Having a Europe-based chef is a real benefit for DINZ and the importers we work with. It enables us to attend many more events and be more responsive to customers’ requests.

Over the past year Campbell attended 35 events for importers in Germany, Sweden, the Benelux countries and Italy. He said the importers are learning to take advantage of having someone “on the ground” who they can call on at short notice.

“I have also been recording the events and making small movies or providing high-quality photos. This gives us a concise way of presenting possible promotional activities to other importers who may have been less engaged in the past.”

By offering importers a full-service package and being able to tailor events to their requirements, DINZ is noticing higher interest and enthusiasm and looks forward to being able to engage with importers in new and fresh ways in the coming year.

In addition to the very successful chefs’ workshops with Mountain River Venison and Menigo, in-store tastings with Germany-based food importer Citti were very well received and after viewing the videos of other promotional events they have expressed an interest in doing similar events with local chefs. With many importers and wholesalers looking to build closer personal relationships with restaurants, the boutique and high-quality events DINZ can organise are just what they are looking for.

In this vein, DINZ also offers importers post-event media material (videos, photographs) they can use to engage with their customers.

DINZ continued the culinary schools tour with both Graham Brown and Shannon Campbell undertaking events this year. These are a real highlight for the students and the schools who appreciate the time taken and the compact, highly informative nature of the seminars.



Above: Shannon Campbell (left) promoting Cervena venison at an event in Germany.



Right: Graham Brown (standing, second from left) promoting New Zealand Mountain River venison at a workshop for chefs.

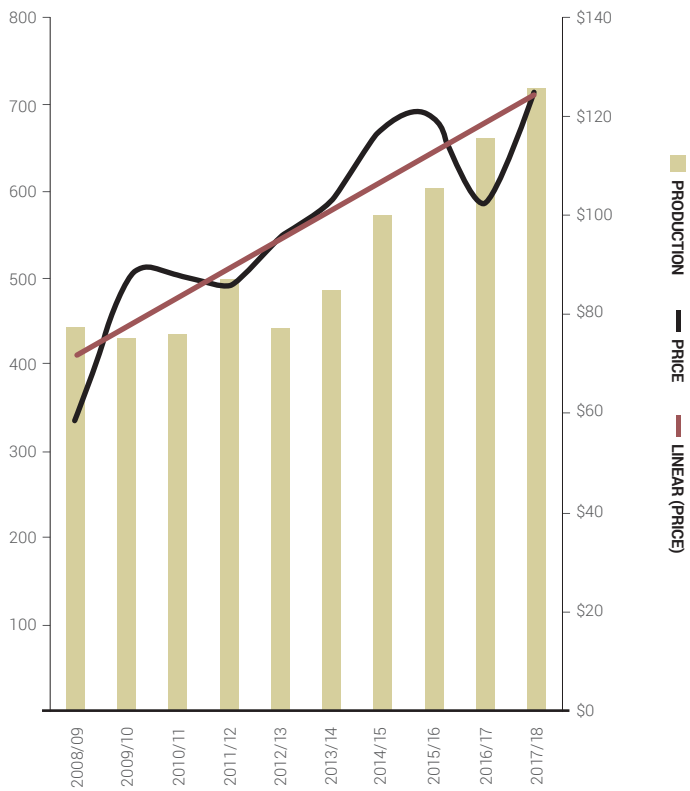


VELVET

CHALLENGES AND ACHIEVEMENTS

- 2017/18 was the first full season to include the Ministry for Primary Industries' Regulated Control Scheme (RCS) for deer velvet harvest. Most velvet producers were receptive to the new regulations in the hope that it will further protect the future of the industry.
- Prices bounced back for New Zealand velvet from the small downward anomaly in the previous season that had been due to a problem with import permits. The 2017/18 estimated weighted average price of \$125 kg continued the trend of the past 9 years.
- The New Zealand velvet industry's closest partner, Korea Ginseng Corp (KGC) continued its rapid growth of featured New Zealand velvet products. KGC's hero velvet brand, Cheongnoksam was reported to have achieved 100 billion Korean won (about NZ\$120m) in retail sales since its launch three years earlier.
- DINZ signed a Memorandum of Understanding (MOU) with Korea's largest pharmaceutical company, Yuhan. The MOU covers the potential for joint marketing and research. Yuhan also signed a supply agreement with Alpine Deer and a research agreement with AgResearch.

Figure 1: Farmgate price (per kg) and production (tonnes) for years ending 30 September 2009–2018

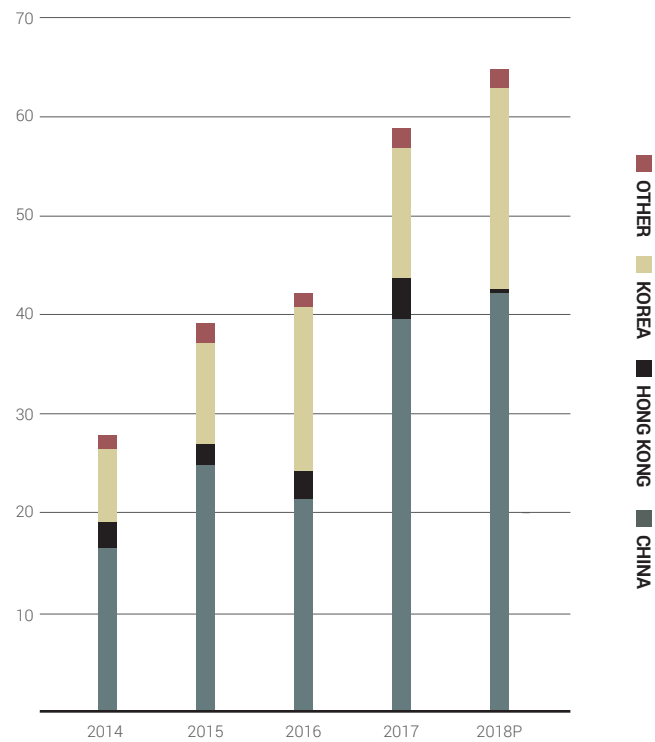


Source: DINZ internal estimated figures

There were noticeably more health food products containing New Zealand velvet launched by respected Korean food companies. During this period, DINZ estimated 30 companies were marketing 72 products containing velvet. Of these, 55 products contained and promoted New Zealand velvet.

