

# ANNUAL REPORT 2009/10

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## ABOUT THIS ANNUAL REPORT

Welcome to the Deer Industry New Zealand electronic Annual Report for 2009/10.

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We welcome your questions and comments about the Annual Report. To request a printed copy or give us feedback, please contact us on: [info@deernz.org](mailto:info@deernz.org)

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## MISSION

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

## VISION FOR VENISON

Inspire the New Zealand deer industry to profitably grow and market the world’s best red meat.

## VISION FOR VELVET

New Zealand deer velvet is recognised, valued and sold as the best in its class in Asian markets.



# INTRODUCTION



## WHAT WE SAID WE'D DO

## WHAT WE DID

Increase promotion of New Zealand venison to European food service, post game season.

Food writers' events in February/March in Germany and Belgium. Chefs' fairs in Germany in the summer. Placed editorial in food service magazines promoting non-seasonal use of New Zealand Venison.

Increase promotion of New Zealand venison in non-traditional markets, post game season.

Summer in-store promotions in the Netherlands and Sweden. Chef education workshops in the UK, United States, Germany, Belgium, and the Netherlands.

Promotion of new venison items in New Zealand.

Samples supplied to food writers, workshops with chefs and food writers, on-line and print media advertising to inform New Zealand consumers of the increased availability of convenient venison items.

Continue strategic positioning activities for Cervena™ venison in the United States.

Five-page feature in top US food magazine *Food Arts*, sponsored the International Chefs Congress – New York. Sponsored food buyers' events, 12 demonstrations to top US culinary schools.

Maintain strong links with venison marketing companies promoting branded products.

Deer Industry New Zealand funding assisted promotion of branded venison items in the UK, New Zealand, Switzerland, Sweden, Germany and the United States.

Align Deer Industry New Zealand's activities with the 2010–2014 Velvet Industry Strategic Intent (VISI).

Promotions focused on core markets: Korea, Taiwan and China. Worked with government agencies in New Zealand and key markets to improve access.

Increase exposure of New Zealand sliced and branded/ packaged velvet in Korea.

Undertook two Joint Partnership Promotions with a New Zealand exporter of sliced velvet.

Work with authorities in Korea on traceability of New Zealand deer products.

Presented the velvet Isotopic Signature Project concept and methodology to the Korean Food and Drug Administration. Worked with Association of Korean Oriental Medicine on potential traceability programmes.

Increase the New Zealand deer industry's profile through prominent exhibition(s).

Held a significant velvet seminar in Taiwan with National Union of Chinese Medicine Association. Participants of the New Zealand deer industry attended the 3rd world deer congress. DINZ helped facilitate meetings.

Launch a Chinese website to ensure a presence for New Zealand deer velvet and co-products in this emerging market.

Created a Tudou account and loaded three clips from *Nature's Finest* DVD – Chinese version. Work is also underway to create fresh artwork for a new Chinese website.

Investigate a joint partnership programme with the Taiwanese Deer Farmers' Association.

Continued to strengthen relationship with Taiwanese DFA. Agreed in principle to a Joint Marketing and Scientific Velvet Symposium.

Create a new interactive velvet industry DVD with updated video clips and promotional e-books.

New velvet promotional video filmed.  
Artwork for interactive media constructed.



## WHAT WE SAID WE'D DO

*Focus\$ed 2010*, the 36th Deer Industry Conference in Napier (18–20 May), incorporating a wide-ranging agribusiness seminar, fine food and entertainment, Deer Industry New Zealand's comprehensive Formal General Meeting, the NZDFA AGM and the industry awards including the 6th biennial environmental awards.

Associated *Focus\$ed 2010* field day at the Hawke's Bay Focus Farm (20 May).

Further activity with Johne's disease control programmes, Johne's Research Group 2 the specialist advisory network with Johne's Management Ltd.

Ongoing Focus Farms programme, delivering better-defined themes and promoting application of current and past research.

Added communications through *Deer Industry News* and the NZDFA Branch network, especially in the areas of productivity, Focus Farm reporting and technical advice.

Review of *Deer Industry News* to ensure it is fresh and relevant to the New Zealand deer industry.

Initiation of a project to move DEERSelect to the next stage in its development.

Launch of a new Deer Industry New Zealand website.

