



Drugs, Residues, Velveting

Sensitive issues for the deer industry

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Abstract

The success of New Zealand deer products in international markets relies, at least in part, on New Zealand's reputation as a producer of safe and high quality food products and our markets' perceptions of deer products as meeting their need for natural, nutritious, healthy products produced sustainably from happy, healthy animals

A major challenge for the New Zealand deer industry is to ensure that it delivers on the promise of these perceptions – perceptions we promote. On the back of recent food safety and animal health scares, international consumers are increasingly sceptical and demand credible assurances that the products they consume meet these needs. Delivery is therefore not only about 'doing things right', but being able to credibly assure our customers 'things are done right'

Integrity is essential for survival in these market conditions. The veterinary profession plays a key role in both senses of the word 'integrity' – (1) integrating various elements of the value chain into a robust system and (2) providing trusted assurances that market and consumer needs are fully met.

This paper outlines the New Zealand deer industry's strategy, issues faced by products in major markets and suggests a role for the veterinary profession as an integral part of the deer industry's ability to assure its markets that its needs have been met. Tensions between conflicting market needs are also discussed.

Outline

This paper covers

- the deer industry's major strategic platforms for the coming 4 years for venison and velvet
- the sensitive issues these strategies involve for us
- the need for credible and robust assurances – integrity in our production systems

Strategies

Increasing Production

To put this in context, the need for the strategies I am about to outline is driven by the need to develop markets for forecast increasing production

Today the deer industry comprises approximately 2 million deer, processing around 470,000 animals a year and producing an estimated 470 tonnes of velvet. Forecasting future production is notoriously difficult, especially looking out to a 4 or 5 year horizon. However, at this stage, looking at a number of scenarios based on varying degrees of herd growth, in 2004 we could be facing deer numbers of up to 3.5 million in 2004 and venison production of around 668 thousand animals, up 42% on this year, and velvet production of 660 tonnes, up 40%. This is seen by exporters and their in-market partners as manageable if this increased production comes on line in a managed way and in co-ordination with market requirements. However, the forecast increase in production drives our industry's strategies. We aim to build markets for this increased forecast production to maintain prices in the face of increased supply.

Venison Strategy

The main issue we face in the venison industry is the seasonal nature of consumption

Traditionally, venison was hunted, so was consumed in the hunting season in autumn and winter. Most of our venison is consumed in this limited 3 or 4 month window which basically ends at

Christmas. This puts pressure on our production systems and means that outside the traditional game season we are forced to sell frozen commodity products. This limits the value we can get for our product outside the game season. Furthermore, this frozen product is normally stored over summer and sold in the game season against our chilled exports, impacting upon our chilled season returns.

Traditional cuisine developed around the hunted product. Hunted product wasn't tender, so long slow cooking methods were used. It had a strong gamey taste, so heavy sauces were used – hence the traditional dishes we see to this day. This cuisine doesn't appeal to younger, wealthy consumer segments and so limits our ability to grow volumes. The heavy traditional cuisine also limits consumption to the traditional winter period and reinforces seasonal consumption.

To summarise our strategies, we are aiming to expand the consumption season for venison into spring and summer by growing new, less traditional consumer segments. To do this we position venison as a modern, healthy and versatile product suited to a wide range of cooking styles. We emphasise the New Zealand origin and the natural production systems we use. In fact, 'natural' is one of the key promotional messages the industry utilises, if not the key message. Because we have a farmed product, we can provide consistent supply, assurances about safety and quality and a milder taste, meaning a lighter style of cuisine. All these are requirements in the eyes of our target consumers.

Velvet Strategy

The main issue we face in the velvet industry is our reliance on Korea.

The Korean economy is volatile, the duty structure, import inspection and unofficial trade practices all work against us, and world supply is growing faster than Korean demand. We simply must develop new markets and this is the basis of the velvet strategy.

