



**DEER INDUSTRY
NEW ZEALAND**



START

**ANNUAL REPORT
2007/08**

ABOUT THIS ANNUAL REPORT

Welcome to the first-ever electronic Annual Report from Deer Industry New Zealand.

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We welcome your questions and comments about our new-format annual report. To request a printed copy or give us feedback, please contact us on: info@deernz.org.

INTRODUCTION

VENISON

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CONTACT DETAILS

MISSION

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

VISION

A strong, stable, profitable industry for all participants.

DEER INDUSTRY
NEW ZEALAND
ANNUAL REPORT
2007/08

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.

Changes in seasonal sales restrictions in Belgium.

Lobbying efforts were rewarded with agreement by regional legislators to amend hunting regulations, but awaiting final rules.

Cooperative promotions with other New Zealand food and wine exporters in the USA.

Venison, alongside beef, lamb, wine and Zespri™, was introduced to over 500 culinary students at 11 schools in the USA.

Cervena® participation in the biggest food show in America.

Cervena display, tastings and discussion at the National Restaurant Association show in Chicago in May 2007.

Work with New Zealand food magazines to highlight the availability of venison in New Zealand supermarkets.

A fun and educational session was provided for the editorial staff of Cuisine magazine. Press releases provided to leading culinary magazines resulted in features on deer farming and more venison recipes being published.

Development of a New Zealand and Taiwan working group to address issues and opportunities for both countries, including the five tonne frozen velvet quota.

The first formal meeting with New Zealand and Taiwanese Government officials and Industry representatives was held, discussing top-line issues facing both industries. A follow up meeting with the group was held, focusing on more detailed issues and opportunities.

More promotion in China, encouraging further uptake of New Zealand velvet and co-products.

Increased work with marketers within China helping drive promotion and sales.

Potential joint research opportunities looking at the functionality of velvet with a Korean University/organisation – helping to improve credibility and trust in New Zealand deer velvet.

Established a working relationship with two significant research centres with the idea of exploring functional options including food and cosmetics in velvet.

Further promotion in western markets including the USA and New Zealand through various media including television.

Assisted with joint promotion in the USA through major networks advertising in main centres in off-peak times, in a limited number of markets. Continued joint promotion work with New Zealand-based further processed velvet products through website advertising, radio, newspaper and magazine.

Access of further processed velvet products into Australia.

Completed a formal literature review, updating all current information and submitted the application to the Australian regulatory body.

WHAT WE SAID WE'D DO

Marketing of New Zealand velvet as a pet supplement in New Zealand, Hong Kong, China and the USA.

New and improved comprehensive promotional material including brochures and velvet.org.nz website.

Wound healing: commercialisation package developed and presented to potential investors.

Co-products: tail characteristics reviewed and possible opportunities to recover or add value to tail recovery at DSPs identified.

Progression of Focus Farm implementation and integration with the "Venison Supply Systems" (VSS) research programme.

Deer health: internal parasites in deer characterised and development of diagnostic tools initiated; age-related resistance of deer to Johne's disease field trial completed, leading on to identification of genes for resistance/susceptibility.

Welfare – NaturO™ Rings: assessments of potential noxiousness completed and submitted to National Animal Welfare Advisory Committee (NAWAC); approval for continued use granted.

WHAT WE DID

Successful joint promotion campaigns with a Hong Kong-based company selling into China and Taiwan. Established a good working relationship with a New Zealand pet marketer based in the USA for further development.

Developed and launched an enhanced website in [New Zealand](#), with a local version in [Korea](#). Developed and distributed new industry brochures in New Zealand with local versions in Korea and China/Taiwan. Updated the Grading Guidelines charts.

Information package assembled and provided to major pharmaceutical companies and a clinician. Pharmaceutical companies require human data. The clinician is interested in assisting with a small study.

Review in progress at balance date, but not yet complete.

All four scheduled Focus Farms are now in operation. The associated committees and community groups have had direct involvement with the research and technology development team that delivers the VSS industry partnership and FRST contract.

Parasite sampling has been completed and is awaiting analysis; co-funding for a Sustainable Farming Fund project for parasite diagnostic tool development has been provided.

A Johne's disease field trial has been completed and genetic resistance work will continue under the Johne's Disease Research Consortium.

Five projects completed demonstrating sufficient analgesia and a low degree of noxiousness. NAWAC does not require annual approval for the use of NaturO rings using NVSB-approved methods.

REPORT FROM THE CHAIRMAN AND CEO

Venison broke \$300 million in FOB export returns for the first time ever during the period, and continued to recover. Velvet had a challenging year marked with lower than expected returns, resistance to structural change and a rocky Korean market.



John Scurr, Chairman



Mark O'Connor, Chief Executive

Venison

A recovery in venison prices continued during the year ended 30 September 2008. This led to an improvement in farm returns and the beginnings of a rebuilding of farmer confidence. The key for venison is to achieve good returns over an extended period in an extremely unstable world economic environment. The deer industry continued to work to achieve this, firstly by improving New Zealand venison's position in key export markets, and secondly by improving the productivity of New Zealand deer farming. Deer Industry New Zealand played its part in these two important initiatives.

In terms of New Zealand venison's position in export markets, one key opportunity is to sell

more venison at retail to add to the existing food service channel business. Deer Industry New Zealand assisted exporters to achieve this through the [Impress Your Guests](#) campaign. The *Impress Your Guests* format allows a distributor or retailer to quickly and flexibly implement a retail promotion using a range of media including outdoor advertising, instore television, point-of-sale material and venison tastings. During the period, Deer Industry New Zealand assisted eight importers to organise venison promotions with fourteen supermarket chains in Europe.

Another key opportunity in export markets is to sell more venison outside the traditional game season. The industry is working to push out and extend consumption and sale of venison from the game season, particularly by selling more

venison between Christmas and Easter. This suits New Zealand's farming systems while the weather in Europe is still cold and people would consider eating game items. Deer Industry New Zealand supported out-of-season sales through the joint promotional programme in which it contributes levy funds alongside exporter and distributor funding to run promotions. Deer Industry New Zealand contributed to 53 joint promotional activities, ranging from new product development to consumer promotion.

The quantity and quality of venison promotion during the period was excellent. See the [venison report](#) for more detail.

During the period of high venison supply from 2002 to 2006, the industry's focus was necessarily

on sales support, i.e. getting a large quantity of venison sold. As venison supply drops, the industry is focusing more on the effective positioning of New Zealand venison to achieve higher, sustainable prices for a lower volume of venison and to grow new markets for New Zealand venison. Deer Industry New Zealand is calling this [Focused Differentiation](#). To this end, Deer Industry New Zealand has changed its policy on joint promotion to support projects which effectively position New Zealand venison using points of difference such as its quality, health benefits, sustainable production, grass-fed livestock and the "New Zealand story".

The productivity side of the returns equation was addressed in the period through continued execution of the industry Productivity Strategy. The strategy is all about getting more calves on the ground heavier

and earlier, and seeks to reduce wastage in venison production systems. To this end, the deer industry has invested in the Venison Supply Systems research programme to improve productivity over a four year period. It includes work on early calving, early growth gain, increased overall liveweight, parasite control, increased fawning and sustainable extensive systems, alongside a suite of four Focus Farms to encourage community learning and adoption of new and existing technology. The Focus Farms were well supported and operated well with strong, highly motivated committees. Field days at the properties achieved an average attendance of approximately 75.

The [average schedule](#) for the year ended 30 September 2008 was \$7.25 per kg hot carcass weight. This was 39% higher than the year ended 30 September 2007 (\$5.21) and 34% higher than the 10 year average (\$5.32). The higher schedule price was sorely needed by producers given uneconomically low returns and increasing input costs.

[Venison production](#) dropped slightly to 604,000 deer in the year ended 30 September 2008, down from 608,000 in the year ended 30 September 2007. Deer Industry New Zealand expects production to continue falling for some time.

Velvet

Deer Industry New Zealand worked to support change in how New Zealand velvet is sold and marketed. The *Velconz* initiative achieved 276 tonnes or 58% of total velvet production through the PGG Wrightson selling platform. This was slightly short of its target of 280 tonnes, which is unsurprising given the difficult velvet season in 2007/08 and high producer expectations prior to it. PGG Wrightson advised that it would not continue with the *Velconz* initiative and would instead pursue its own commercial initiatives to better sell New Zealand deer velvet. This has resulted in much less use of the auction system and more contracting of deer velvet, a change supported by Deer Industry New Zealand. This, along with the efforts of Velexco Cooperative Group Ltd and some independent agents, will assist the New Zealand deer velvet industry to achieve better returns.

The 2007/08 velvet season was difficult for producers and all participants in the value chain. The effects of the global economic crisis have exacerbated the situation. The impact of the crisis was more immediate for velvet than venison. Deer velvet's position is as a prized ingredient in [Han-yak](#), or traditional Korean oriental medicine. *Han yak* is more about maintaining wellness than "curing". As such, it is a discretionary purchase. The Korean economy has been badly affected by the

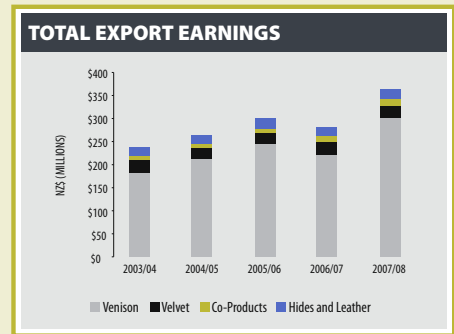
world economic crisis and consumers are slowing their purchases of discretionary items.

Deer Industry New Zealand continued to work on a range of opportunities consistent with the industry's five year velvet industry strategy. See the [velvet report](#) for detail.

Other Opportunities and Challenges

Two rural consultancies compared gross margin returns from deer and other farming options on land types used for farming deer. Returns from deer operations were in two of the top three places and outperformed sheep and beef options. Further, more detailed work, undertaken since year end has supported and emphasised these encouraging results.

Deer Industry New Zealand remained contributing members of the [National Animal Identification and Tracing](#) (NAIT) Technical Advisory Group and Governance Group. Deer Industry New Zealand considers NAIT vital for a number of reasons, but primarily to achieve a more effective response to a biosecurity incursion and therefore a faster return to markets. Deer Industry New Zealand also believes NAIT is important to provide supply chain transparency to consumers, creating a closer



Earnings hit a record high value with New Zealand deer industry exports valued at \$362 million in the 2007/08 season, up 28% on the previous year.

Venison accounted for 83% of the industry's revenue, as high international prices and higher production combined to boost returns by 36%. Velvet accounted for 7% of industry export revenues, with hides, leather and co-products accounting for the remaining 9%.

relationship between producers and consumers. This is vital given consumers' desire to know where their food comes from.

Deer Industry New Zealand still has fundamental concerns with any [Emissions Trading Scheme](#) which includes agriculture. The knowledge and technology to meaningfully reduce emissions from livestock is not currently available. The focus of New Zealand, both industry and government, should be to gain the knowledge and technology to reduce livestock emissions. An Emissions Trading Scheme is a red herring which takes focus away from actually solving the problem.

During the period the Game Industry Research Trust (GIRT) was wound up and a new trust call the DINZ Research Trust (DINZ RT) was formed. GIRT's assets and existing contracts were transferred to DINZ RT. The formation of DINZ RT occurred because GIRT's Trust Deed was unable to be amended to confirm that its purposes met the requirements of the Charities Act 2005 for registration as a charity. The Charities Commission confirmed registration of DINZ RT effective from 30 June 2008.

Stewart Barnett retired from the Board of Deer Industry New Zealand during the period. We thank Stewart for his six years of committed service

to Deer Industry New Zealand, particularly for his excellent contribution across all sectors, his experience and his professionalism. We welcome Grant Cuff, CEO, Alliance Group Ltd to the Board.