## WHAT WE DID

Well-attended and full conference presented to 240 delegates. Agribusiness seminar developed to become strong, permanent part of the event. Minister of Agriculture hosted for the seminar and evening and was freely available for discussion and questions.

Eight outstanding entrants in the Environmental Awards culminated in Landcorp Maraora winning three of the six awards including Premier award.

Final field day at *The Steyning* (also 2010 Hawke's Bay Farmers of the Year) attended by 120 people. Conclusion of a very successful venture, highlighting summer lactation and advanced autumn growth, Johne's disease identification and control, parasitism challenges along with award-winning environmental emphasis.

JGR2 programme supported by industry (JML, DEEResearch, DFA and Sustainable Farming Fund). Milestones include development of risk management plan and new updated JD farmers' manual developed and distributed. Manual aimed at increasing awareness of risk, and suggested planned options to mitigate disease exposure.

Further Southland project with Landcorp co-funding underway; current four regions entering their final year. Field days are targeting three or four key seasonal issues only and adding in simple key management areas and advice from past research and extension work, with greater emphasis on group discussion and feedback.

*Deer Industry News* now featuring all Focus Farms as a specific section. Greater use of key reporters to cover each day. *Stagline-online* also now carrying Focus Farm-related material.

Informal review undertaken. General feedback on *Deer Industry News* is positive, but 'look and feel' is due to be refreshed.

DEEResearch Board signed off on updated objectives to develop a Central Progeny Test in 2011. Several new traits developed (early conception date, high early growth rates); breeding worth indices (\$advantage) calculations developed and promoted.

Incomplete. New venison site launched during the period ([www.nzvenison.com](http://www.nzvenison.com)) Deer Industry New Zealand corporate site is next.



## REPORT FROM THE CHAIRMAN

**Venison and velvet prices stabilised at sustainable prices in the 2009/10 season. Those price levels were achieved against a background of global economic conditions that impacted on many consumers' ability to pay for top-end food and health products.**



ANDY MACFARLANE, CHAIRMAN

A reduction in the volume of venison and velvet output as livestock numbers stabilise has assisted price stability, but we do want to retain or grow the current scale of the deer industry.

Analysis of the fundamental drivers of profitability, being price and productivity, shows that we have good reason to be optimistic that deer output will steadily increase in the coming decade.

Industry positioning of venison as a "red meat for special occasions", whether that be at a white table cloth restaurant, a meal in the game season, or a special meal at home, will pay dividends as the global economic recovery, slow as it is, allows consumers to partake in more "special occasions".

We are also fortunate that velvet has such a well-recognised reputation in Asia – the powerhouse of world economic growth.

From a productivity perspective, deer farming is demonstrating a major productivity advantage on hill and high country, especially in the South Island.

Analysis shows the advantage in profitability with other livestock farming options typically increases in favour of deer as the class of land gets more difficult.

Success in transformation of farming systems has been so good, that on some properties such as the South Canterbury/North Otago Focus Farm, *Whiterock Station*, Ross and Sally Stevens have converted a store stock sheep and beef property, to one finishing its deer at high performance levels, in a more environmentally sustainable manner.

DINZ has had a busy year.

Three new board members (myself as Chairman, Glenn Tyrrell of Silver Fern Farms, and Collier Issacs

of Landcorp) were appointed to join Grant Cuff (Alliance Group), Andrew Duncan (Duncan & Co), Graham Carr (Peel Forest) and John MacDonald (velvet processors and marketers).

The Board and Executive are reviewing the industry strategic intents, and how to best deliver on Deer Industry New Zealand's roles in those strategic intents on your behalf.

To date, we have reviewed the Venison Industry Strategic Intent. That strategic intent is summarised as:

### Vision for New Zealand Venison:

*Inspire the New Zealand Deer Industry to profitably grow and market the world's best red meat.*

To achieve the vision, the venison industry aspires to:

- achieve demand-lead premium positioning of New Zealand venison underpinned by a clearly differentiated product
- fully support long-term commitment to product and market development
- encourage farmers, processors and customers towards long-term supply commitments
- improve on-farm productivity via integration of research and development, farm management and people into profitable farming systems
- ensure the industry has freedom to operate.

DINZ has work streams in each of those five areas.

We have placed particular emphasis on the productivity strategy and how that integrates into research and development, farm management,



human resources and industry brand. Expect to see more information around a roadmap giving the productivity strategy enhanced long-term direction and collaboration amongst participants.