Looking at potential new markets for velvet, Figure 1 below illustrates a way to consider the industry's options. This simple matrix approach illustrates how our geographic markets and the product forms we sell in those markets can be classified as new or traditional.

Figure 1

	PRODUCT FORMS	
GEOGRAPHIC MARKETS	Traditional	New
Traditional	Traditional Asia Whole Stick, frozen and dried Korea, Taiwan, China,	New Asia Capsules, tonics etc Younger segments in Korea, Taiwan, China, Japan
New	Asian Immigrants Whole Stick, frozen and dried Canada and USA	Western Natural Health Products Capsules, tonics etc

Traditional Asia

One option is to develop markets for traditional product forms to traditional markets. These are markets for whole stick product into the traditional oriental medicine trade in Korea, Taiwan and China. However, in these markets what we see is unofficial trade, closely controlled distribution which limits market development, high duty and access issues.

New Asia

The industry could develop markets for new product forms such as capsules into younger Asian markets. This has huge potential, but at the current time, we have practically no access for these product forms into Asia and progress on access is painfully slow. New Asian consumers are a focus of our strategy moving out a few years though – access allowing

Asian Immigrants

Another option is to develop markets for traditional product forms into new geographic markets. Non-Asians aren't interested in velvet in traditional whole-stick form, but Asian immigrant populations in countries like the USA and Canada are. This is certainly a reasonably large market but it is a very specialised market – and not one we see as having the potential to really take the increased volumes we have forecast

Western Natural Health Products

Given limited resources, the industry has selected to prioritise market development in the western natural health product market – selling velvet in new product forms to western consumers as dietary supplements. The world's biggest market for natural products is the USA. The annual retail market for natural health products including supplements is valued at US\$16 billion. Factors driving growth in this market are.

- a move towards natural products
- a trend towards preventative health care
- 80 million baby boomers looking for products to slow ageing and improve quality of life
- the cost of traditional western health care
- a relatively strong economy

Issues arising from strategies

To summarise, the issues caused by the industry strategy relate to the fact that we are targeting new consumers. These new consumers have new needs and therefore what the industry must do to meet those needs is different from what is done currently. If you like, we're playing a new game, the field and rules have changed and the goal posts have moved.

Venison

For venison, the industry is moving away from the traditional game consumer, to the wealthy, modern diner. Where the traditional consumer loved the romance of the hunt, the strong gamey taste and the heavy food, these are all negative attributes for our new target market. What our new venison consumer demands is assured safety, convenience and quality, a mild but unique taste, consistency, healthier lighter and more novel cuisine. And they don't mind paying for it. Our new target consumer is certainly a more demanding consumer, but also a more rewarding one.

If our industry wants to enjoy the benefits of selling to this consumer segment, we have to meet its consumers' needs: natural production systems, welfare friendly and environmentally safe products and credible assurances about safety and quality.

Meeting these needs provides some sensitive issues for the deer industry. Remember that one of the industry's key positioning statements for New Zealand Venison is 'natural'.

'Natural' vs 'Farmed'

Even younger consumers picture deer as wild and free living. There is a balance to be struck in promoting New Zealand venison as farmed which has both positive and negative associations.

Positive aspects of farming relate to the consistent quality and assured safety, but the word 'farm' translated into many European languages and the European experience of farming conjures up images of battery farming which is something the New Zealand deer industry does not want to be associated with.

The solution here is to develop wording in local languages which demonstrates that in New Zealand deer are managed but not intensively farmed. However, any form of animal management works against our natural positioning to some degree. More intensive animal husbandry techniques have the potential to cause a market reaction. What we need then, is to ensure our management systems are as natural as possible and this becomes a critical part of our promotional message, but one which we must be able to back up.

Anything other than extensive, natural outdoor production systems could pose a serious threat for our industry. The Game Industry Board is talking to exporters about their policies and assessing the market's reaction to this issue at the moment and will be discussing the potential risk with the industry very shortly.