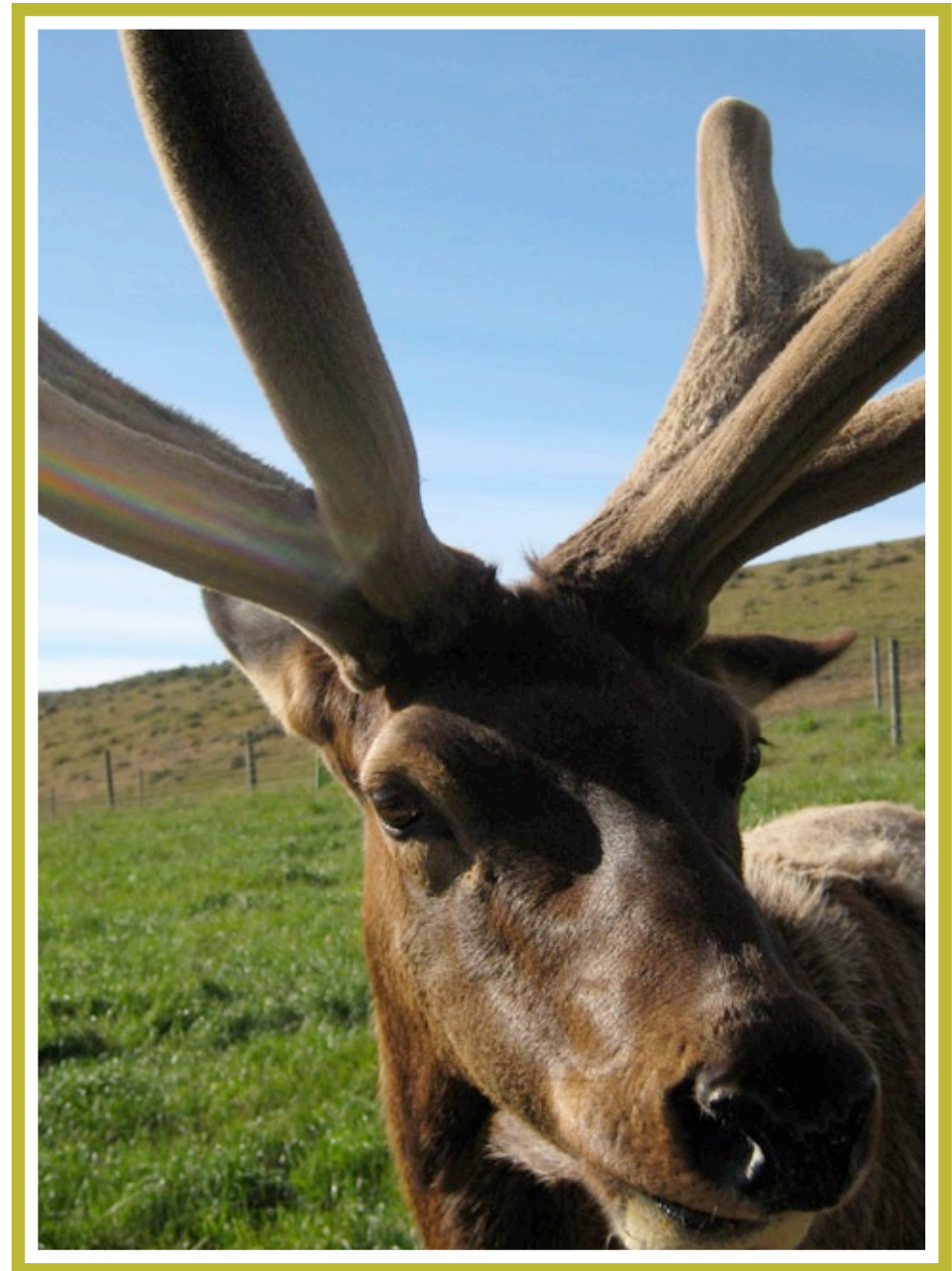
The global economic outlook looks anaemic at best. Its effects are already being felt by the New Zealand deer industry through lower spending by consumers in Asia, Europe and the USA. Credit lines for the purchase of deer products are tighter and prices for competing proteins are dropping. This makes venison more expensive and less competitive in relative terms. As production for both venison and velvet falls, Deer Industry New Zealand will be monitoring expenditure carefully to ensure continued prudent management of levy funds.

Over the next year, the New Zealand deer industry will review its five year strategic intents for velvet and venison, and develop new ones from the ground up. Deer Industry New Zealand will coordinate these, but anticipates a high level of industry direction and input so that the strategic intents properly reflect producers and processor/marketers ambitions. In particular, Deer Industry New Zealand has a strong desire to cooperate with the velvet industry more fully and for higher levels of cooperation within the velvet industry itself.



HIGHLIGHTS

- [Profitable venison schedule](#)
- [Germany's Chancellor Merkel samples New Zealand venison](#)
- [StarChefs ICC participation by Deer Industry New Zealand](#)
- [Venison exports hit \\$300 million for the first time](#)
- [China – New Zealand FTA provides avenue to assist opportunities for velvet within China](#)
- [New JP partner engaged to drive growth in the Asian pet market](#)
- [Co-products continue to grow](#)
- [Inaugural meeting between New Zealand and Taiwan to unlock potential for velvet](#)
- [All four Focus Farms up and running](#)
- [Relative profitability analysis encourages positive promotion of the New Zealand deer industry](#)
- [New standards set in on-farm sustainable management: 2008/09 Deer Industry Environmental Awards](#)
- [2008 Industry Conference: key speakers, themes and social events](#)
- [NVSBS reaches the highest compliance by velvetters since the programme began](#)
- [Amendment to the Code of Welfare for deer approved](#)



WHAT TO LOOK OUT FOR IN 2008/09

- Agreement on a new venison industry strategic intent to guide industry thinking on marketing venison.
- The National Heart Foundation Tick applied to venison items for sale in New Zealand.
- Continued focus on differentiation of New Zealand venison in European markets. Wide range of venison promotional activities, including gourmet fairs and retail tastings.
- Media coverage of New Zealand venison as a healthy meat in Germany and New Zealand.
- New venison website bringing advice and inspiration to consumers.
- Development of a five year velvet industry strategy from the ground up.
- A fresh suite of marketing tools for the promotion of deer velvet products.
- Further penetration of processed velvet products into the pet nutraceuticals market.
- Joint promotion work in Korea to further develop the market for processed New Zealand velvet products.
- Stronger relationships and activity in Taiwan to create a unique fit for New Zealand deer velvet.
- Progress on development of both traditional and non-traditional deer velvet products in China.
- Velvet included on the Australian Therapeutic Goods Administration's Permitted Ingredients List.
- A conference combining all technical aspects of the New Zealand deer industry.
- Four field days for each Focus Farm property.
- NAIT recognition of the Deer Industry's interest in alternative (UHF) technologies.
- 2009 Deer Industry Conference in Palmerston North and industry updates in your region.
- New style industry communications and reporting methods.
- Reporting of further relative profitability analysis in rural media.



BOARD OF DIRECTORS

APPOINTED BY THE NEW ZEALAND
DEER FARMERS' ASSOCIATION



Graham Carr

Director of Graham Carr [NZ] Limited, 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, Cloudy Bay Aquaculture Limited, Nucleus Assets Limited, Impian Technologies Limited, Antara Ag Limited, Grange Farm Limited, 2C Management Limited
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



John Spiers

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

Producer representative on National Velveting Standards Body

Farms near Waipukurau



Grant Cuff

CEO of Alliance Group Limited

Director of New Zealand Lamb Company (NA) Limited



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 South Canterbury Finance, Pike River Coal Limited

Director and shareholder of Cambiste Limited, Wool Services International, Fonterra Co-operative Group

Shareholder of Silver Fern Farms Limited, 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

ELECTED BY VENISON MARKETERS
AND VENISON PROCESSORS

ELECTED BY DEER PRODUCT
MARKETERS, DEER PRODUCTS
PROCESSORS, VELVET
MARKETERS, VELVET POOL
AND VELVET PROCESSORS

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.

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VENISON

VENISON

The stars aligned in 2007/08, with improved demand for New Zealand venison in a broader array of markets. Farmers, exporters and importers all shared in improved prices and profitability.

Venison – consolidating the gains, building for the future

Interest in venison as a healthy food and a delicious red meat grew during 2007/08. Food writers and celebrity chefs in the USA, UK and other European markets published [numerous articles](#) and recipes using “game” meats as the fashionable low-fat food.

Increasingly stocked by leading retailers – Tesco in the UK, Whole Foods in the USA, Karstadt in Germany, Albert Heijn in the Netherlands – venison appeared in many of the right places, sometimes 12 months a year.

The good news is that most of this venison came from New Zealand. With a dominant share of the trade in farm-raised, quality-assured venison, New Zealand farmers are the main beneficiaries of this increase in interest in exotic meats. This was reflected in the steadily increasing prices New Zealand farmers were paid in 2007/08, even as the New Zealand dollar hit historic highs versus our major trading currencies.

New Zealand venison continued to feature on some of the best menus. [The French Laundry](#) in San Francisco is acclaimed by some as the best restaurant in the USA – their New Zealand venison with pomegranate kernels and French toast with

hazelnut butter was singled out for praise. Award-winning chefs [Todd Gray](#) and [Brad Farmerie](#) kept Cervena® on their menus 52 weeks of the year and, as well as constant innovation in the kitchen, they provided some modern takes on classic dishes like a [venison scotch egg](#)!

In London, ex-pat kiwi Peter Gordon demonstrated the versatility of New Zealand farm-raised venison at culinary colleges, and venison was the main ingredient used in a national competition for young UK chefs.

Many of these articles and chef endorsements come as a result of the work done by Deer Industry New Zealand in partnership with New Zealand's venison marketing managers, directing funding toward commercially driven activities which will yield a long-term benefit for the New Zealand venison industry. In the 2007/08 year, Deer Industry New Zealand used \$NZ1.9 million to work alongside venison marketing companies in many countries to help them promote New Zealand venison as coming from a trusted source, raised by professional farmers dedicated to providing customers with an unsurpassed eating experience.

Highlights of 2007/08

Venison schedule

In 2007/08 the venison industry observed a welcome return to higher prices. Led by increased demand for venison in the main European markets, prices climbed throughout the year with European wholesale prices reaching levels last seen in 2001.

Chancellor Merkel

Deer Industry New Zealand captured the German Chancellor sampling some New Zealand venison at a summer barbecue reception in Berlin in July 2008. Deer Industry New Zealand arranged for the sampling event to take place in the hope of enticing Mrs Merkel to sample some venison; she obliged charmingly.

StarChefs ICC

To give US chefs the real picture of who Cervena farmers are and what they do, Deer Industry New Zealand took environmental award winners Lyndon and Millie Matthews to New York for the 2008 International Chefs Congress, run by [StarChefs.com](#). Lyndon, Millie and Graham Brown spoke to chefs, food writers and importers, spreading the gospel of sustainable deer farming.



STRATEGIC OBJECTIVES

The work of Deer Industry New Zealand is directed by the industry's [2005-2010 Venison Strategic Intent](#). Venison promotion is aimed at improving the industry's profitability by positioning New Zealand venison as a high-quality red meat in strategically important markets. The activities undertaken in 2007/08 continued to advance three main objectives:

1. Reducing reliance on traditional markets

European restaurants which feature venison as an autumnal special remain the most important market for New Zealand venison. This seasonal market consumes the most venison, and will pay the best price for it. Chefs in Germany, Switzerland, France and Benelux know how to use venison and their customers are prepared to pay a high price for it. But as the New Zealand industry has proven, this is a finite market and when oversupplied, prices fall rapidly. The industry cannot have all its eggs in one basket, and must balance markets in order to mitigate the risk of oversupply, in order to achieve stability in returns.