Uncertainty around velvet marketing structures has been an unfortunate distraction from an otherwise positive outlook for velvet.

It is not Deer Industry New Zealand's role to guide farmers' choice of selling structures. But, we do want to see an orderly market where good communication exists not only between farmers and marketers of New Zealand velvet, but between marketing entities, all of whom have knowledge, experience and market relationships to offer.

We also encourage one larger selling entity to enhance market stability and believe a farmer-owned cooperative can, with good governance, be that entity.

DINZ board and executive are conscious of our fiscal responsibility with levy payer funds.

Approximately \$1 million of funds invested

via the research trust is expended in R&D. Of the \$4 million in other funding, around 50% is invested in marketing, 20% in people and 25% in communication, administration and associated costs.

We are looking for continuous improvement in delivering value for money as we consciously run down reserves built up during the recent kill of capital stock.

On behalf of the board, I wish to thank Mark and his team for the diligent, "can do" manner in which they carry out their roles. Any board operating effectively needs a strong executive to deliver the agreed strategy.

We look forward to communicating further with you in 2011.

ANDY MACFARLANE  
CHAIRMAN





## REPORT FROM THE CEO

Levels of activity at Deer Industry New Zealand were high as it played its roles in achieving the Deer Industry's Strategic Intents for venison and velvet, and provided core industry good services to the New Zealand deer industry.



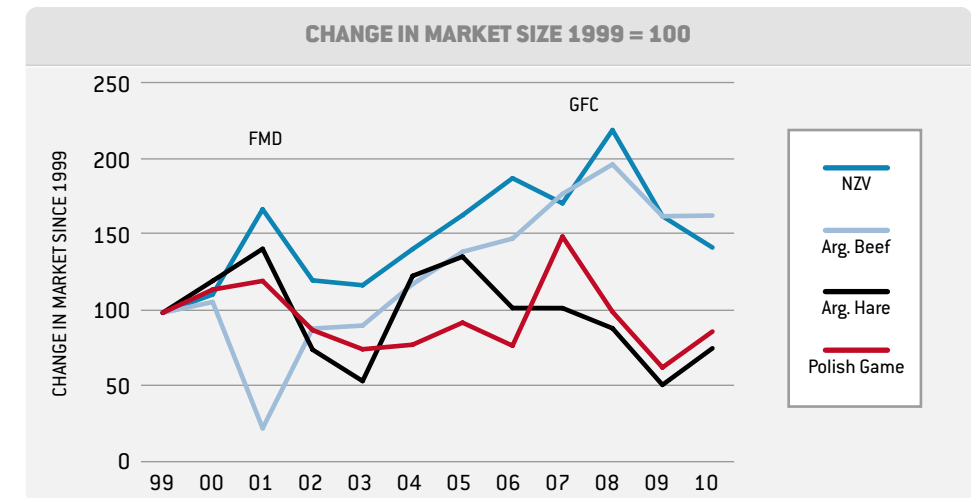
MARK O'CONNOR, CHIEF EXECUTIVE

### Promotional Investment and Activity

Deer Industry New Zealand and New Zealand venison marketing companies continued to position New Zealand venison in line with the Venison Industry Strategic Intent 2010–2014. Garnering commitment to promotion and development work from European supply chain partners was more challenging as smaller quantities of New Zealand venison meant less effort was required to sell the New Zealand venison they had in their cool stores. However, demand-led, premium positioning of New Zealand venison remains fundamental to the profitability and development of the New Zealand venison industry.

To illustrate the point, the graph on this page shows the market size (average price x quantity) of four competing meats in the European market indexed from 1999 (which is when the New Zealand deer industry began positioning New Zealand venison in a coordinated fashion). New Zealand venison and Argentinean beef have invested in market development while Argentinian hare and Polish game have not. The figure indicates the importance and benefit of this investment. The reduction in market size of New Zealand venison since 2008 is a result of the global financial crisis (decrease in demand) and lower supply from New Zealand as the effects of the slaughter of capital stock in 2004–2008 fed through.