Animal Remedies

The use of animal remedies is also an issue for us. While accepted as necessary for animal health and welfare, any chemical or unnatural input is an issue in the eyes of the market. At a regulatory level this is handled for us by MAF residue monitoring and MAF assurances, but credible assurances from the farmer that withholding periods have been complied with are critical. Off-label use of animal remedies is also an important issue. Longer-term, moves to more natural and lower input farming and animal management systems will be demanded by the market. Research into such systems has been underway for some time and more is needed.

Feeds

Our new consumers also demand assurances that our deer are not being fed ruminant protein. New Zealand's Biosecurity (Ruminant Protein) Regulations 1999 prohibit this, but again monitoring and testing for compliance and a robust system of assurance are critical.

Transport

The fact that we transport deer to slaughter is also contrary to our natural positioning to a degree. Our DeerQA Transport Programme is critical in assuring markets that the welfare of deer is ensured during transport.

Animal Health

Consumers are quick to lump all animal health issues into the box of 'another meat health scare' whether or not those animal health issues pose a human health risk – witness Europe's experience with Foot and Mouth Disease as an example. We must expect that all animal health issues will come under increasing scrutiny, not just from a production perspective, but also as a market issue based on perception.

Specifically on the issue of animal health, New Zealand may be open to question as a result of the incidence of tuberculosis here. An aggressive industry, sectoral and national response is absolutely critical and the current Animal Health Board's National Pest Management Strategy's aim of official freedom by 2013 simply must be achieved to ensure New Zealand's market access is maintained.

A further issue the industry faces in this area relates to the aerial application of poisons in wildlife areas to control wild tuberculosis vectors. While I am fully confident that the issue is managed in terms of the safety of our products by MAF systems and the National Residues Monitoring Programme, the issue has the potential to damage New Zealand's 'clean, green' reputation in the market.

Velvet

With the velvet industry, again, the sensitive issues the industry face are largely a result of the need to develop new markets. As we move from traditional Asian markets to western natural health-food markets, the markets' needs change.

As a simple example, I have never once been asked about animal welfare, toxicity data, HACCP, Risk Management Programmes or ISO 2000 processing standards from customers in our traditional Asian markets. In contrast, these issues were all raised the first time the Game Industry Board met with a US health-food company. On the flip side, our Asian consumers want to know what type of natural herbs our deer graze and want to know about how the most powerful stag is selected for breeding. It's not that our traditional markets are not concerned about quality – the opposite is true – it is just that quality has a different meaning for that market.

Unknown and misunderstood in Western markets

In Western natural health product markets, we must accept that deer velvet is starting from a base of zero or even negative awareness. A very common first reaction to the concept of deer velvet from Western consumers is a belief that removing velvet is cruel and inhumane. As we know, this is not true, and methods have been developed and researched to ensure stag welfare during velvet removal.

Where consumers may have heard of deer velvet they often believe it is used only as an aphrodisiac and quickly classify it with the likes of tiger bone and rhino horns as an unproven product and an unjustified process.

Welfare

Most notably, apart from issues with the product itself, such as safety and efficacy, welfare is the biggest single issue the industry faces in developing a market for deer velvet as a natural health product in the USA. Consumers and trade consulted in the USA demand assurances about the welfare implications of every aspect of the production cycle. The industry must be able to assure this market that all aspects of farm management, not just the removal process, ensure animal welfare.

In terms of removal, the market demands assurances that handling is not too stressful for the animal, that the cradle (I use that word deliberately instead of 'crush') is welfare friendly and that the animal feels no pain. The market demands assurances that the recovery of the animal after removal is monitored and that animals are not exposed to any risk of infection. Customers have also asked about the psychological and behavioural impacts of velvet removal.

We need to be able to give assurances that these issues are fully addressed.

In turn, the industry needs science to be able to make these assurances and to develop management techniques that can be proven to meet these needs. There has already been a great deal of science undertaken and more is needed.