Activities undertaken by Deer Industry New Zealand to broaden the types of outlets, and the markets for New Zealand venison included:

- Over 120 instore promotions using local and New Zealand chefs to introduce shoppers to New Zealand venison. In a market like Germany with a population of 85 million people, the task

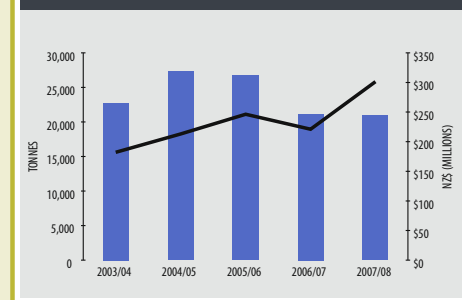
of educating shoppers about the difference between New Zealand venison and local wild shot venison might seem insurmountable, given the strong negative associations many shoppers have with traditional venison. However, by working alongside importers and selected retailers, and conducting instore tastings when and where New Zealand venison is available, Deer Industry New Zealand has achieved some substantial improvements in consumer attitudes toward venison, on a localised basis. Deer Industry New Zealand commissioned post-promotion research to examine the impact of the instore promotions. Where German shoppers had had a chance to taste New Zealand venison, their opinion of it improved dramatically. For example, prior to exposure to the Deer Industry New Zealand promotion, only 35% of shoppers thought venison was easy to prepare. After seeing and eating New Zealand venison, this had leapt to 75%.

Prior to exposure, factors such as taste and price were reasons why consumers would not consider buying venison from New Zealand. Following instore promotions, these obstacles were largely overcome and turned into positives.

- Advertising the availability and quality of New Zealand venison in food service magazines and consumer and chef websites is important

In 2007/08 exports of venison topped \$300 million for the first time. While production remained higher than anticipated, solid demand and high prices in export markets saw the average NZ\$FOB top NZ\$14,000 per tonne for the first time.

VENISON EXPORTS



when giving the New Zealand Venison "brand" credibility. In the USA, Cervena remains an extremely well-regarded product. Advertising in top-end magazines underpins this quality reputation. Provenance of food is increasingly an important issue as chefs want to be able to tell their diners where they source their products. This is not necessarily about buying local produce; it is about knowing who produces your food and trusting where it comes from. Deer Industry New Zealand advertising in the USA positioned a New Zealand farmer and a US chef together, explaining they shared a passion for producing fine food. The advertising resulted in requests for more information about Cervena from over 400 chefs.

Other activities included:

- placing features on German television cooking channels and German radio to encourage consumers to look for New Zealand venison at retail outlets,
- chef endorsement,
- joint promotion activities with exporting companies in new markets such as the UK, Croatia, Sweden and Canada.

2. Lengthening the consumption period

As well as broadening the range of customers for New Zealand venison, the industry needs to lengthen the period when consumers choose venison. Not only does this reduce our reliance on a short selling season; it means that consumption



Independent researcher's assessment of impact of DINZ instore venison promotions



is better aligned to production and more venison can be exported chilled, at a higher price than frozen.

Deer Industry New Zealand funded:

- Pre-Easter promotions with European supermarkets.
- Chef training to expand uses for venison outside traditional autumn/fall game seasons. European countries have centuries-old traditions, and in some cases laws about what ingredients can be used when. Deer are traditionally hunted in the autumn and winter (when they are at their fattest), and so chef training and cuisine styles reflect this. Deer Industry New Zealand used New Zealand chefs to demonstrate the year-round versatility of farm-raised venison to working and trainee chefs. Over 500 trainee chefs at 11 US culinary colleges benefitted from “Pure New Zealand Cuisine” demonstrations, organised in collaboration with Meat & Wool New Zealand and Zespri™. Chefs Graham Brown, Hamish Brown, Miles Kirby and consultant butcher Geof Christie instructed European chefs and butchers on the differences between New Zealand farm-raised venison and European feral products. Handling,

cutting and cooking techniques are different for quality-assured New Zealand venison, and so it can be used for non-traditional items like salads and quick-cook items.

- A special bbq event to capture German chancellor Angela Merkel enjoying New Zealand venison in the summer. The press release and photo were reproduced in most German meat trade publications, further reinforcing New Zealand venison’s suitability as a non-seasonal culinary ingredient.

3. Increasing New Zealand country of origin identification

In order to capture the benefits of increasing demand for New Zealand venison, the consumer must be able to recognise it as such. With a very high percentage of New Zealand venison sold under European brands, the New Zealand origin is often lost.

Deer Industry New Zealand funded and organised:

- co-funding promotions with European companies to ensure New Zealand identification of retail items,
- advertising on European websites to increase consumer awareness of venison from New Zealand,

- development and delivery of point-of-sale promotional material to assist consumer promotions,
- creation of New Zealand venison websites in six European languages and provision of a suite of promotional and informative material which was used by importers in [Italy](#), [Switzerland](#), [Germany](#), [Belgium](#), [Netherlands](#) and [Sweden](#).

Demand for New Zealand venison has increased; the challenge for the industry in the years ahead is to balance the expected fall in production with the increased number of customers wanting New Zealand venison, while ensuring it does not become too expensive relative to other proteins and so driving away customers.

Research

Drip Loss

This study is looking at the relationship between drip loss and season – and is significant if the long-term aim of extending the period of venison consumption in our markets is achieved.

Drip loss is a central quality aspect for venison,

especially chilled products. The results will increase knowledge about relationship between tenderness and drip and help improve venison processing to minimise drip without negative impacts on tenderness.

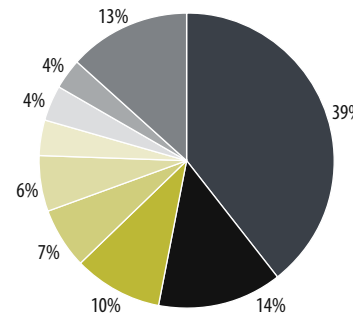
The study began in December 2007 and final samples were collected in September 2008. Full analysis is due to be completed by the end of January 2009, but preliminary results from the four sample dates (December 2007, March 2008, July 2008 and September 2008) indicate that venison tenderness is directly related to drip loss (i.e. the more tender the venison is, the more drip loss can be expected).

Under current processing and transport practices, tenderness should not be a major issue by the time chilled venison reaches an overseas market. However, the higher amount of drip in a tender product like venison can cause appearance problems in the marketplace.

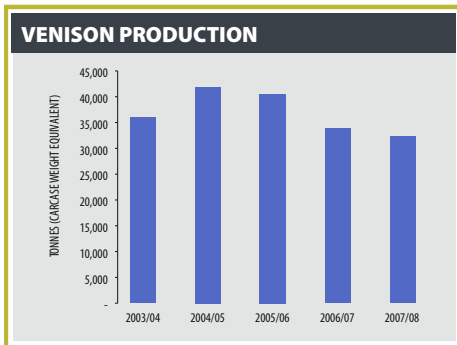
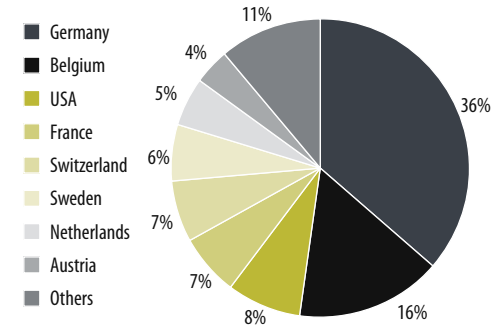
See the on-farm/productivity section for an explanation of the [Venison Supply Systems](#) research being undertaken.

STATISTICS

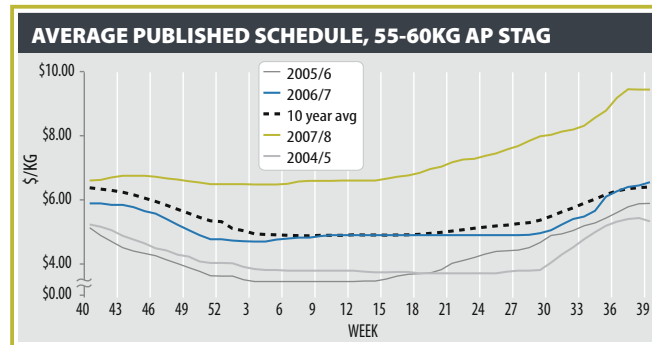
**VENISON MARKETS, 2003/04
TOTAL VALUE \$182 MILLION**



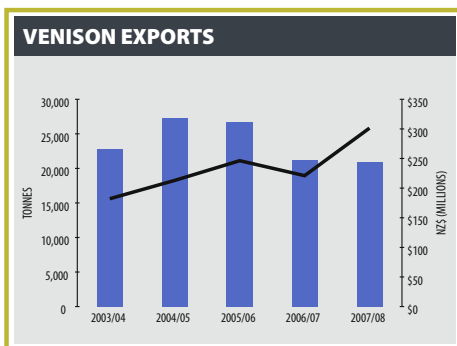
**VENISON MARKETS, 2007/08
TOTAL VALUE \$301 MILLION**



Total venison production declined only 4% in 2007/08 compared with the year earlier, despite expectations of a larger fall due to the reduction in the size of the total deer herd. Despite the improved profitability of deer farmers, alternative land use options and dry conditions meant farmers continued to reduce deer numbers through 2007/08.

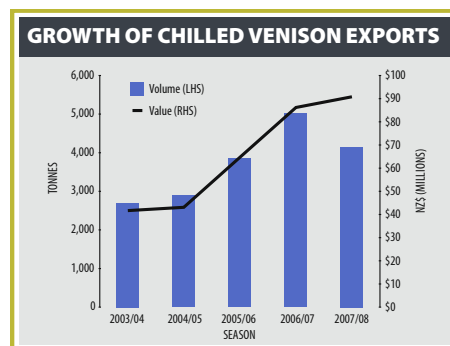


In 2007/08 the price of venison on international markets rose steadily throughout the year, proving venison producers high prices. The average Schedule finished the year at \$9.44, 50% higher than the previous year. Aided by a weakening New Zealand dollar, returns from venison farming put deer farmers back in the black.



The total volume of venison exports in the year ended September 2008 fell 1% in comparison to the year earlier. A high hind kill and dry conditions across much of the country continued the trend of reducing deer numbers in New Zealand.

Total FOB returns increased 36% to \$301 million for the year ended September 2008. The average FOB venison price per tonne increased 38% over the year due to improved market prices. The New Zealand dollar also moved in the right direction, losing about 10% of its value against main trading currencies over the course of the year.



Chilled venison exports were worth over \$90 million in 2007/08. Strong demand from retail in Europe saw prices increase as customers sought to obtain their requirements with volumes exported from New Zealand easing back a little. Poor growing conditions through much of New Zealand meant stock were slaughtered at the wrong time of year, and a reduction in the numbers of young prime stock coming forward meant total chilled exports declined in 2007/08.



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VELVET

There was a range of activity in the velvet industry throughout 2007/08. Some of it was designed to establish a platform to encourage value and stabilisation of the market. Most major exporters and New Zealand deer farmers share a strong desire to change current systems and to improve profit through the value chain. The industry continues to make progress.

STRATEGIC OBJECTIVES

The 2005 Industry Agreed Strategy continued to determine Deer Industry New Zealand's market-driven activities. While the current Industry Strategy acknowledges the significance of the Traditional Korean market, focus has been on developing new markets within Korea, China, Taiwan and Western sectors. The fundamental driver is the need for diversification to reduce volatile returns through the supply chain.

New channels and products into South Korea

Deer Industry New Zealand staff travelled to South Korea four times during the 2007/08 year, increasing market connectedness, strengthening

relationships with key importers and working with two key marketers.

The first marketing company operates within the traditional sector, selling well-branded sliced velvet to [oriental medicine doctors](#). They give significant focus to sales support and current, independent information. Deer Industry New Zealand assisted through photos, articles and brochures, and helped facilitate travel in New Zealand during 2008.

The second marketing company successfully launched a ready-to-use, tasty energy drink containing New Zealand deer velvet and targeted toward the youth market. Based on the success of the drink, the company then launched other New Zealand deer velvet-based products. Six months into their launch, Deer Industry New Zealand



Most of the supply chain can be seen during this farm visit in September 2008. From left: Korean oriental medicine doctor, Korean pharmaceutical marketer, Korean importer and New Zealand farmer (Donald Whyte).

entered a joint promotional campaign with the company over the [Chuseok](#) holiday period. The campaign lifted the profile of New Zealand deer velvet and good sales of the product followed.

In December 2007, a third "Velvet as a Healthy Food" promotion was run at the Seoul Millennium Hilton (SMH). This month-long promotion exposed approximately 15,000 affluent diners to New Zealand deer velvet as a food. SMH ranks this among one of its top promotions and offered to conduct another campaign in December 2008. The aim of

this promotion is to test and introduce the concept of velvet as a food to Korean chefs and consumers, in order to develop a food-based market.