- A greater percentage of New Zealand velvet was exported directly to South Korea during the 2017/18 season. DINZ estimates that South Korea is still the biggest consumer of New Zealand velvet; however about half of its imports of New Zealand velvet come through China. The increasing direct trade is due to the reducing tariff for processed New Zealand velvet under the New Zealand–Korea Free Trade Agreement.
- The New Zealand–Korea Free Trade Agreement offers a unique advantage over competing countries and continues to pay dividends with another 1.3% of payable duty being shaved off for processed New Zealand velvet exports to Korea. On 1 January 2018, New Zealand processed velvet only had 14.6% duty compared with 20% duty paid for frozen or velvet from other countries.
- Based on levy collected, New Zealand velvet production in the year to September 2018 increased by 8.5 percent from 662 tonnes to 718 tonnes (Figure 1).

Figure 2: Velvet exports by destination and value (NZ\$m FOB) for years ending 30 September 2014–2018



Source: Statistics NZ

MOU signing between Yuhan and DINZ CEOs, witnessed by New Zealand's Minister for Primary Industries and the Korean Ambassador.



Yuhan's New Origin Café, featuring New Zealand velvet



DEER CO-PRODUCTS STATISTICS

VALUE OF EXPORTS OF TAILS FOR YEAR ENDING SEPTEMBER 2014–2018

Market	2014	2015	2016	2017	2018P
China	\$527,840	\$2,554,178	\$5,137,666	\$4,703,108	\$6,966,622
Hong Kong	\$10,765,124	\$8,039,374	\$4,248,456	\$5,771,444	\$6,605,554
Other	\$0	\$0	\$0	\$0	\$575,904
Total	\$11,292,964	\$10,593,552	\$9,386,122	\$10,474,552	\$14,148,080

VALUE OF EXPORTS OF SINEWS AND TENDONS FOR YEAR ENDING SEPTEMBER 2014–2018

Market	2014	2015	2016	2017	2018P
China	\$557,382	\$1,454,244	\$1,400,455	\$1,663,848	\$2,466,014
Hong Kong	\$2,825,127	\$1,623,705	\$104,444	\$405,951	\$657,135
Other	\$798,542	\$750,344	\$193,388	\$202,290	\$923,695
Total	\$4,181,051	\$3,828,293	\$1,698,287	\$2,272,089	\$4,046,844

VALUE OF EXPORTS OF PIZZLES FOR YEAR ENDING SEPTEMBER 2014–2018

Market	2014	2015	2016	2017	2018P
China	\$206,642	\$2,880,558	\$7,073,666	\$4,210,076	\$4,128,120
Hong Kong	\$6,643,394	\$5,576,468	\$2,320,888	\$4,760,146	\$4,031,218
Other	\$159,954	\$163,312	\$9,280	\$195,412	\$36,746
Total	\$7,009,990	\$8,620,338	\$9,403,834	\$9,165,634	\$8,196,084

Source: Statistics New Zealand



# PASSION2PROFIT PROGRAMME



**Frustration that productivity had been stuck at the same modest levels for too long led to the Passion2Profit programme. In the past two or three years there have been indications this might be changing. It is too soon to call the improvements a confirmed trend, but there are encouraging signs.**

## HIGHLIGHTS

### Carcass weight increases

The combination of improved genetics used in the national herd, better health management and better feeding regimes is lifting the average carcass weight of deer slaughtered in New Zealand (Figure 1).

Nationally, the average slaughter weight of young stags in September in 2018 is 2.13kg higher than the 2013–2015 average.

This increase in the average slaughter weight of young stags is mirrored in the national average slaughter weights for all deer, moving from the long-term average of 55kg to 57kg in the past two years.

### Weaning rate increases

The long-term average for the New Zealand industry has been 75 fawns alive at 4 months for every 100 hinds mated a year earlier. In 2016 this lifted to 79 and in 2018 it was recorded at 84 (provisional).

The only national measure of fawn survival we have comes from the Statistics NZ National Agriculture survey. Over the 12 years before the establishment of the Passion2Profit Primary Growth Partnership, fawns recorded as a percentage of hinds mated a year earlier averaged 75% and never exceeded 80% (Figure 2).

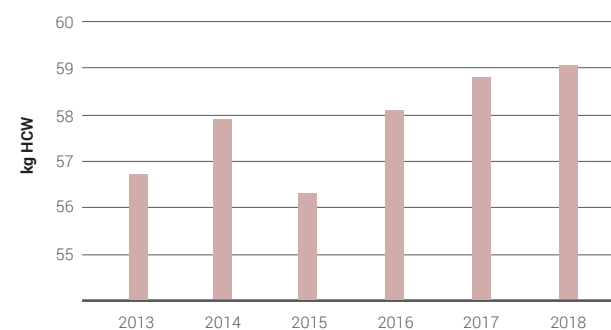
The 2018 provisional figure of 84% for fawn survival is encouraging. While an increase in one year might be seen as an anomaly and two years a coincidence, three years would constitute a trend.

### National breeding herd increases

The New Zealand deer herd peaked in 2002 and then declined for the next 16 years. The national agriculture survey recorded an increase in the number of breeding hinds mated in 2018.