Investment in velvet promotion also continued in the year ended 30 September 2010. There are a



number of Korean companies that are customer and marketing focused. Deer Industry New Zealand prizes these companies and works with them wherever it can. There were a number of good promotions with them during the period. However, it must be acknowledged that the bulk of New Zealand's velvet is traded, rather than marketed, by both New Zealand sellers and their buyers. This "collective decision" is understandable, that

is, the economic returns from velvet production have been too low over the past ten years so sellers seek to maximise returns on the day. That, in my view, is a poor decision. However, there was a significant change to how velvet is sold during the period with a move away from the pool system of selling by closed tender to more direct relationships with buyers and a more consolidated selling effort by New Zealand traders. That was





excellent. Deer Industry New Zealand was really encouraged by this movement and appreciated the impassioned debate by producers as to how they want their industry to be at various industry forums. Our "collective challenge" is that changing to a marketing mindset needs to be made by the sellers of a significant majority of New Zealand's velvet production. That's because traders do have a lower-cost business model and can ride on the coat tails of marketers without making the investment. Therefore, the vast majority of velvet needs to flow through a marketing channel. Three things would greatly assist this change occurring:

1. velvet producers wanting, demanding and valuing a consolidated marketing channel
2. producers investing in a business model that goes beyond the farm gate
3. the vision to move up the value chain (which is greatly helped by the ability to process deer velvet in New Zealand).

The emergence of a huge middle class in China and the industrial revolution they are experiencing is an opportunity and a threat. The opportunity is obvious. The threat is that if the New Zealand velvet industry is not organised and focused, its power in the supply chain will be low; velvet prices will ebb and flow, but generally be just enough to keep producers producing. The rational time for change is when world demand exceeds supply. That time is now.

## Venison Productivity Improvement

A key element of the Venison Industry Strategic Intent is to improve on-farm productivity. The New Zealand deer industry, through DEEResearch, invested \$593,000 (in the year ended 30 June 2010, DEEResearch's financial year) most of which is to improve on-farm productivity. As well as new knowledge, the industry invested in focus farms to provide focal points for producers to come together and discover how to produce "more deer, heavier, earlier and better". There were 15 field days, attended by about 1,200 people. The commitment of industry people as committee members, focus farmers and active participants, and the commitment of the New Zealand Deer Farmers' Association, has made the "Making the DIFFerence" Focus Farm programme a success so far. I sincerely thank all those people involved. I also thank Deer Industry New Zealand's Producer Manager, Tony Pearse, ably supported by Hannah Hsu, and the science community, particularly AgResearch, for the positive input they have had. The sense of service and giving something back to their industry came through very clearly from all involved, as did a desire to create a better future. As the Chairman mentioned, Deer Industry New Zealand is considering how to organise efforts to improve productivity a little differently. The objective is to add to the momentum already gathered and move to the next level of progress.

## Deer Industry New Zealand

At year's end, Deer Industry New Zealand remains in a healthy financial position with more than \$2 million in reserves. There is also more than \$2.3 million in the Deer Industry New Zealand Research Trust which may, at the discretion of the trustees, be invested in deer-related research. Deer Industry New Zealand runs a five-year operation plan to estimate income and expenditure over this term to avoid excessive fluctuations in levies and to be able to signal possible changes to levies in advance. Actual expenditure ran close to budget, noting some challenges. These included the Joint Venison Positioning Fund as market partners undertook less promotion, and the clinical trial on a wound healing velvet extract not occurring due to delays in achieving approval for the trial. It is expected the trial will take place in the 2010/11 financial year as long as approval for the trial can be achieved.

Deer Industry New Zealand sought to achieve a high level of performance at a lower cost by working to lower operational costs. It moved to more economical premises and adjusted its information technology platform and administration systems. Some of these changes have impacted on the Executive of Deer Industry New Zealand and I appreciate their support and understanding of the changes. I also wish to thank them for their commitment to the organisation and the industry we serve.

Finally I wish to thank the Deer Industry New Zealand Board for its direction and guidance during the period. The Board has a number of exciting new appointments and I am enjoying the new perspectives this brings. I am particularly grateful to John Scurr and Stuart Natrass as retiring Chairman and Deputy Chairman respectively.