Aside from the specific events already mentioned, Deer Industry New Zealand continued to work with local consultants and the New Zealand Embassy in Seoul to ensure the integrity of the New Zealand deer velvet brand in the market, and to seek ways to abolish the excise tax (formally SET) on deer velvet.



Marketing company General Manager, Tracy Wan (centre) with Powered by Velvet Adventure Race Team at the 2008 Wulong Challenge. The marketing company leveraged the team's visit to expand their distribution base in China.



Bus advertising covered over 70% of Hong Kong streets for three months, providing high brand recall at subsequent trade shows.



Creating growth opportunities in Taiwan

A formal inaugural meeting was held between New Zealand and Taiwanese deer velvet industries and their respective government counterparts to identify ways to work together to increase local consumption and benefit both industries.

Deer Industry New Zealand also continued to strengthen its relationship with the Chinese National Medical Retailers Association, offering ideas for the development and promotion of its 11,000 member stores.

Unlocking the potential in China

An increasing focus on the Chinese market as a way to diversify the consumer base has continued. The opportunities that lie within China could be significant, given the origins of deer velvet in traditional Chinese medicine and the rapidly growing wealth in this country. A significant development was the signing of the New Zealand and China [Free Trade Agreement](#) on 7 April 2008. This not only has the direct impact of reducing

tariffs, but also unlocks the door for negotiation on non-tariff barriers. Significant trade barriers remain. Deer Industry New Zealand also met with key importers and government officials to gain a better understanding of the deer velvet trade and origins in Northern China.

Work continued with another processor/marketer in human supplements. This marketer sells well-branded high-end New Zealand deer products to consumers in China. While activity continued throughout their 300 outlets via advertising and trade shows, the biggest breakthrough this year came by partnering with China's largest mail-order catalogue. Following this, the company also launched a new website platform. Sales have continued to grow and investing in further processed products helps "future proof" any potential growth strategy in China due to the growing affluence of the younger generation.

A new joint promotional partner was engaged in the pet market in 2007. [Evergrow Health Supplies](#) is based in Hong Kong and markets pet supplements throughout Asia. A number of programmes were initiated to launch this company with its primary product, New Zealand deer velvet capsules. Since its launch, the company has expanded its

range and customer base ensuring good traction throughout the Asian market. Activities included bus advertising, print media (newspaper and magazine) and significant work at trade shows.

New product opportunities for New Zealand deer velvet

The wound healing project (RepairRx) continued its progress with favourable outcomes. The next stage involves human studies. VARNZ has set up preliminary discussions with a clinician in Australia to further progress this. For further information on the progress of this project, [click here](#).

Deer Industry New Zealand entered joint promotions in New Zealand with supplement and pet health companies. Work also began on developing a suite of marketing material to help commercial companies promote New Zealand deer velvet in the pet industry.

Made by nature, supported by science.

DeerVelvet

A recent study in Canada revealed significant health benefits for dogs affected by osteoarthritis when given a course of deer velvet. The authors concluded that deer velvet should be considered as a therapy when treating the condition in dogs.

Deer velvet is a palatable, natural alternative to pharmaceutical products when managing joint problems, particularly over longer periods.

As a natural product, deer velvet has many other benefits too. Talk to your animal health professional about a sustainable aid in treating arthritis and bring back the bounce!

www.velvet.org.nz

Memo, M. Dogue J. Boudreau, N.H. Levesque, M. Chabot et al. (2006) Evaluation of a powder of quality red velvet antler for the treatment of osteoarthritis in dogs. Canadian Veterinary Journal, 80, 111-120, February 2006.

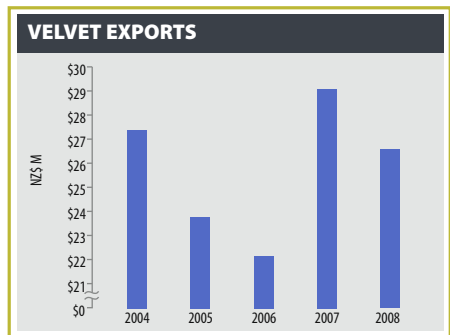
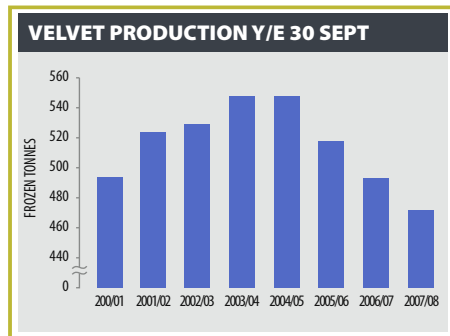
New Zealand Deer Products

STATISTICS

The season was a difficult one. It started on a high note, but declining velvet values meant velvet achieved a seasonal weighted average of NZ\$73.50/frozen kg. While this was below the initial expectations of many producers, it was consistent with the 10 year average of approximately \$75.00/frozen kg. Pre-Christmas, only small quantities of velvet were sold. Values consistently fell and buyer confidence was low. Promisingly, forward contracts were extensively used in the second half of the season which brought some stability to sales.

The decline in value over the previous year (weighted average for 2006/07 of \$95.00) was primarily due to events in New Zealand's main market, South Korea. South Korea was carrying higher than normal stocks of velvet from the previous year and suffered from a failing economy in the first quarter of 2008. The poor economic conditions continued due to the global financial crisis and a repatriation of US dollars funds resulted in a sharp decline of the currency later in 2008. Importers have commented that they believe the economy will begin to recover later in 2009.

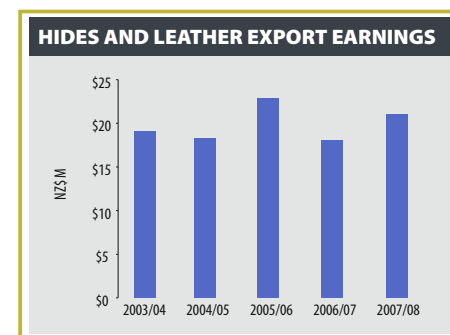
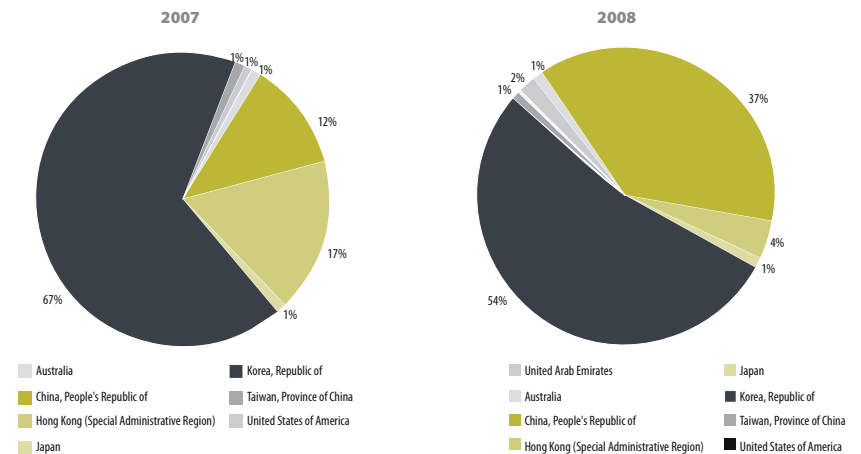
Velvet production declined from 512 frozen tonnes from 2006/07 to the 2007/08 season. Feedback suggests that this was primarily due to drought conditions, though the weak season and strong venison market are expected to reduce velvet production further.



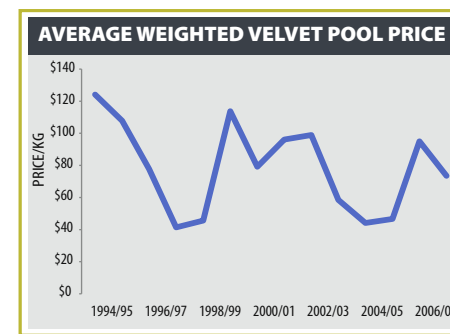
New Zealand exported NZ\$26.6 million of deer velvet for the year ended September 2008, down from NZ\$29.1 million for the year ended September 2007. This represented an 8.6% drop in export value.

New Zealand exported NZ\$13.7 million of co-products for the year ended September 2008, up from NZ\$12.6 million for the year ended September 2007. This represented an 8.7% increase in export value.

EXPORT DESTINATION SPLIT AS A PERCENTAGE FROM 2006/07 TO 2007/08



New Zealand exported NZ\$20 million of hides and leather year ended September 08 versus NZ\$18 million year ended September 07, representing a 12% increase in export value.



RESEARCH

Isotopic signature

A pilot trial has been undertaken to see if the use of light isotopes (hydrogen, carbon, oxygen, nitrogen and sulphur) could be used to determine country of origin for velvet antler. Results from a range of New Zealand sites (Marlborough to South Canterbury) show some regional distinctions and a clear distinction from a single sample from China. Additional New Zealand sites (nine sites from Northland to Southland) and overseas samples (Chinese, Russian and Korean) will be completed in 2008/09 before proceeding onto a commercial tool development stage.

Tourniquet methods

This work, carried out in previous years, has now been analysed. Despite earlier findings that a small amount of force is required to restrict blood flow, no tourniquet method has been found to consistently reduce lignocaine levels in the velvet antler. A range of possible reasons for this have been suggested (e.g. venous reflux, surface contamination during antler removal, biased sampling from the base of the antler only). A very plausible possibility is the large network of blood

vessels that overlay each other and irregular pedicle shapes that may result in incomplete compression of all blood vessels by the tourniquet.

RepairRx

Development of a wound-healing product from a velvet extract has continued. Small animal trials were completed in 2007/08 with very encouraging results for rate and quality of wound healing in pigs. This information along with other supporting laboratory-based work, was sent to major pharmaceutical companies and a burns specialist in Australia. Pharmaceutical companies now require human data for investment in new product development and VARNZ will be looking to acquire this in 2008/09 and 2009/10.