Figure 1: Average carcass weight young\* stags – September

\* Assumed to be 10–11 months old



Source: DeerPRO

Figure 2: Fawns alive at 4 months per hind mated

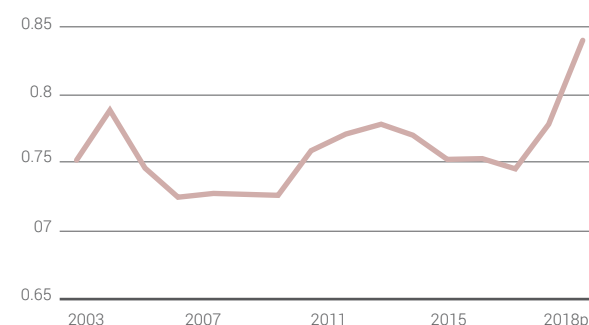
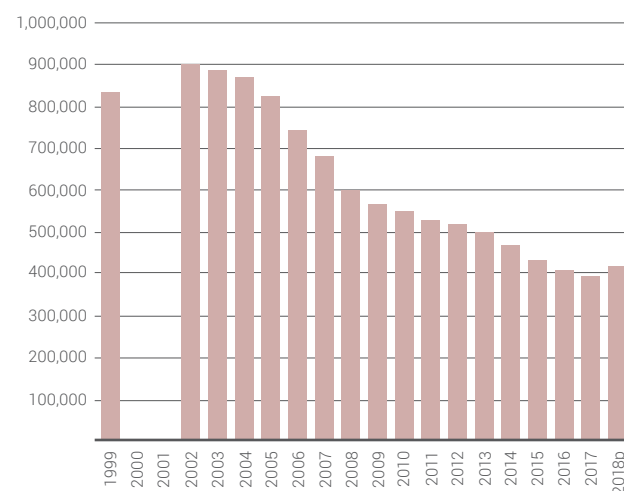


Figure 3: Number of hinds mated in New Zealand 1999–2018



Source: Statistics NZ

## P2P - Positive Independent Review

A requirement for all Primary Growth Partnerships with MPI is a “mid-term review”. In 2018, independent consultants engaged by MPI concluded that:

“Overall ... the P2P [programme] has achieved its ...short-term outcomes for the period from the PGP's beginning in mid-2015 to 2018. These focused on identifying new markets and gaining insights into consumer demand as well as driving greater communication and collaborative learning and making it easier to access and take up new technology and processes.”

The full report is available at [deernz.org/P2P-review-2018](http://deernz.org/P2P-review-2018)

## Changing farm management and deer farming intentions

In the survey of practice change carried out by CINTA, interviews with 586 deer farmers gave an insight into attitudes among deer farmers compared with those in a similar survey undertaken in 2011. It recorded that more deer farmers:

- undertook annual health reviews
- referred to breeding values when selecting stags
- monitor hind condition
- monitor weaner deer condition.
- Deer farmers considered the deer operations were more productive than in 2011.
- Most deer farmers were intending to expand or maintain their deer numbers.

## PROGRAMME ACTIVITIES COMPLETED IN 2017/18

### MARKETING PREMIUM VENISON

#### Cervena in Europe

- Marketing companies continued to agree to promote Cervena® as a summer option in the Benelux countries and Germany in 2018.
- Higher prices than previous years, and strong demand from alternative markets meant volumes were constrained in 2018.
- This collaborative activity took place with one less New Zealand company due to the withdrawal of one importing participant. Despite this, volumes remained stable with about 90 tonnes of Cervena delivered during the sales period, at historically high prices.

### Snack bar

- A prototype venison snack bar was produced, with New Zealand venison marketing companies to explore a shared path to market.

### China

- Research was received on the hierarchy of purchase motivators among Chinese chefs working in western restaurants in Shanghai.
- Workshops with chefs in three cities in China.
- The industry achieved significant increases in the value of exports to China as the activity to target the western restaurant sector in Tier 1 cities continued.

Below: Summer cuisine and distinctive “diamond” motifs feature in a series of photographs that will be used on-line and in advertising material produced to support market development activities.





On-Farm QA

- All venison marketing companies are now operating on-farm quality assurance programmes for deer farming to the equivalent of the DeerQA on-farm standard.
- The Marketing Working Group agreed to consider the introduction of new feeding standards to underpin the integrity of Cervena venison's free-range farming positioning.
- Agreement was reached that an Animal Health Plan is a compulsory requirement of the Deer QA On-Farm Standard.
- Cervena licensees who are members of the Marketing Working Group, agreed to implement a standard to exclude GMO feedstuffs from the diet of deer eligible for Cervena venison.

The Passion2Profit Primary Growth Partnership is jointly funded by DINZ and the Ministry for Primary Industries.

MARKET-LED PRODUCTION

Advance Parties

- Another two Advance Parties (APs) were formed over the year. We welcomed a renewed group in Northland and a new group in the Bay of Plenty.
- DINZ has a target of running 30 APs and had 27 under way at the end of 2018, involving about 330 farmers.
- The AP National Workshop was held on 11 and 12 June 2018 in Methven. Sixty industry participants worked through farming case studies to provide AP members with improved knowledge of deer farming practices.

Regional Workshops

- Regional Workshops were held in Southland, Canterbury, Waipa, South Otago, South Canterbury, Mid-Canterbury, Fiordland, Waikato, Taupo, Tasman/ Marlborough and North Canterbury over the year. The workshops looked at what farmers were doing to improve their productivity and environmental management.
- Tech Expos with the support of the DFA, were held in Gore and Ashburton. About 200 farmers and industry representatives talked with 20 technology and farm solutions companies.

Deer Facts

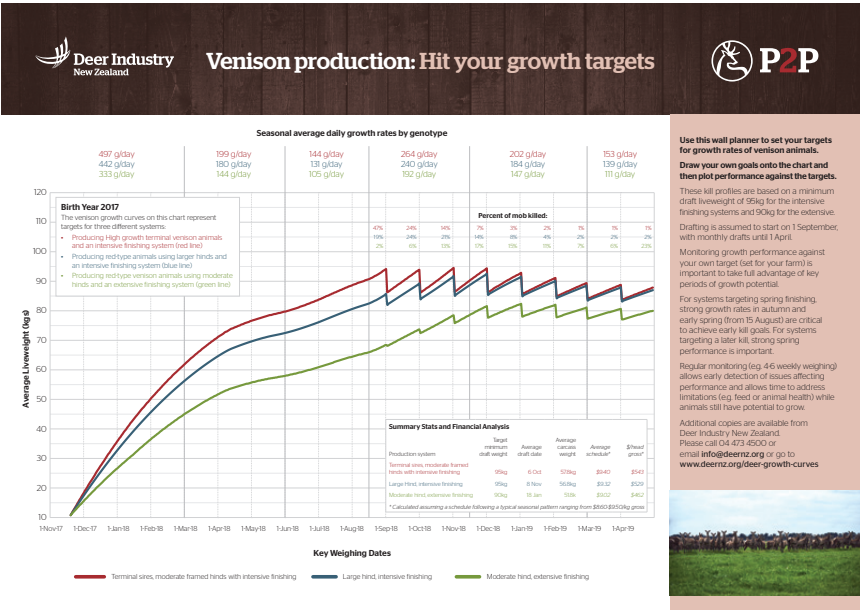
- Deer Facts were produced and distributed on:
  - Fodder crops for winter feed
  - Feeding tables
  - Nutrient management
  - Setting breeding objectives
  - Breeding for stag and hind replacements

Below: Some of the 60 participants at the AP National Workshop in Methven.