MARK O'CONNOR  
CHIEF EXECUTIVE OFFICER



## WHAT TO LOOK OUT FOR IN 2010/11

- More venison on New Zealand television
- More New Zealand venison on German television
- Continuation of German retail tastings and food service promotion
- Cervena getting strong support from US chefs
- More New Zealand venison promotions in the UK
- Support for the New Zealand–Korea Free Trade Agreement negotiating team to encourage a favourable outcome for the New Zealand deer industry
- A new suite of velvet marketing collateral to assist in promotion of New Zealand deer velvet
- Increased awareness of New Zealand velvet and its quality aspects by presenting at appropriate seminars
- Investigation for New Zealand velvet to be registered as a Healthy Functional Food in Korea and/or China
- 36th annual deer industry conference, “Who Deers Wins”, to be held at the SBS stadium in Timaru 17–18 May with a new-style format and emphasis on the next generation's aspirations and products in the markets
- On-farm field days for the 2010/11 Environmental awards
- Conclusion of Round 1 and development of the next three-year round of the industry's productivity strategy and extension through the Focus Farms programme
- Greater emphasis on land-use and relative profitability analyses for deer farming systems and other livestock options
- Development and first steps in an extensive industry Central Progeny Test (CPT) programme for venison production and development of yield-based traits and measurement systems
- Development of a formal risk management plan for Johne's disease encompassing JGR2's work, linking with JML and developing a QA and auditable approach to on-farm testing and JD elimination programmes



**APPOINTED BY THE NEW ZEALAND DEER FARMERS' ASSOCIATION****ELECTED BY VENISON MARKETERS AND VENISON PROCESSORS****ELECTED BY DEER PRODUCT MARKETERS, DEER PRODUCTS PROCESSORS, VELVET MARKETERS, VELVET POOL AND VELVET PROCESSORS****Jeremy Bell**

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

Shareholder of Velexco Ltd, a velvet marketing company, Alliance Group Ltd, Beech Recourses Ltd

**Graham Carr**

Director of Graham Carr (NZ) Ltd, Lindale Farming Company Ltd

Shareholder of Velexco Ltd, a velvet marketing company, Silver Fern Farms Ltd, Southbury Group

**Collier Isaacs**

Officer of Landcorp Ltd

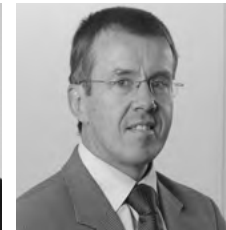
Chairman of: DEEResearch, Deer Industry Genetic Evaluation Steering Committee

Shareholder of Farmlands

**Andrew Macfarlane**

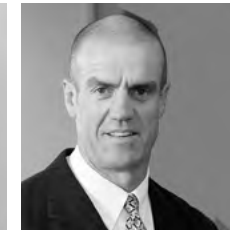
Director ANZCO Foods

Shareholder of Windwhistle Pastoral Ltd, Macfarlane Rural Business Ltd

**Grant Cuff**

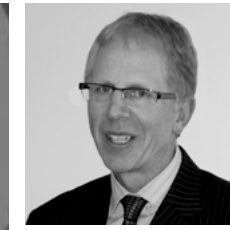
CEO of Alliance Group Limited

Council Member, Meat Industry Association

**Andrew Duncan**

Director and Shareholder of Duncan and Company Ltd, Duncan Processors Ltd, Velvet Antler Developers Ltd

Shareholder of Otago Venison Ltd

**Glenn Tyrrell**

Officer of Silver Fern Farms Ltd

**John MacDonald**

Shareholder of Canterbury Antler Ltd – a velvet and co-product processing and exporter

Director, Bellbrook Investments Ltd

Director, D4 Ltd

Shareholder, Shopping Centre Investments Ltd

**INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS**

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



# VENISON



# VENISON

**Venison prices improved over the course of the 2009/10 year. Good management of frozen venison stock levels and good consumption of chilled venison through the European game season provided exporters with the opportunity to provide higher than average returns to venison producers.**

Venison farmers continue to reap the benefit from improved marketing practices established over the past few years. As at 30 September 2010, despite the continuing effects of the global financial crisis and historically high exchange rates, the venison schedule was above \$8.00 per kg for the third year running and 20% above the 10-year average. Strong links between producers and customers are needed to ensure continued stable profitability for the sector.