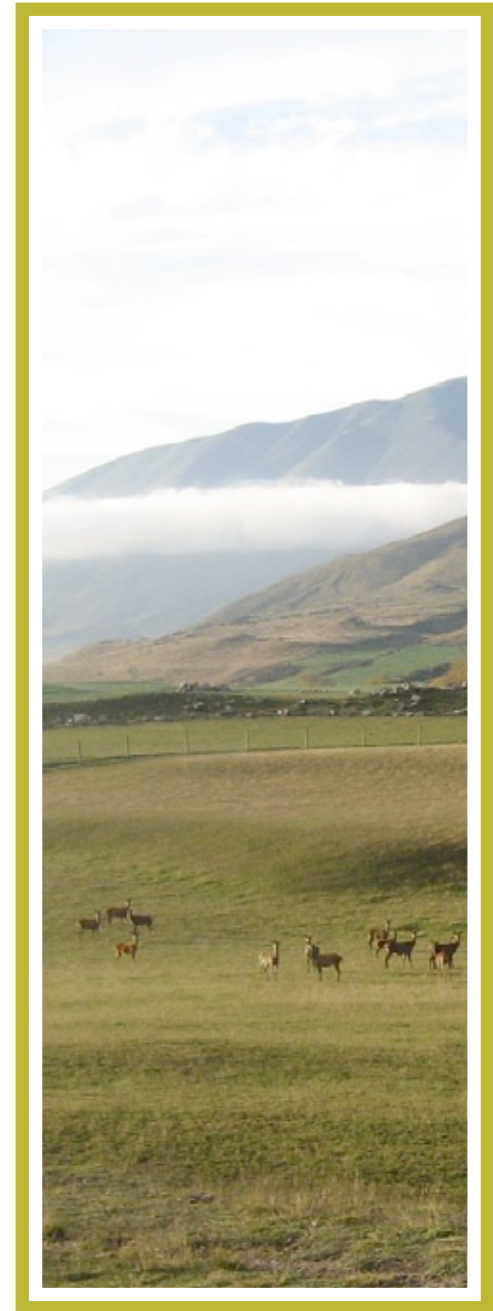
Companion animal health supplements

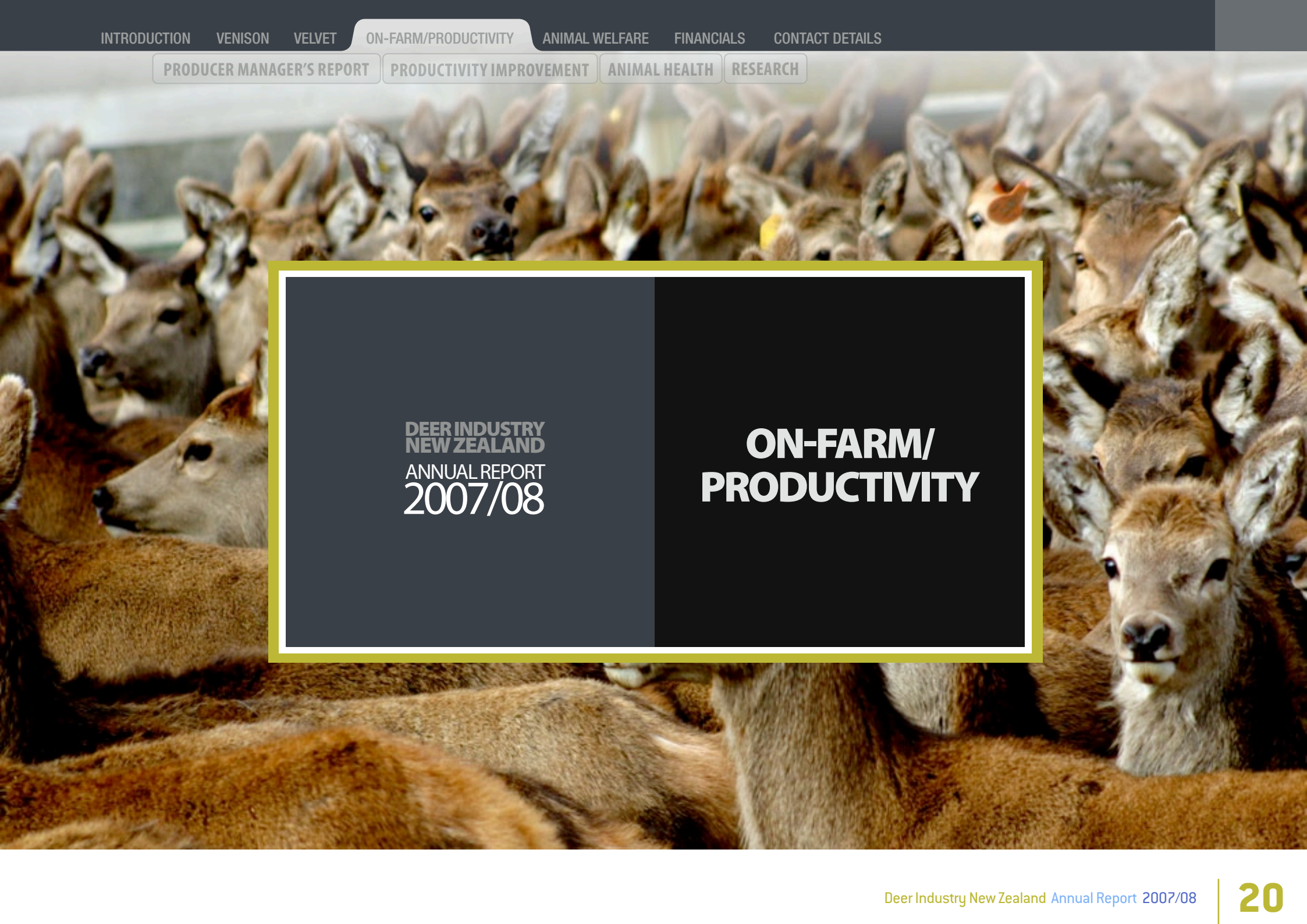
VARNZ commissioned work to look at possible reasons for anecdotal claims that velvet helps with general well-being in companion animals. Dogs were fed a commercial diet and supplemented

with velvet powder, and immune parameters were measured over a period of six weeks. There was a small but significant increase in lymphocyte proliferation (this measures the ability of disease fighting blood cells to proliferate in response to a foreign challenge), and a highly significant increase in phagocytic activity (indicative of increased resistance to bacterial infection).

Effect of velvet on pre-existing tumours

The effect of freeze dried New Zealand deer velvet (DV) powder on the growth and invasiveness of colon cancer in rats was examined as a follow-up to a previous study in 2003. The researchers concluded that DV at 1g/kg for 26 weeks does not increase the incidence, severity, burden, metastasis or tumour volume of induced colon cancer in rats. Significant differences were associated with metastasis and tumour grade. There were more tumours outside the gastrointestinal tract in the control rats compared to the DV-treated rats. Additionally, more of the tumours in the DV-treated rats were of a low grade compared to the controls.





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ON-FARM/ PRODUCTIVITY

ON-FARM/PRODUCTIVITY

The productivity strategy targets two basic outcomes; more calves conceived, born earlier and surviving to sale, and heavier prime animals supplied earlier in the season. Productivity improvements are best illustrated in clear practical situations provided by Focus Farms to inspire technology uplift and practical feedback from farmers and researchers.

PRODUCER MANAGER'S REPORT

Representation

Provision of services to the NZDFA at national and Branch level continued, with both Tony Pearse and Natalie Fraser (Marketing and Communications Assistant) directed towards the NZDFA and producer interests.

The Marketing and Communications Assistant position primarily supports the Producer Manager's role. Duties include the development of a consistent style in the *Making the DIFFerence* Focus Farm project, creation of newsletters, advertising and reporting events, and the production of the monthly electronic newsletter *Stagline-online*, an exclusive service to subscription-paying members of the NZDFA.

The DINZ – NZDFA Service Agreement continues to define the formal relationship between NZDFA

and DINZ, although the range of topics and issues addressed remains typically varied.

DINZ-funded working group meetings include the Tb Free New Zealand working group – a day-long meeting with the AHB Executive, representation on the [Venison Supply Systems](#) (VSS) panel associated with DEEResearch and the all-important Productivity Working Group.

In addition, the Producer Manager is closely associated with the Johne's Research Group. During the period, the Group was awarded a second \$180,000 Sustainable Farming Fund grant for two years, which has been strongly supported by the NZDFA and Johne's Management Limited.

The DEERselect Working Group had a quiet year, but continued to investigate opportunities to develop Estimated Breeding Values (EBVs) for trophy antler potential and any possible link with estimated 2

year-old velvet weight on top of the genetic push for growth rates. DEERselect publishes [sire stag venison growth trait EBVs](#) for Eastern, Composite and English sires from almost 400 stags that are systematically ranked, objectively recorded and analysed for growth traits. The website now also offers a sortable table function for growth rate EBVs.

The relationship between the NZDFA Executive Committee and DINZ continued to develop positively, with DINZ Executive staff reporting regularly at Executive Committee meetings. The biannual Branch Chairmen meetings with the DINZ Board have further developed into a full afternoon and evening session with a formal structure and real application in reporting with the Q&A sessions. This remains a unique opportunity for NZDFA and DINZ leaders to engage on important issues. These meetings were further strengthened with the inclusion of targeted speakers on topical

subjects including AHB reporting, NAIT, rural communications,ASUREQuality's role in the industry and biosecurity issues.

This year also saw DINZ fund several leadership development initiatives including an upskilling workshop for the Selection and Appointment Panel, and a Kellogg Rural Leadership scholarship in association with the NZDFA's Ian Spiers Memorial Trust (awarded to Brian Russell, Southland). DINZ considers this type of support for leadership development essential and similar opportunities will be created in ensuing years.

DINZ remains committed to encouraging an active Producer Manager role at Branch level, through attendance on request at local field days, velvet competitions and events, and more formally at AGMs and committee meetings when there are regional concerns. Some of this activity is now incorporated with the Focus Farms project.

Conference and communications

Themed *Positive Action*, the [Deer Industry Conference](#) held in May 2008 in Invercargill was one of the great recent successes.

This year the conference format was extended to include a pre-conference open seminar on topical issues. Typically the Board has met with the Branch Chairmen at this time, but it was decided to open the seminar up to all interested parties and present a group of top speakers covering some challenging and topical issues. This year speakers presented on climate change and the Emissions Trading Scheme proposal, Velconz's 2007/08 progress, while Graham Brown and Rabobank's Hayley Moynihan presented views on consumption patterns and prospects for venison in Europe and the USA.

Conference itself featured an expanded DINZ Formal General Meeting presentation with venison processing company presentations, a highlight amidst the Executive reports and traditional Q&A session. Delegates were again treated to an astonishing array of venison cuisine with a five-dish welcome function based around a theme of New Zealand cuisine styles utilising the less popular venison cuts.

Confidence in a strong season for venison was established through the presentations, and was quickly realised as demand and price improved into

winter and early spring. The schedule exceeded expectations, highlighting clear market positioning and good response to company, importer and industry programmes somewhat balanced with falling supply predictions.

The awards dinner was dominated by presentation of the [biennial Deer Industry Environmental Awards](#) competed for by a record of eight high-quality entrants. The Premier Award was won by Grant and Andrea Cochrane's Totara Hills South Otago property which, as winner of three of the five awards was described as being excellent in "just about all areas".

[Deer Industry News](#) has grown to six issues per year and has taken a further role adding to the extensive reporting of the Focus Farm projects in other rural media. The magazine combines specific Deer Industry New Zealand reporting through Executive updates and Market Report, with NZDFA and political sections (Stagline supplement) and combined news, events, general interest and research articles.

The magazine is a powerful showcase of our industry as well as a bimonthly record. We have also featured a variety of wider editorial comment as issues such as climate change, sustainability and relative profitability emerge.

The portfolio has also extended conference presentations on relative profitability of livestock



options that were developed for conference by rural consultants, Macfarlane Rural Business. Subsequently the Executive has developed a model based around class 2/3 land and typical stocking rates to examine in more detail the relative profitability of deer versus all other livestock options. Information was obtained from independent rural consultants, Focus Farms and farmer gatherings to provide real data for accurate gross margin assumptions and calculations.

All enterprises are compared on the amount of feed taken to achieve production targets and expressed in terms of profitability in cents per kg dry matter consumed.

With the current strength in venison sales, venison breeding and finishing and venison finishing have continued to be top land use options, even when considering the costs of conversions. The Executive will continue this gross margin analysis in 2008/09 and establish a template with the ability to automatically incorporate a sensitivity analysis around income and expense variables.

NAIT

Submissions from the NZDFA and Deer Industry New Zealand have been presented to [NAIT](#). While the two submissions contained contrasting views on biosecurity justification and rationale, there were also strong common features between the documents.

The Executive has continued to express concerns about the effectiveness of the low frequency technology and has been proactive in supporting a pilot trial with UHF technology on a deer farm. The positive outcomes displayed have allowed these views to be acknowledged by NAIT.

Deer Industry New Zealand remains committed to NAIT's development to lessen the impact of a biosecurity incursion, for improved food safety systems, to prevent market access issues around traceability systems and to better communicate the story of the New Zealand deer industry. However, these benefits must not unnecessarily impact on farmers' rights to privacy; and governance and control of information must be ironclad.



ON-FARM PRODUCTIVITY IMPROVEMENT AND PROFITABILITY

Making the Difference, the Deer Industry Focus Farms project

In 2007/08 all four Focus Farms were confirmed and on stream with a least one public field day and three or four community field days being held. Attendances ranged from 45 to 120 people and the project has now been cemented as a vital part of the on-farm year throughout the country. Rural media have featured all properties in depth alongside deer industry reports, and now include one [televised documentary](#) on Rural Delivery.

Dewar Farm - Rotorua District

This area has successfully extended the concept of visiting a variety of satellite properties throughout the region that augment the interest and activity on the key [Dewar property](#). This year, generous support from Landcorp (Rangitaiki Station), Rodway Park and the Wellingtons at Te Awamutu allowed a focus on environmental sustainability

and dealing with a devastating drought.