Feeding resources

The Venison Growth Curves Poster – with indications and typical feed curves – was produced and distributed to all known deer farmers.



- A Forage Planner poster for deer was also produced and distributed to all known deer farmers.
- A Feed Cost Comparer calculator was deployed on [apps.deernz.org](https://apps.deernz.org)

Breeding and reproduction

- A genetics “Hinds to Terminal Sire” mate allocation calculator was published on the deer industry website. Greater media coverage was undertaken to encourage the uptake of breeding values and videos published to showcase farmer benefits.
- The growth curves for replacement hinds chart was sent to all known deer farmers and was acknowledged as instrumental in many farmers changing their feeding regime and achieving higher conception rates among their R2 hinds.

Environmental management

- The Environmental Management Code of Practice was launched at the Deer Industry Conference in Timaru in May.
- Workshops on good practice for deer farms were held with environmental consultants.
- A Project Manager for P2P Environment projects was appointed.
- Deer Industry Environment Groups were implemented. These are similar to Advance Parties, where farmers work with each other to improve their environmental management.
- The Environmental Stewardship Theme Group had its first meeting. This pan-industry group including government representatives meets to agree the deer industry's environmental priorities.

Deer health

- The roll-out of the Annual Deer Health Review continued, with ongoing discussions with key regional vets.
- A group of key vets was created to promote the use of the deer health review among animal health advisers and farmers

Training for rural professionals

- Workshops for Rural Professionals in Manawatu, Hawke's Bay, South Canterbury and Southland were attended by 190 people.
- Eight university students studying agriculture enjoyed the 2018 “Big Deer Tour” in April. The students spent a week learning about the deer industry from farmers, consultants, scientists, marketers and chefs. Seven of eight then attended the Deer Industry Conference in Timaru in May.
- Working with the New Zealand Deer Farmers' Association, three agriculture students were treated to a “Future Deer Farmers Tour” in September, linking with farmers, marketers and service providers to learn more about the deer industry.

Colin Gates, Manager Waihi Pukawa Station. Hosted a Deer Industry Workshop for Rural Professionals.



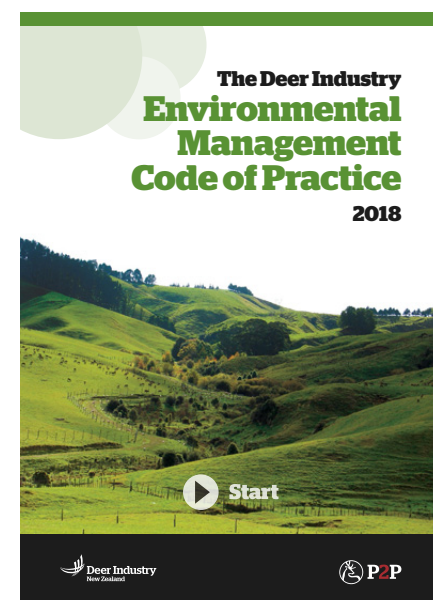


# POLICY

The premium positioning of our products depends on our industry participants meeting New Zealand's high standards for animal health and welfare, food safety, product traceability, biosecurity and water quality. In the design of regulatory standards and industry-good schemes, our focus is on ensuring the benefits are not outweighed by the cost of compliance, both at the business and industry level.

Below left: The Environmental Management Code of Practice has been well received.

Below right: OSPRI staff at the Southern Field Days advising farmers on using their NAIT account.



## ACHIEVEMENTS

- Together with the New Zealand Deer Farmers' Association (NZDFA) we launched our Environmental Management Code of Practice. Developed by deer farmers and with input from NZ Landcare Trust and three regional councils, the code has been well received by farmers, local and central government, political parties and other industry organisations.
- We continued to assist NZDFA branches grappling with the development of regional environmental rules. That assistance took the form of advice on written submissions, delivering presentations to councils and upskilling council employees on deer farming and its environmental impacts.
- Government officials are increasingly receptive to learning how our industry works and its challenges and opportunities. This is supporting more informed decision-making and policy development in the realm of food safety, animal welfare, veterinary medicines and biological greenhouse gas emissions.
- The NAIT scheme will benefit from a raft of changes – including many to improve the user experience

– arising from the NAIT Review in which we participated. With compliance made easier and a stronger enforcement regime, its value for disease management purposes will be enhanced.

- With industry support, we applied to join the Government-Industry Agreement for Biosecurity Readiness and Response (achieved shortly after year-end). Our views must be taken into account during a pest response affecting our industry and our share of response costs will now be capped by – rather than imposed on – us.

## CHALLENGES

- While the Zero Carbon Act is likely to be passed in 2019, we are still unsure of its implications for pastoral farming and this uncertainty will continue through 2019.
- Our industry's track record of environmental awareness and managing risk is well regarded within the primary sector and by central government. However, we are under pressure from regional councils and our communities to better demonstrate our good work. Whatever we do, it could bring benefits domestically and with consumers.



# SCIENCE

## DINZ invests in research to improve industry profitability and sustainability and to maintain its social licence to operate.

DINZ, through DEERResearch, secured significant AgResearch co-funding for three new multi-year studies important for long-term industry profitability and sustainability. They are to:

- obtain information from which effective and sustainable parasite management regimes can be developed
- improve knowledge of the potential management adjustments that can be made in response to variances in system inputs (e.g. environmental, regulatory, new cultivars) as well as customer preferences
- quantify the amount of nutrient losses to water caused by deer farming, to inform regulatory development and deer farming best practice.

Velvet Antler Research New Zealand (VARNZ) rebalanced its programme away from product development to research into new properties of velvet of interest to consumers and to support New Zealand's premium positioning, through authenticity and animal welfare research.