Realistically, velvet removal and production systems for velvet are probably going to have to show continuous improvement in order to keep up with increasing welfare concerns internationally. Our industry can never be complacent and never forget that velvet removal is a privilege not a right.

Moving away from Western natural health product markets, this paper earlier identified 'New Asia' as a target for market development in the future - new added-value, convenient product forms to younger consumers in traditional markets. While welfare isn't an issue in that market at present, it may well be in the future with younger consumers. As an example, Korea currently has almost no 'pet culture'. In fact dogs are farmed for food. Economic prosperity and a certain 'westernisation' of culture and beliefs, especially among younger people has seen a pet culture start to develop. Over time, I expect welfare concerns to also develop in this and other traditional Asian markets.

New Zealand's practice of velvet removal is already an issue in some markets – in Europe for example, where velvet removal is not permitted, local deer farmers frequently raise velveting in the media against New Zealand venison. As the industry looks to develop markets for velvet in Europe this will become an increasing issue. Already there are companies marketing small volumes of capsules there and this has the potential to escalate into a major issue.

'Natural' vs Welfare/Animal Remedies

While consumers demand assurances that velvet is removed without any pain to the animal they also want products produced as naturally as possible – without chemicals, if possible.

This is an extremely sensitive issue for the velvet industry that currently relies on the use of chemicals for pain prevention for the purposes of velvet removal. Increasingly, these methods may become unacceptable to the market. Developing non-drug removal methods is therefore a priority for the industry. A non-drug removal technique is already approved for use on Spikers and work is underway on a pressure analgesia system for mature stags.

Dealing with those issues – the need for integrity

As well as industry strategies targeting new consumer segments, BSE and Foot and Mouth disease have changed the rules of the game in our international markets. What the market now demands more than ever is integrity in the food chain. I use the word 'integrity' in two senses.

First, in terms of being trustworthy, credible and robust. As far as this definition goes, recent events in the airline industry provide a useful illustration. Consider, as an example, the grounding of Ansett Australia's fleet because of safety concerns. It is going to take a while before full consumer confidence is restored, costing Ansett millions in lost business. It doesn't matter that Ansett's maintenance and fleet may be top notch, the damage to its reputation is done.

Just as a passenger can't tell whether an engine's maintenance has been kept up, our customers can't see the conditions in which our deer are raised, what we feed them, how they are treated or how their velvet is removed. Our industry must be able to provide credible assurances on these issues to our customers and we must demonstrate that our assurances are robust and can be backed up.

I believe the veterinary profession has a key role to play in this aspect of integrity by lending the reputation and ethics of its profession to governmental and industry systems aimed at providing these assurances. The NVSB programme is a good example of this.

The second definition of the word 'integrity' deals with an entity that is entire and whole. In this sense, consider the need for the different elements in the supply chain to form an integrated whole.

The veterinary profession is involved here in two ways. First, as a part of the supply chain, but more importantly, as a link between different parts of the chain. By providing assurances the veterinary profession can assist the link between producers and the market. Also, vets are in a perfect position to assist the flow of information to producers about market requirements and the importance of issues which assurances are sought on.

Summary

The sensitive issues the New Zealand deer industry faces arise out of the potential mismatch between what we say and what we do.

The market's image of New Zealand as clean and green and its perception that New Zealand venison is healthy and natural are big benefits. However, this also increases the burden on our industry to make sure we live up to these expectations. The bigger the gap between perception and reality, the bigger the risk, and the more intense the likely reaction if the market believes our products and/or our industry have failed to measure up.

Our growing industry has no choice but to expand into new markets. Inevitably this means new consumers bringing with them a new set of needs. Furthermore, animal health and food safety scares are reinforcing these demands. Consumers are looking more and more at what they eat and our production systems and systems of assurance need to stand up to the closest scrutiny.

The veterinary profession is in an ideal position to assist the deer industry provide the integrity our international markets demand.