Drought had a major effect on the bottom line, but with a finishing and trading policy and decisive timing around destocking and supplementary feeding, the farm was able to survive in relatively good shape. The advantages of feeding palm kernel extract, monitoring the impact of parasitism, mineral requirements and new techniques for maintaining spring pasture quality are among the topics to be incorporated in 2008/09.

The Steyning - Tikokino, Hawke's Bay

Two main features of [The Steyning's](#) programme have been the effective use and management of a large self-feeding silage pad and the very successful summer/autumn forage crop programmes.

Via the Focus Farm programme, the Steyning also ran a direct reproductive performance comparison between an AI programme utilising high-end EBV

Red European stags for mating and contrasted that with Elk/Wapiti bulls. There was no difference in total conception rates in the natural mating programmes (94%), although the Elk/Wapiti showed a greater successful mating spread over time. In 2008/09, weaner growth rates will be compared across all breed cross groups.

Successful forage crop establishment (chicory/plantain as an under cover to summer rape) has been hugely successful and prompted much interest in the drought-prone Hawke's Bay area. As with other farms, the Steyning relies heavily on the feed utilisation and efficiency model generated by Farmax. There has been considerable community debate on the most cost-effective utilisation by what deer class will gain most benefit on these super pastures. The Steyning has been able to have animals ready for slaughter at 95kg plus target weight from June.

The Steyning Focus Farm has also attracted

significant support from local sponsors and has subsequently been able to add several more projects to the programme. Significantly, the project won a Sustainable Farming Fund climate change grant of \$19,000, allowing the farm, community group and regional council to collaborate and determine the emissions and environmental impact of the property.

The coming year will feature an increased review and management of animal health (especially parasitism) and managing disease risk, further cropping development, and an extension to the breeding alternatives analysis.

Mendip Hills – Parnassus, North Canterbury

This large [North Canterbury farm](#) (32,000SU) features a 2000-hind deer unit with plans in place to double that number.



The emphasis is four fold:

- use of cattle and sheep in integrated management to develop reverted scrub country within economic cost-benefit and environmental impact constraints
- to develop the ideal genetic mix to produce high fawning rates and weaner production pre-weaning for relocation of progeny to a specialist finishing block
- maximising the number of hinds bred to the most suitable terminal sire and increasing weaner weight overall
- establishment of high herd health and performance criteria, and establish management programmes for lactation in a traditionally summer dry environment.

The project features a series of strong community groups based on these objectives, with exceptionally good farm management and owner commitment. Field days have typically attracted 80-120 attendees, with a balance of extensive farm tours and quality speakers.

The plan is to aggressively deal with an emerging Johnes disease problem and to complement that with breeding programmes based on high-EBV sires of various origins presenting minimal risk of Johnes disease.

Whiterock Station - Rangitata Gorge, South Canterbury

[This property](#) has enjoyed a particularly progressive year. An emphasis on lactation and

developing autumn specialist weaner pastures and forage crops has enabled them to slaughter at good weights from July. The year has also featured commitment to additional development in challenging hill terrain and increasing deer numbers.

The well-attended field days concentrate on all aspects of the “more calves heavier and earlier” concept, with additional emphasis on profitability and efficiency. Opportunities include:

- further new pasture establishment and use of summer forage crops
- hill country development and increasing hind numbers
- genetics for earlier fawning/faster growth, accommodating concerns about mature hind size and efficiency

- development of better wintering systems to allow more feed to be bankable dollars and add to the earlier finishing objectives in this brutally dry summer risk environment.

Otago / Southland Focus Farms

With their strong emphasis on environmental sustainability within productivity improvements, both these Sustainable Farming Fund-funded projects concluded after three years of operation. Project partners [AgResearch followed up](#) with provincial deer farmers to assess the impact of attending field days or reading the well-reported farm updates. Data showed:

- field days show if expert advice actually works and demonstrate changes on the host farm, alongside the social benefits



- benefits included the learning of new practices and ideas, and incorporating ideas into individual farm's context
- changes in the region have been evident in the way farmers manage soils and water, along with improvements in productivity. Farmers who regularly attended field days had averaged 4.6 changes made versus 2.0 for those who only read the [newsletters](#).

In addition...

The *Making the Difference* project added credibility to regional applications to the Sustainable Farming Fund. During the period, three new projects were awarded:

- Southland/Otago – parasitism diagnostics test development and evaluation of FEC results and productivity implications of deer parasitism (\$40,000)
- South Canterbury/North Otago – improving tussock country production using nitrogen applications without killing the tussocks (\$20,000)
- Central Regions – determining the environmental footprint and emission implications of a working deer farm (\$19,000).

Deer Industry New Zealand appreciated the good work and dedication of MAF's Sustainable Farming Fund.

A successful inaugural *Making the Difference* Focus Farm conference was held at Invermay at year end, with attendance from all six Focus Farm participants, facilitators and community group chairmen, along with industry commentators, Deer Industry New Zealand Board representatives and AgResearch technical support.

The aim was to develop a sense of common purpose between the individual programmes, understand the major issues and success areas and identify regional operation differences. The AgResearch, Massey and Otago research teams led a workshop to identify what areas they could actively participate in, including animal health and broad production areas. Identified issues centred largely on reproductive performance, particularly in

young stock, and a variety of animal health issues that had some common themes (parasitology and Johne's disease). The workshop also identified some regional specifics, pasture species selection and management options to maximise growth.

There is considerable variance in the way the Focus Farm community groups operate, and all felt that getting this right and maintaining a strongly active group were critical. A balance is needed between trialling theoretical or research-dominated projects and the simple yet practical take-home lessons that farmers appear to thrive on. Farms are developing individual projects assisted by the community or Sustainable Farming Fund, and all express confidence in the amount of support being received from deer farmers.

The meeting also identified that getting support and encouraging further development in the continuation of the Otago and Southland Focus Farms is a priority for those regions.



ANIMAL HEALTH

Johne's disease

Reducing the incidence of [Johne's disease](#) is a productivity opportunity for the New Zealand deer industry, and Deer Industry New Zealand is strongly supportive of efforts to manage this disease better.

Alongside Meat & Wool New Zealand, DairyNZ and the Foundation for Research, Science and Technology, DEEResearch invested in the Johne's Disease Research Consortium. This is a pan industry effort to find ways to lower and manage the incidence of Johne's disease in cattle, sheep and deer.

Deer Industry New Zealand also supported Johne's Management Limited to provide better information to farmers and researchers, and the Johne's Research Group to assist a practical, grass roots approach to solutions to Johne's disease.

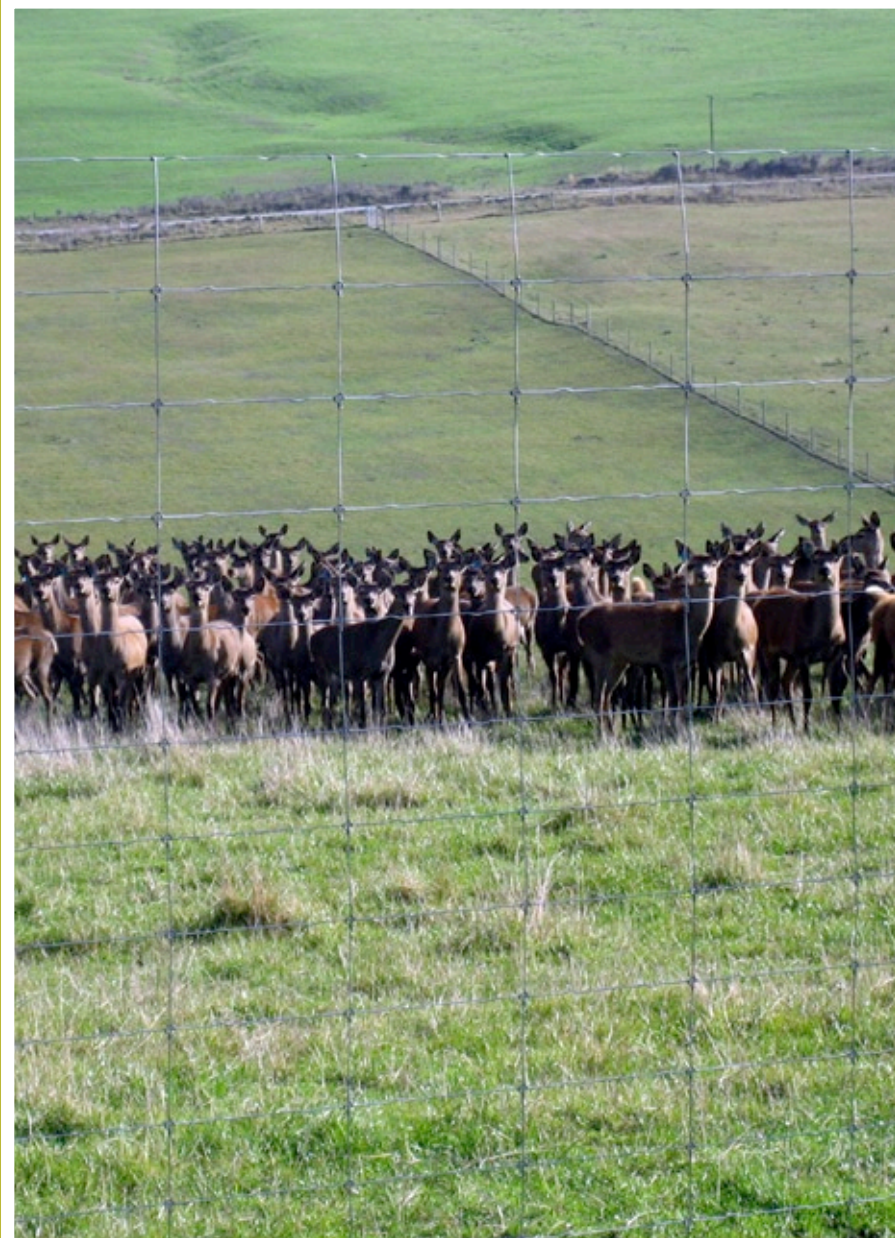
The industry was recently awarded a second JRG project grant of \$180,000. The JRG2 grant

is to build on the excellent work of JRG1, and will advance on a herd Johne's disease status classification scheme, case studies to support the existing Johne's disease manual, a HACCP analysis, and further industry communications. The Focus Farms themselves have become a window into the technology available and implications for Johne's disease control.

Leptospirosis communications plan

Leptospirosis is one of the most common diseases transmitted from animals to humans and is widespread throughout deer herds.

DINZ facilitated a working group to develop an industry communications plan for leptospirosis in February 2008. It was adopted by DINZ in March 2008 and released in July 2008. The plan aims to inform all sectors of the deer industry about the extent of leptospirosis, its impact on both deer and industry workers, the risks of contracting it and practical risk management steps.



RESEARCH



Venison Supply Systems

This programme completed its first year on 30 September 2008. Major findings from each of the three objectives were:

1. Venison Supply (early breeding, rumen development, antlerless venison)

- Regression of breed composition indicates that Eastern strains are 13-15 days earlier calving than Western strains.
- Development of a test for breed composition which is able to differentiate between deer of Eastern and New Zealand Red/English origin, and establish an association between the breed composition (as tested by DNA) and early calving.
- Investigation of variation in a specific gene [Melatonin Receptor 1A] that has been shown to influence seasonality in sheep and pigs, and determining that this gene is unlikely to explain the genotype differences in calving date observed between Eastern and "Western" deer genotypes.
- Use of liquid nitrogen for suppression of pedicle/antler development shows promising results. Phenotyping of genetics of late antler development has commenced.

PASTORAL GENOMICS

[This consortium](#) aims to improve the biomass production of clover and ryegrass forages and improve drought tolerance and quality. Controlled, contained trials of improved ryegrass under simulated "Waikato" drought conditions show strikingly increased biomass compared with commercial lines. The next phase will be offshore field trials. Characterisation of variation in clover has been undertaken which will help in improving the efficiency of transferring and expressing desirable genes in improved clover lines.