Meanwhile DINZ, in partnership with Nexan, a New Zealand animal health company, started development of a bespoke multi-active drench with a short meat withholding period. This product will enable farmers to effectively deal with parasites when needed without compromising food safety.

Right: Dr Dawn Coates and PhD student Zhen Dong at the University of Otago. Antler regeneration is driven by stem cells that reside in the outer layer of the pedicle bone. A novel protein family involved in bone regeneration is being studied for its potential role in enhancing bone growth and repair.

## ACHIEVEMENTS

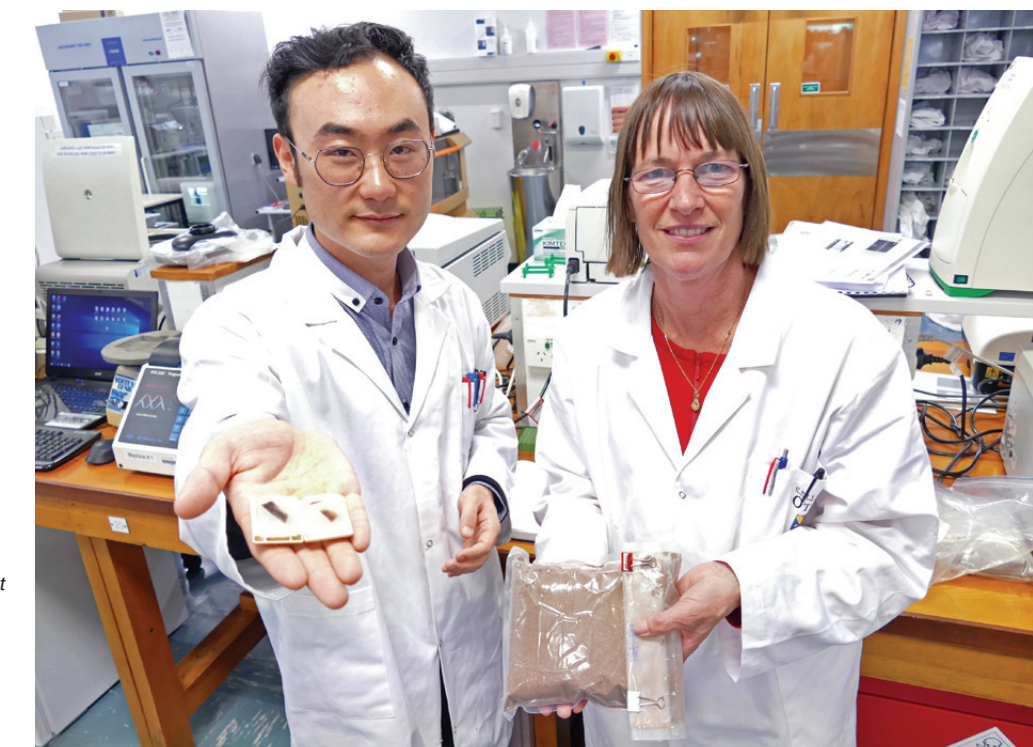
- Research is generating knowledge the industry is keen to use. In a 2017 DINZ survey, 50% of deer farmers reported having recently adopted a new technology or significantly different practice compared with 47% of farmers interviewed in 2011. Of those interviewed, 49% reported using breeding values for stag selection, compared with 36% in 2011.
- DEERResearch completed two long-standing genetics studies, the Deer Progeny Test and DEERLink, both of which led to the creation of breeding values for new commercially important traits (for carcass/venison quality and host parasite resistance). The tools developed by DEERResearch will increase the genetic merit of our national herd.
- Korean pharmaceutical company Yuhan Limited used previous VARNZ research in a commercial research project with AgResearch to support new product development.

## CHALLENGES

Finding the most effective mix of fundamental science and commercial research to help marketers of venison, velvet and co-products improve the overall positioning of their products.

## THE FUTURE

DINZ, together with AgResearch, will explore ways of obtaining the best value for industry participants from its investments. This could entail adjustments to the investment structures as well as processes for project selection, monitoring and delivering outcomes.





# DEER SELECT

Deer Select provides genetic tools to help deer breeders and commercial producers improve traits that are economically important to sustainable deer production.

**Main Challenge:** Farmer uptake of better genetics

Sires of various degrees of merit for a range of traits – growth, meat and earlier conceiving – are available to suit any production system.

The investment by DEERResearch in genetics, predominantly through AgResearch, underpins the continued development of Deer Select. Breeder cooperation after completion of the Deer Progeny Test means we have been able to maintain across-herd connections, enabling breeding values (BVs) to be comparable within breed.

## ACHIEVEMENTS

- Release of the CARLA reserach BV, a measure of the immune response of young deer to the ingestion of gastrointestinal infective larvae from pasture. It was proven to be both heritable and variable in red and wapiti/elk. This means genetic gain can be made to select animals with greater immune response to internal parasites. What this actually means for parasite burdens is still under investigation by AgResearch.
- Inclusion as a topic in all Workshops for Rural Professionals, including a whole day specialist workshop held for stock agents, vets and advisors in Spring 2018.
- Attendance and presentations at Deer Tech Expos in Gore and South Canterbury, conferences, workshops and farmer meetings.
- New herds, both venison and velvet focused, have begun recording on Deer Select and current breeders have been supported through visits and workshops.
- Breeders have been encouraged to present a wider range of BVs than just weight at 12 months, so deer farmers can identify potential sires that meet their individual requirements whether it is earlier fawning, or the right-size growth, adult size, meat or increased CARLA response.
- An in-depth survey of commercial deer farmers to identify opportunities to encourage the uptake of improved genetics to suit any production system.

*Recording more maternal trait information is essential for the development of new reproduction breeding values.*

## CHALLENGES

- Meeting the industry's desire for a single evaluation for red and wapiti/elk, where the BVs can be directly compared.
  - Direct comparison requires ongoing across-breed genetic links to benchmark red and wapiti appropriately. This requires coordination and artificial insemination programmes to generate wapiti/elk cross progeny in a recorded red deer system.
  - This work requires across-breed analysis modules – meat is complete and work on an across-breed growth analysis is beginning.
- The biggest challenge is to persuade commercial deer farmers to use the opportunity improved genetics can offer to increase productivity and profitability, particularly for venison, but also for velvet production, using a range of BVs to tailor the right size genetics to individual systems.
- A challenge for Deer Select breeders will be recording more maternal trait information as we develop new reproduction breeding values – particularly for young hinds. We want to safeguard the future reproductive performance of hinds.

## THE FUTURE

Focus will include:

- a single across-breed evaluation with updated economic weights that reflect current prices and relativities between traits
- farmer BV proofs – three commercial farms using sires of different BV merit for W12 and monitoring the outcome.

**A big highlight of the year has been a firm commitment to support environmental initiatives and help all deer farmers get on board with documented Farm Environment Plans in place by 2020. The enhancement work already being done on many deer farms is to be applauded and deserves wider recognition.**

*Ian Walker, Chair, Deer Industry New Zealand*



# PRODUCER ENGAGEMENT

**Producer Management supports the goals of the DINZ strategy based on a cohesive and respected industry that is profitable and confident.**

**Activities developed in 2017/18 and to be promoted in 2018/19 include:**

- Ongoing and wider deer farmer engagement through exposure of the 27 Advance Parties within the P2P programme through at least 12 annual Regional Workshops aimed at the wider community.
- The DFA's Next Generation programme, again supported by DINZ, continues to grow in relevance and participation through the annual conference, electronic communication and social media.
- Programme managing the annual combined DINZ/DFA New Zealand Deer Industry Conference.
- Promoting the Regional Workshop programme to DFA branches and supporting other local DFA branch activity.
- Strengthen DINZ engagement with the service sector and key individuals.
- Promoting external awareness of, and confidence within, the industry.
- Continuing to engage in environmental awareness, advocacy and support, especially through development of formal Farm Environmental Plans through DINZ support and co-operation with the NZDFA at national and branch level.
- Strengthening activities relating to benchmarking, target setting, performance monitoring and analysis, and reporting financial returns.

## CHALLENGES AND ACHIEVEMENTS

- The annual Deer Industry Conference in its modern format and theme of "Staying Ahead of the Game" was hosted by the very active South Canterbury/ North Otago (SCNO) DFA Branch in Timaru. It attracted strong support from deer farmers, service industries and processor/ exporters.
- The conference featured the formal launch of the "Environmental Management Code of Practice 2018" and high-profile speakers including retiring Zespri CEO Lain Jager, New Zealand's Special Agricultural Trade Envoy Mike Petersen, environment commentator Guy Salmon and international business futurist Craig Rispin. The conference also held a business breakfast for South Canterbury based agribusiness leaders and took further steps developing a partners' programme, which will be expanded and refined in 2019.
- SCNO DFA provided an absolute highlight with a good old-fashioned farm based field day through the Rangitata Gorge, culminating in a wonderfully informative and informal overview of Mesopotamia Station from the start of the industry until now, hosted by Malcom and Sue Prouting. The day was said by many to be the best field day they had ever attended.
- The industry continued to enjoy record firming returns for venison and strong velvet antler returns supported by productivity improvements and increasing numbers of larger well-integrated multispecies farms incorporating deer.
- Producers, particularly from the Next Generation programme and DFA branch leadership, have shown increasing interest and participation in Advance Parties and the P2P programme as the vision for better productivity begins to be realised.
- Industry communications continue to advance with the regular monthly production of a DINZ E-News, monthly upmarket Stagline-online for DFA members and continual improvement to the Deer Hub at [deernz.org/deerhub](http://deernz.org/deerhub)
- The DFA's Next Generation programme is strongly supported by DINZ both financially and through executive input. The Hamilton-based conference covered many aspects of the velvet industry both in market and at CK Import Export's state-of-the-art velvet exporting facility in Te Awamutu and attracted 75 attendees, adding depth to the momentum being generated in this area.
- Deer farmers are particularly pleased to have the professional assistance of DINZ environmental policy manager Lindsay Fung to help them in establishing fair and equitable environmental regulations for deer farmers. Major projects are now completed with Environment Southland and the SCNO DFA with DINZ assistance worked constructively with ECan councillors and staff, giving them a good appreciation of the efforts that deer farmers have gone to. Environmental regulation in Waikato and Canterbury still presents significant challenges, however.
- Deer farmers have been encouraged to complete a Land or Farm Environment Plan (LEP or FEP) as a first step to responsible engagement and basic compliance by 2020. Beef + Lamb NZ has been strongly supportive in this.

- A new entry-level (Level 3) qualification (Livestock Husbandry – Deer: breeding, health and management) for new deer farmers and current staff, developed by Deer Industry News editor Phil Stewart and Motivate Group's Clive Jermy and Tony Pearse, is launched and three

courses were offered in 2018. The project was supported by a successful bid to MPI's Sustainable Farming Fund and produced for the Primary ITO with co-funding from DINZ and NZDFA.

- The last event of the Focus Farm programme was a well-attended "Feed to Profit" field day at Raincliff Station in South Canterbury, which also had a strong environmental theme.

*Tour leaders giving commentary during a post-conference field day in the Rangitata Gorge.*