2. Livestock Systems (Focus Farms, parasitology)

- All Focus Farms have been established with researcher support provided. Presentations have been regularly given at field days (covering early breeding, feed management, forage type and drought management).
- Researcher involvement in three applications by Focus Farm groups for Sustainable Farming Fund funding (nitrogen use in tussock land, parasite diagnostic tool for deer and carbon footprinting).
- Completion of sampling of a longitudinal study to investigate the relationship between the diagnostic parameters – faecal egg and larvae counts, serum biochemistry and haematology – on actual worm burdens and the likelihood of subclinical and clinical parasitism in deer. Analysis will be completed in 2008/09.

3. Environment (mitigation of contaminants, extensive systems)

- A urine sensor and nitrogen distribution study has been terminated as no cost-effective technology could be found to monitor this.
- Distribution of hinds (in calf) has been monitored using GPS and movement around calving time has confirmed observations that hinds tend to roam widely prior to calving and remain in a limited range immediately after calving. The extent of roaming suggests that extensive system stocking rates could also be limiting.
- Vegetation surveys on extensive farms have been initiated.

Pastoral Greenhouse Gas Research Consortium

In June 2007 [the consortium](#) was successful in gaining further funding through to 2012. It currently has a research programme across six research areas investing a total of \$25 million (\$175,000 from DEEResearch) over the five years.

Completion of the genomic sequence of one of the main rumen methanogens is a world first outcome for the consortium, and will assist with further development of a methane vaccine and inhibitors.

The consortium has a wide range of outputs; the current leading top five and expected (delivery times) are:

- nitrification inhibitors (nitrous oxide – now),
- use of feed pads and management for dairy farms (nitrous oxide – now),
- methanogen vaccine (methane – six years),
- methanogen inhibitors from genomics (methane – five years) and
- animal breeding (methane – four years).

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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 Velvetting Standards Body (NVSB)

From an administration point of view, the 2007/08 velvet season concentrated on a reduced number of audits of registered velvetters, down from 20% in previous years to 10% this year.

Audit findings continue to show improvements across most areas of the de-velvetting process. Areas of concern still centre on the safety of handlers when using needles and of hygiene, both in the handling of the actual velvet (food product) and in the general cleanliness of the workplace environment where the velvetting takes place.

The number of velvetters certified at the end of the 2007/08 velvet season was 1,067. The number of velvetters certified each year has remained about the same, despite some farmers exiting the industry. The increase in numbers has been spread between new entrant farm employees and existing farmers.

The level of compliance by velvetters to the requirements of the NVSB programme was the highest it has ever been since the programme began.

There was a noticeable increase in the use of the cable-tie method for spiker velvet removal in the 2007/08 season. Veterinarians report an increase in the number of NaturO™ rings being dispensed.

The joint venture surveillance programme to monitor consignments of velvetted deer at processing facilities set up between the New Zealand Food Safety Authority Verification Agency, MAF Enforcement Group and DINZ has progressed very well.

This surveillance programme is running to ensure the integrity of the velvet removal programme in New Zealand is maintained. The programme will continue through until the end of the 2008/09 velvet season and will be evaluated at that time.



Transport

The DeerQA transport programme continues to function to a reasonably high level of compliance. Companies transporting deer are required to have modified stock crates to enable deer to be transported humanely. Drivers of stock vehicles are required to undergo training in areas such as animal welfare and handling, legal issues and responsibility and understanding of the [industry QA standards for transport](#).

Transport companies and drivers are randomly audited at processing facilities throughout the country.

A new Code of Welfare for the transport of all animals within New Zealand is currently in draft form prior to being sent out for public consultation. Once formalised, this Code of Welfare will contain outcome-based standards which may require a re-evaluation of the current DeerQA transport standards.

An amendment to the [Code of Welfare for deer](#) was approved by the National Animal Welfare Advisory Committee during 2008. This amendment replaces the Minimum Standard No.15 [C], page 43: “unweaned deer (dams or fawns) and deer that have been weaned for less than 10 days (dams or fawns) must not be transported”.

This has been replaced with the DeerQA standard 4.7, weaned deer (page 13, DeerQA Transport Programme): “where deer are transported at weaning they must proceed directly from farm to farm immediately following weaning and the total duration of yarding and transport must not exceed **six** hours”.

HISTORY AND PROGRESS OF DEERQA TRANSPORT PROGRAMME

- In 1992 the deer industry introduced a DeerQA Transport Programme to improve the process of transporting live deer for slaughter.
- Industry agreed standards were drawn up to provide assurance for the safety and welfare of both the animals and those people handling them.
- Transport operators are accredited to the industry standards to enable them to transport deer.
- Livestock crates and transport drivers are certified to the accreditation process.
- Livestock crates must meet specific criteria such as design and functionality.
- Drivers must attend and pass an industry training course which covers topics such as animal welfare and handling, the Animal Welfare Act (minimum standards and recommendations), their responsibilities when they have livestock on board their trucks, what to look for when loading deer, as well as a practical session in the deer yards handling deer and looking at safety and welfare.
- There are currently 112 transport companies accredited to carry deer in New Zealand.
- The majority of the accredited transport companies are multi species carriers with only around 10 dedicated deer only transporters. However, these dedicated carriers carry the majority of deer to processing facilities.
- Driver training courses are facilitated on an “as required” basis and can be held in any region of the country at any time. Since the inception of the DeerQA Transport Programme more than 1,000 drivers have attended the training course.
- Venison processors insist on accredited transporters to carry deer for slaughter.
- Statistics have shown the incidence of injuries, bruising and hide damage dropped dramatically after the inception of the DeerQA Transport Programme.

DEER INDUSTRY
NEW ZEALAND
ANNUAL REPORT
2007/08

FINANCIALS



AUDIT REPORT

TO THE READERS OF DEER INDUSTRY NEW ZEALAND AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

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 on his behalf, for the year ended 30 September 2008.

Unqualified Opinion

In our opinion:

- the financial statements of Deer Industry New Zealand and Group on pages 34 to 42:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - Deer Industry New Zealand and Group's financial position as at 30 September 2008; and
 - the results of their operations and cash flows for the year ended on that date.
- Based on our examination Deer Industry New Zealand kept proper accounting records.

The audit was completed on 20 November 2008, 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 our 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.

Our 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.

AUDIT REPORT

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 financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of Deer Industry New Zealand and Group as at 30 September 2008. They must also give a true and fair view of the results of their 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.

In addition to the audit we have carried out assignments in the area of taxation advice, which is compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in Deer Industry New Zealand or any of its subsidiaries.

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 for the year ended 30 September 2008 included on Deer Industry New Zealand and Group's website. The Deer Industry New Zealand Board is responsible for the maintenance and integrity of Deer Industry New Zealand and Group's website. We have not been engaged to report on the integrity of Deer Industry New Zealand and Group'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 20 November 2008 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.

	Notes	Consolidated 2008 \$	Consolidated 2007 \$	Parent 2008 \$	Parent 2007 \$
INCOME					
Levy Income Venison	1	3,873,238	3,945,161	3,873,238	3,945,161
Levy Income Velvet	1	1,297,602	1,410,474	1,297,602	1,410,474
Interest Received	1	454,847	366,154	288,289	191,419
Dividends Received		-	-	550,162	-
Foreign Currency Gain		14,448	-	14,448	-
Other Income		202,998	221,043	202,998	221,043
Animal Health Board Levy Received	2	1,185,854	1,603,065	1,185,591	1,603,065
Processor Voluntary Contribution for John's Management Ltd		209,163	208,753	209,163	208,753
TOTAL INCOME		7,238,150	7,754,650	7,621,491	7,579,915
EXPENDITURE					
RESEARCH INVESTMENT					
Research Expenditure	13	1,218,544	1,060,270	1,500,040	1,138,785
John's Management Limited Operating Expenses		124,379	150,257	209,163	208,753
VENISON PROMOTION					
Generic Promotion		1,317,455	1,168,231	1,317,455	1,168,231
Joint Promotion		677,072	752,232	677,072	752,232
Total Venison Promotion		1,994,527	1,920,463	1,994,527	1,920,463
VELVET					
Promotion		513,872	511,575	513,872	511,575
Velvet Removal		231,164	346,270	231,164	346,270
Total Velvet Expenditure		745,036	857,845	745,036	857,845
ANIMAL HEALTH BOARD LEVY	2	1,185,591	1,603,065	1,185,591	1,603,065
COMMUNICATIONS		322,928	277,557	322,928	277,557
QUALITY ASSURANCE		194,765	200,084	194,765	200,084
PRODUCER MANAGEMENT		258,653	275,440	258,653	275,440
OPERATING EXPENDITURE					
Audit Fees	3	30,546	30,640	26,196	22,940
Depreciation	7	26,981	36,802	23,855	35,130
Board and Directors' Fees and Expenses	10	243,588	234,687	213,838	209,187
Foreign Currency Loss		-	65,679	-	65,679
Insurance		47,084	105,569	47,084	105,569
Other Fees Paid to Auditors		24,749	32,563	19,749	35,763
Other Operating Expenses		300,368	272,221	279,159	257,619
Grant To Cervena Trust Limited		-	-	18,719	21,397
Premises Rental and Costs		82,211	72,472	82,211	72,472
Total Operating Expenditure		755,527	850,633	710,811	825,756
TOTAL EXPENDITURE		6,799,950	7,195,614	7,121,514	7,307,748
Net Surplus Before Taxation		438,200	559,036	499,977	272,167
Taxation Expense	4	1,283	473	-	-
Net Surplus After Taxation		436,917	558,563	499,977	272,167
Surplus Attributable to:					
Deer Industry New Zealand Members		(61,444)	325,270	499,977	272,167
Game Industry Research Trust		(492,902)	193,509	-	-
Deer Industry New Zealand Research Trust		933,838	-	-	-
John's Management Limited		57,425	39,784	-	-
		436,917	558,563	499,977	272,167

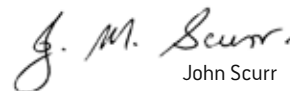
STATEMENT OF FINANCIAL PERFORMANCE

	Notes	Consolidated 2008 \$	Consolidated 2007 \$	Parent 2008 \$	Parent 2007 \$
Opening Accumulated Funds		4,133,963	3,575,400	1,498,513	1,226,346
Net Group Surplus		436,917	558,563	499,977	272,167
Total Recognised Gains and Losses		436,917	558,563	499,977	272,167
Closing Accumulated Funds		4,570,880	4,133,963	1,998,490	1,498,513
Closing Accumulated Funds relate to:					
Deer Industry New Zealand	11	2,006,552	2,068,096	1,998,490	1,498,513
Deer Industry New Zealand Research Trust	11	2,467,119	-	-	-
Game Industry Research Trust	11	-	2,026,083	-	-
Johne's Management Limited	11	97,209	39,784	-	-
		4,570,880	4,133,963	1,998,490	1,498,513

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS

	Notes	Consolidated 2008 \$	Consolidated 2007 \$	Parent 2008 \$	Parent 2007 \$
Accumulated Funds	11	4,570,880	4,133,963	1,998,490	1,498,513
Represented By :					
Current Assets					
Short Term Bank Deposits		5,646,493	5,103,083	2,952,379	2,207,288
Trade Receivables		352,454	672,979	493,717	671,750
Inter Company Receivables	6	59,619	20,237	9,877	828
Accrued Interest		63,891	56,825	55,023	43,330
Prepayments		3,967	17,610	3,967	17,610
Tax Refund Due		39,356	16,510	-	-
Total Current Assets		6,165,780	5,887,244	3,514,963	2,940,806
Less Current Liabilities					
Accounts Payable		479,098	697,811	254,480	382,029
Inter Company Payables	6	100,884	30	262,125	-
Accruals		998,977	1,028,592	978,827	1,028,593
Employee Entitlements		39,877	66,816	39,877	66,816
Total Current Liabilities		1,618,836	1,793,249	1,535,309	1,477,438
Non Current Assets					
Fixed Assets	7	23,906	39,938	18,536	34,845
Investment in Subsidiaries / Associates	5	30	30	300	300
Total Non Current Assets		23,936	39,968	18,836	35,145
Net Assets		4,570,880	4,133,963	1,998,490	1,498,513