*"Feed to Profit" field day at Raincliff Station, Canterbury.*



*Participants at the 2018 Next Generation conference in Hamilton.*



*DFA members strongly supported P2P Regional Workshops throughout the country.*



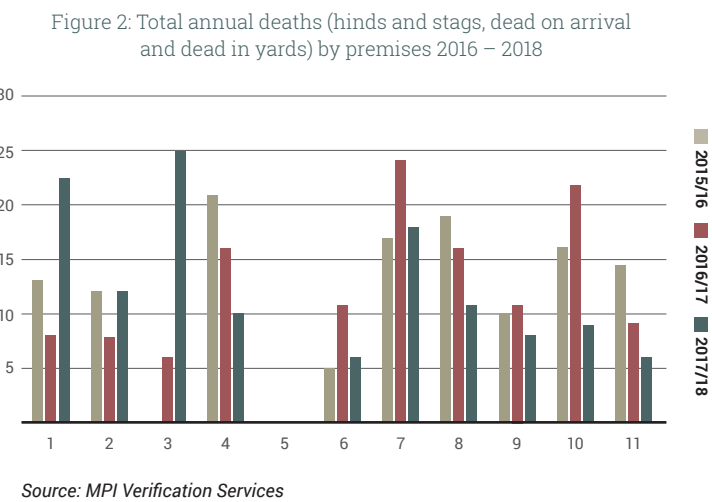
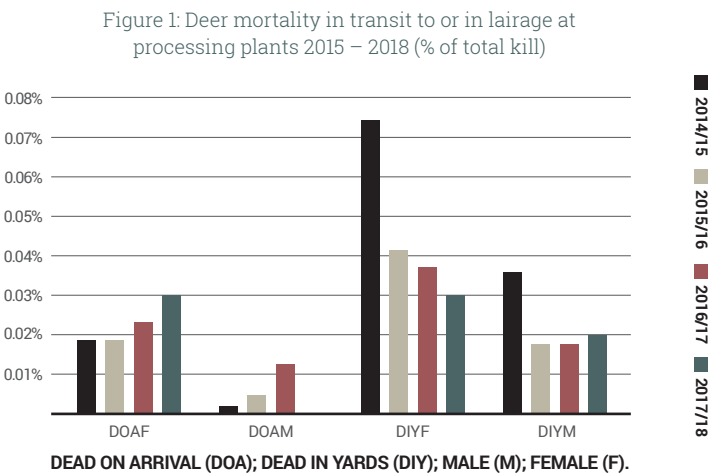


# ANIMAL WELFARE AND DEERQA

## CHALLENGES AND ACHIEVEMENTS

### Transport

- Re-auditing of DeerQA transport companies is a continual exercise.
- Currently 79 accredited transport companies are registered with DINZ.
- There is still a strong demand for DeerQA driver training courses from transport companies keen to remain compliant with accreditation requirements.
- With new regulations being formulated it is vitally important that drivers and farmers are aware of their responsibilities for care and the procedures required during transport.
- From an animal welfare perspective, regulators are constantly monitoring all consignments of deer being delivered to processing plants.
- New regulations will place individual responsibility on the person or persons involved, depending on the offence.
- The DINZ/DeerQA Transport Programme is always looking for continual improvement. Statistics show year-on-year improvement. Three areas of concern remain, however: cull hinds, weaned deer and the transport of pregnant hinds.



### Regulated control scheme

- In August 2017 a Regulated Control Scheme (RCS) was imposed on the harvesting, handling, storage and transporting of velvet intended for both human consumption and for export with an official assurance.
- The RCS applies to a farmer, a velvetter, any person who handles or stores deer velvet, and any person who transports deer velvet after harvest but before it is received by a risk management programme (RMP) operator.
- The prime purpose of the RCS is to ensure that deer velvet intended for export complies with overseas market access requirements throughout its harvesting, handling, storage and transport.
- The legal requirements of the RCS cover: hygiene, cold chain management, transport, transshipment at a depot, identification, documentation, record keeping and verification. Examples of these include:
  - Farmer/velvetters are now required to identify and remove all velvet within “clean zones” that can be washed down and disinfected.
  - Freezing facilities capable of providing an ambient temperature of -15°C or cooler.
  - Velvet must be transported in a clean receptacle free from contaminants that may affect its hygiene.
  - Velvet must at any stage before arriving at an RMP facility, be identified either individually or as a batch in a sealed receptacle.

- When velvet is transferred between locations (e.g. farm to an RMP operator) it must be accompanied by a signed declaration by the supplier.
- Records must be accessible to the recognised verifier, retained for at least 4 years and retrievable within 2 working days.
- The RCS is subject to verification, which must be conducted by persons recognised under the Animal Products Act.
- NVSB auditors have been recognised under the Act and are authorised to carry out verification of the RCS.

Table 1: Summary of RCS audits carried out 2017/18

Sheds passing RCS audit	256
Sheds awaiting action to complete	37
Farmers opting out of audits	20
<b>Total deer sheds selected for RCS audit</b>	<b>313</b>

- Overall there was a positive response by farmer/velvetters to meet the requirements of the RCS.
- The NVSB intends to conduct about 300 RCS audits each season until all deer sheds have been covered.

### Velvet Surveillance

- The velvet surveillance programme continued throughout the 2017–2018 season.
- Across the country, 653 individual suppliers were identified and listed by MPI Verification Services (VS) during the velvet season.
- Of these, 61 had incomplete, incorrect or unknown velvetter status with DINZ and were passed back to VS to be followed up.
- The most common reason for this was that a veterinary practice had been engaged to remove velvet antler. This included several suppliers who had previously been approved to remove velvet but no longer do so.
- Twenty-five veterinary practices were identified as the velvet remover.
- In addition to the 61 suppliers contacted, a further 10 were identified by VS as animal welfare cases, related to velvet handling or removal (including damaged and incorrectly removed antlers).
- These cases had already been passed on to compliance for follow-up.
- Three other suppliers had animal welfare cases raised against them for non-velvet-related issues.
- Strong awareness remains among deer farmers of the requirements of the NVSB scheme and all those contacted were cooperative and supportive. There was a positive

response for MPI VS involvement from most farmer/velvetters spoken to. One or two suppliers who had been contacted in previous years expressed mild irritation, and there was an educational opportunity for a very small minority who were not fully aware of the velvetting requirements.

This project is a long-standing, successful primary sector partnership between MPI VS and the NVSB/ DINZ. Deer velvet removal remains a sensitive topic and verification of compliance remains important to the industry and New Zealand's reputation. The project will continue for the 2018/19 season.



Clean zone in a new deer shed.