STATEMENT OF FINANCIAL POSITION


John Scurr


Stuart Natrass

STATEMENT OF CASHFLOWS

	Notes	Consolidated 2008 \$	Consolidated 2007 \$	Parent 2008 \$	Parent 2007 \$
Cashflows from Operating Activities					
Cash was provided from:					
Venison, Velvet, Animal Health Board Levies & Johne's Mgmt Contributions		6,886,382	7,435,087	6,743,626	7,435,088
Interest Received		447,781	342,729	276,596	170,554
Other Operating Income		202,998	221,043	202,998	221,043
		7,537,161	7,998,859	7,223,220	7,826,685
Cash was applied to :					
Payments to Suppliers and Employees		6,973,119	7,124,946	7,030,201	7,261,356
Taxation Paid		24,129	16,983	-	-
		6,997,248	7,141,929	7,030,201	7,261,356
Net Cashflows from Operating Activities		539,913	856,930	193,019	565,329
Cashflows from Investing Activities					
Cash was provided from:					
Dividend - Cervena Company Ltd		-	-	545,169	-
Cash was applied to :					
Purchase of Fixed Assets		10,948	18,000	7,545	11,236
Net Cashflows from Investing Activities		(10,948)	(18,000)	537,624	(11,236)
Net Increase in Cash Held		528,965	838,930	730,643	554,093
Opening Cash Balance		5,103,083	4,329,832	2,207,288	1,718,874
Effect of exchange rate change on foreign currency balances					
		14,448	(65,679)	14,448	(65,679)
Closing Cash Balance		5,646,496	5,103,083	2,952,379	2,207,288
Reconciliation of Net Surplus/(Deficit) After Tax With Operating Activities					
Reported Surplus/(Deficit)		436,917	558,563	499,977	272,167
Less:					
Dividend received from Cervena Company Ltd		-	-	(550,162)	-
Add:					
Non Cash Items					
Depreciation		26,981	36,802	23,855	35,130
Foreign Currency Loss/(Gain)		(14,448)	65,679	(14,448)	65,679
		12,533	102,481	9,407	100,809
Movement in working capital					
Accounts Receivable		313,462	244,208	166,341	246,770
Prepayments		13,643	(13,477)	13,643	(13,477)
Tax Refund Due		(22,846)	(16,510)	-	-
Accounts Payable		(178,837)	(564,718)	(69,673)	(449,279)
Accruals		(96,431)	534,082	(116,582)	534,082
Subsidiary and Associates Receivables / Payables		61,472	12,301	90,068	(125,743)
Game Industry Research Trust/ Deer Industry New Zealand Research Trust		-	-	150,000	-
		90,463	195,886	233,797	192,353
Net Cashflows from Operating Activities		539,913	856,930	193,019	565,329

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

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 2008. All subsidiaries and the Trusts have a 30 September balance date.

- Game Industry Research Trust

This is a trust established to provide research funding for selected industry good projects aimed at benefiting the New Zealand deer industry. This Trust ceased operations on 30 June 2008 and all remaining assets and liabilities were transferred to the Deer Industry New Zealand Research Trust on that date. This Trust was wound up effective 30 October 2008.

- Deer Industry New Zealand Research Trust

This trust was established by Deer Industry New Zealand on 10 June 2008. 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:

- (a) undertake, and arrange to be undertaken, research into deer and into processing methods for slaughtered deer;
- (b) undertake, and arrange to be undertaken, research into products derived from deer including venison and velvet;
- (c) undertake, and arrange to be undertaken,

research into processing and dealing with products derived from deer including venison and velvet;

- (d) 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;

- (e) disseminate research outcomes to the deer industry;

- The Cervena Company Limited

A wholly owned subsidiary which has not operated for the year ended 30 September 2007 and was removed from the company register on 22 February 2008.

- Group Research Holdings Limited

A wholly owned subsidiary which is responsible for 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 36.

- John's Management Limited (JML)

JML a wholly owned subsidiary (through Group Research Holdings Limited) was established on 23 November 2006 to gather epidemiology information on John's 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 2008:

- 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 Johnes Limited.

DEEResearch Limited has a 30 June balance date.

The equity accounting provisions of FRS 38 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. 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 venison and velvet levies received from members in the ordinary course of business. Income from voluntary contribution from venison processors is 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 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 2008 the Animal Health Board reported levies held on behalf of the deer industry of \$1.68 million (2007: \$2.2 million).

3. Audit Fees

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

	2008	2007
Audit of Deer Industry New Zealand:	\$23,096	\$22,940
Audit of other Group entities:	\$7,450	\$7,700
	\$30,546	\$30,640

4. Taxation

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Net Surplus Before Tax	438,200	559,036	499,977	272,167
Permanent Differences	(474,198)	(190,006)	(528,993)	3,503
	(35,998)	369,030	(29,016)	275,670
Tax @ 33%	(11,879)	121,780	(9,575)	90,971
Deferred Tax Asset not Previously Recognised	(13,162)	(121,307)	9,575	(90,971)
Income Tax Charge as per Statement of Financial Performance	1,283	473	-	-

Imputation Credits	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Opening Balance	1,145,099	1,145,099	500,749	500,749
Dividends Received	-	-	270,975	-
Imputation Credits lost on dissolution of The Cervena Company Ltd	(373,375)	-	-	-
Resident Withholding Tax Paid	-	-	-	-
Closing Balance	771,724	1,145,099	771,724	500,749

Deer Industry New Zealand, Cervena Trust Limited and Group Research Holdings Limited are all taxable entities. The Game Industry Research Trust and the Deer Industry New Zealand Research Trust are tax exempt.

The Group has income tax losses of \$133,719 (2007: \$88,131) 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.

5. Investment in Subsidiaries & Associates

	Consolidated		Parent	
	2008	2007	2008	2007
Group Research Holdings Ltd	-	-	200	200
Cervena Trust Ltd	-	-	100	100
DEEResearch Ltd	30	30	-	-

6. Intercompany Receivables and Payables

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Intercompany Account Cervena Trust	4,893	5,781	4,893	-
Intercompany Account VARNZ Ltd	5,757	12,212	3,415	-
Intercompany Account DEEResearch Ltd	48,969	2,244	1,569	928
Intercompany Account Cervena Company Limited	-	-	0	(100)
Inter Company Receivables	59,619	20,237	9,877	828
Intercompany Account DEEResearch Ltd	100,884	30	-	-
Intercompany Account Group Research Holdings	-	-	112,125	-
Intercompany Account Research Trust	-	-	150,000	-
Inter Company Payables	100,884	30	262,125	-

7. Fixed Assets

PARENT						
	Cost \$	Accumulated Depreciation \$	NBV 2008 \$	NBV 2007 \$	Depreciation 2008 \$	Depreciation 2007 \$
Furniture & Fittings	71,688	67,844	3,844	15,180	11,335	12,050
Computer Equipment & Software	113,717	101,722	11,995	18,656	12,019	22,469
Office Equipment	9,497	6,800	2,697	1,009	500	611
	194,902	176,366	18,536	34,845	23,855	35,130

CONSOLIDATED						
	Cost \$	Accumulated Depreciation \$	NBV 2008 \$	NBV 2007 \$	Depreciation 2008 \$	Depreciation 2007 \$
Furniture & Fittings	71,688	67,844	3,844	15,180	11,335	12,050
Computer Equipment & Software	123,885	106,520	17,365	23,749	15,146	24,141
Office Equipment	9,497	6,800	2,697	1,009	500	611
	205,070	181,164	23,906	39,938	26,981	36,802

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 primarily of short term bank deposits and accounts receivable.

The Group deposits its cash with trading banks. 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 14% were denominated in foreign currency.

At balance date, foreign currency deposits totalled \$4,730 (2007: \$57,195). The notional or principal contract amounts of foreign exchange instruments at balance date for the parent and group were for forward exchange contracts of nil (2007: \$nil). The unrealised gain on these contracts at balance date is \$nil (2007: \$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 eight members.

The 2008 year total for Deer Industry New Zealand is \$213,838 (2007: \$209,187). This comprises \$162,500 in Board fees (2007: \$162,500), and \$46,538 in travel and accommodation expenses (2007: \$46,687), and \$4,800 of discretionary expenses (2007: \$nil).

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

Mr Stewart Barnett resigned from the Board on 30 June 2008 and was replaced on 1 July 2008 by Mr Grant Cuff;

Cervena Company Limited

There were no director fees or travel expenses paid.

Cervena Trust Limited

Directors' fees totalled \$12,000 for both financial years. Trustees Mr David Wright, Mr James Guild and Mr John Upton received fees of \$4,000 each in the current financial year. Travel expenses were \$ nil (2007: \$ nil).

Johne's Management Limited

Directors' fees were paid to Mr GW Neilson \$10,000, Chairman, Mr E A Brook \$1,250, Mr ID Stewart \$1,250 and Mr IS Hercus \$1,000.

11. Accumulated Funds

The accumulated funds of the Group are \$4,570,880 (2007: \$4,133,963), of which \$2,467,119 (2007: \$2,026,083) is held by the Deer

Industry New Zealand Research Trust (2007, the Game Industry Research Trust) and \$97,209 is held by Johne's Management Ltd (2007: \$39,784).

Deer Industry New Zealand	2008 \$	2007 \$
Opening Balance	1,498,513	1,226,346
Surplus attributable to Deer Industry New Zealand (deficit)	499,977	272,167
Closing Balance	1,998,490	1,498,513

Game Industry Research Trust	2008 \$	2007 \$
Opening Balance	2,026,083	1,832,574
Deficit attributable to Game Industry Research Trust	(492,902)	193,509
Transferred to Deer Industry New Zealand Research Trust	(1,533,181)	-
Closing Balance	Nil	2,026,083

Deer Industry New Zealand Research Trust	2008 \$	2007 \$
Opening Balance	-	-
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	933,838	-
Closing Balance	2,467,119	-

Group Research Holdings	2008 \$	2007 \$
Opening Balance	53,413	100
Surplus attributable to Deer Industry New Zealand	46,238	53,313
Closing Balance	99,651	53,413

Johne's Management Ltd	2008 \$	2007 \$
Opening Balance	39,784	-
Surplus attributable to Deer Industry New Zealand	57,425	39,784
Closing Balance	97,209	39,784

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
\$240,000 - \$259,999	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: Velvet Antler Research New Zealand Limited 2008: \$19,385 (2007:\$ 56,652) and DEEResearch Limited including a research payment 2008: \$105,935 (2007:\$13,443). This funding is provided via Group Research Holdings Limited.

The Game Industry Research Trust and the Deer Industry Research Trust now provides the research funding to VARNZ of \$292,165 (2007: \$304,655) and DEEResearch Limited of \$615,152 (2007: \$580,359).

Deer Industry New Zealand provided a research grant to the Deer Industry New Zealand Research Trust of \$1,200,000 (2007: Game Industry Research Trust: \$950,000).

An operational grant of \$18,719 (2007: \$21,397) was provided from Deer Industry New Zealand to Cervena Trust Limited.

During the year Deer Industry New Zealand collected voluntary contributions for Johne's Management Limited and passed the funds directly on to them.

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.

Deer Industry New Zealand contributed \$42,899 during the year to support work in Velconz and Velvet Holdings Ltd. S Natrass received \$4,800 in fees via his company Cambiste Limited in relation to work for Velconz.

14. Commitments

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

	Parent & Consolidated 2008 \$	Parent & Consolidated 2007 \$
Not later than 1 year	92,966	69,500
Later than 1 year and not later than 2 years	77,740	82,200
Later than 2 years	-	82,200

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:

	2008 \$	2007 \$
Not later than one year	660,000	647,500
One to two years	543,000	69,000
Two to five years	543,000	70,000

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

	2008 \$	2007 \$
Not later than 1 year	-	554,000

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:

	2008 \$	2007 \$
Not later than 1 year	1,200,000	1,200,000
Later than 1 year and not later than 2 years	1,200,000	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 June 2008 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 must notify a review of the National Pest Management Strategy for bovine Tb by 30 September 2009.

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 (2.34% holding), Pastoral Genomics Consortium (1.0% holding) and Johne's 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.

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 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.

CONTACT DETAILS

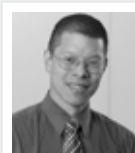
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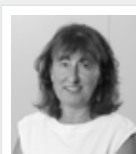
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