# SUMMARY FINANCIAL STATEMENTS

## SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Consolidated 2018 \$000	Consolidated 2017 \$000
<b>Revenue income</b>		
Venison levy income	2,842	2,824
Velvet levy income	1,949	1,819
Tbfree levy income	1,191	1,162
NAIT levy and DEERPRO voluntary contribution	354	325
Grant income	1,088	949
Other revenue	295	467
<b>Total revenue</b>	<b>7,719</b>	<b>7,546</b>
<b>Expenditure</b>		
Research expenditure	949	1,022
Venison and velvet promotion expenditure	1,970	1,538
P2P expenditure	2,031	1,906
Tbfree and NAIT expenditure	1,154	1,253
Other expenditure	1,758	2,120
<b>Total expenditure</b>	<b>7,862</b>	<b>7,839</b>
Movement in investment in associate	9	-
<b>Total comprehensive revenue and expenditure before taxation</b>	<b>(134)</b>	<b>(293)</b>
Taxation expense	-	-
<b>Total comprehensive revenue and expenditure after taxation</b>	<b>(134)</b>	<b>(293)</b>

## SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Consolidated 2018 \$000	Consolidated 2017 \$000
<b>Current assets</b>		
Cash at bank	1,635	1,544
Investments	1,507	2,002
Accounts receivable	791	625
	<b>3,933</b>	<b>4,171</b>
<b>Non current assets</b>		
Property, plant & equipment	180	23
Intangible assets	-	-
Investments in subsidiaries and associates	23	12
	<b>203</b>	<b>35</b>
<b>Total assets</b>	<b>4,136</b>	<b>4,206</b>
<b>Current liabilities</b>		
Accounts payable and accruals	1,499	1,445
Employee entitlements	112	105
	<b>1,611</b>	<b>1,550</b>
<b>Non-current liabilities</b>		
Accrued lease liabilities	31	28
<b>Total liabilities</b>	<b>1,642</b>	<b>1,578</b>
<b>Net assets</b>	<b>2,494</b>	<b>2,628</b>

## SUMMARY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Consolidated 2018 \$000	Consolidated 2017 \$000
Opening equity	2,628	2,921
Total comprehensive revenue and expenditure after taxation	(134)	(293)
<b>Closing equity</b>	<b>2,494</b>	<b>2,628</b>

## SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Consolidated 2018 \$000	Consolidated 2017 \$000
Net cashflows from operating activities	(232)	(5)
Net cashflows from investing activities	326	464
<b>Net increase in cash held</b>	<b>94</b>	<b>459</b>

## NOTES TO SUMMARY FINANCIAL STATEMENTS

The specific disclosures included in this summary financial report have been extracted from the full financial report which was authorised for issue on 28 November 2018.

The full financial statements have been prepared in accordance with Public Benefit Entity Accountancy Standards. The full financial statements have been audited and an unmodified audit opinion has been issued. These summary financial statements comply with PBE FRS 43. Figures are in New Zealand dollars, which is the Deer Industry New Zealand Consolidated Group's presentation currency. All summary financial information has been rounded to the nearest thousand.

The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report of the Group.

If you require a set of accounts, please contact Rob Aloe on email – [rob.aloe@deernz.org](mailto:rob.aloe@deernz.org) – and we will forward a copy to you.

**Deloitte.**

## INDEPENDENT AUDITOR'S REPORT

### To the readers of the Deer Industry New Zealand group's Summary Financial Statements for the year ended 30 September 2018

#### Opinion

The summary consolidated financial statements of the Deer Industry New Zealand and Group ("the Group") on pages 22 to 23 that comprise the summary consolidated statement of financial position as at 30 September 2018, the summary consolidated statement of comprehensive revenue and expenditure, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year ended on that date, and related notes, are derived from the audited consolidated financial statements of the Group for the year ended 30 September 2018.

In our opinion, the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements for the year ended 30 September 2018, in accordance with PBE FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

#### Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by generally accepted accounting practice in New Zealand in accordance with Public Benefits Entity Standards Reduced Disclosure Regime. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

#### The audited consolidated financial statements and our audit report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements for the year ended 30 September 2018 in our auditor's report dated 28 November 2018.

#### Board of Directors' responsibility for the summary consolidated financial statements

The Board of Directors is responsible on behalf of the Group for the preparation of the summary consolidated financial statements in accordance with PBE FRS-43: *Summary Financial Statements*.

#### Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of the Group, based on our procedures, which were carried out in accordance AG ISA (NZ) 810 (Revised): *Engagements to Report on Summary Financial and Performance Information*.

Other than in our capacity as auditor, and the provision of taxation advice, we have no relationship with, or interests in the Group.

**Trevor Deed**, Deloitte Limited

On behalf of the Auditor-General  
Wellington, New Zealand



## APPOINTED BY THE NEW ZEALAND DEER FARMERS' ASSOCIATION



## ELECTED BY VENISON MARKETERS AND PROCESSORS



## ELECTED BY VELVET MARKETERS AND PROCESSORS



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154 Featherston Street, Wellington 6011

# BOARD MEMBERS

### 1. Kris Orange

Director and Shareholder of Downlands Deer Ltd, Great Southern Deer Farms Ltd, Waime Holdings Limited and KW and CJ Orange Partnership  
Shareholder of Alliance, Silver Fern Farms Ltd and Ravensdown.

### 2. Mark Harris

Director of Agersens Ltd (Australia)  
Shareholder of Fonterra, Farmlands and Ballance  
Officer of Gallagher Group Ltd

### 3. William Oliver

Trustee of Oliver Whalan Trust  
Director of Waerenga Holdings Ltd and Three Rivers Ag Ltd  
Shareholder of Silver Fern Farms Ltd and Provelco

### 4. Dr Ian Walker

Owner of Kilgaren Farm Partnership  
Director of Centralines Ltd, DEERResearch Ltd and Rangitoto Radio  
Director and Shareholder of Marama Farming Company  
Shareholder of Silver Fern Farms, Ballance, Ravensdown, Farmlands and Provelco

### 5. Danny Hailes

Officer of Alliance Group Limited  
Director of DEERResearch Ltd

### 6. Glenn Tyrrell

Officer of Duncan New Zealand Ltd.  
Shareholder of Duncan New Zealand Ltd

### 7. Dean Hamilton (Until 1 April 2018)

Officer of Silver Fern Farms Ltd.  
Director of Armadale Partners Limited, Hamilton & Co Ltd

### 8. Simon Limmer (From 1 April 2018)

Officer of Silver Fern Farms Ltd.  
Shareholder of Rockit Orchard Partnership 2, Rockit Global Ltd  
Councillor of Meat Industry Association  
Trustee of S V J Limmer Family Trust

### 9. Tony Cochrane

Officer PGG Wrightson Ltd  
Director and Shareholder of Green Antler Ltd  
Shareholder of Farmlands

## 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 and dereliction of health and safety duties. To manage this risk, the Group has directors' and officers' insurance.*