Venison producers experienced a third year of above-average prices after a period of over-supply between 2002 and 2006. Stable pricing has been achieved through better integration between farmers, processors and their market-based partners. Integrated marketing programmes have been set up by New Zealand venison marketing companies to reduce reliance on the traditional German restaurant market. By avoiding over-reliance on one market, New Zealand venison prices stayed remarkably stable as prices for competing meats collapsed due to falling demand for expensive meats in 2009. While the reduction in New Zealand production between 2009 and 2010 helped ease over-supply fears on main markets, demand for expensive proteins probably fell faster as restaurants struggled to attract patrons and businesses slashed expense accounts.

## Market Stability

The price for venison in the main European markets varied up and down by only 10% over the period October 2008 to September 2010, after improving rapidly during 2008. The weakness of the Euro has meant that New Zealand farmers have not received the full benefit of these sustained high prices.

## Improving Prospects

As economic conditions improved in the main markets for venison, demand grew. Employment rates in Germany improved, consumer confidence in the Netherlands recovered after their banking sector wobbled badly in 2008/09 and the Swiss economy continued to perform well. The food service sector in the United States, badly hit by the financial crisis on 2008/09, reported improved earnings and turnover. As such, sales to this high-value sector were better for New Zealand exporters.

Consumers increasingly demand naturally and ethically raised meats and venison enjoys a reputation as one of the most natural meats. It is prized as a low-fat, high-iron source of protein and these attributes are being used to encourage consumers to pay a premium over other meats.

Examples of the work that Deer Industry New Zealand has undertaken, on behalf of and in





conjunction with venison marketing companies, include: in-store tastings, advertising in professional food service and consumer magazines, chefs' demonstrations to trainee and professional chefs alike, workshops with food writers and nutritionists, and maintaining a presence on our own and others' websites, even in new social media like Facebook and Twitter.

## Farm to Fork Linkages

This improved demand and stability is in part down to the improving "farm to fork" linkages enjoyed by some participants in the venison supply chain. Several companies offer fixed-price contracts, while most marketing companies offer some form of supply agreements for their farmers with a mix of schedule plus supply premium. With greater certainty of livestock supply, New Zealand marketing companies can plan marketing programmes that provide an increased share of the final price the consumer is willing to pay. New Zealand venison is a premium quality meat. By the time it gets to a German supermarket shelf or a Las Vegas menu, it is expensive. By improving certainty of supply and reducing risk in the supply chain, importers and distributors will be willing to pass more back to New Zealand producers because the amount of risk they are exposed to decreases.

Examples include:

### Germany:



The main focus of Deer Industry New Zealand's activities remained increasing consumers' preference for New Zealand venison at retail. Promotions utilised tasting kitchens, in-store and outdoor advertising, in-store television and supermarket coupons to raise German shoppers' awareness of the quality and availability of New Zealand venison.

Food service promotions consisted of targeted advertising in specialist magazines, attendance at food fairs and hosting influential chefs.

<i>Food service</i>	\$140,000
<i>Retail promotions</i>	\$231,000
<i>Out-of-season consumer promotion</i>	\$74,000
<i>Consumer and press PR, fees</i>	\$75,000
<b>Total</b>	<b>\$520,000</b>

### United States



Cervena® remains an important asset for the New Zealand deer industry. Many chefs in the United States continue to ask for Cervena venison and activities in North America centred on maintaining awareness of the common positive attributes Cervena licensees share to improve demand for New Zealand venison.

<i>Point of sale material</i>	\$1,000
<i>Cervena chefs</i>	\$12,500
<i>Public relations</i>	\$20,000
<i>Events</i>	\$61,000
<i>Advertising</i>	\$55,500
<b>Total</b>	<b>\$150,000</b>

### Other Markets

As supplies became tight and prices increased, venison marketers agreed it was necessary to

remind European chefs why New Zealand venison was worth a premium over other game meats. Advertising was placed in chefs' magazines and editorials were run describing the benefits of using New Zealand venison. Activities in New Zealand included chefs' demos, media tours, training at polytechnics, ensuring New Zealand venison maintains a presence at important food and wine events, new recipe booklets, nutrition resources and production of a modern and useful venison recipe website.



<i>Print material and reproduction</i>	\$25,000
<i>Other Europe retail</i>	\$60,000
<i>Fees</i>	\$38,000
<i>Chefs, sponsorship, research, websites</i>	\$208,000
<b>Total</b>	<b>\$331,000</b>



### Joint Venison Positioning Fund

Deer Industry New Zealand supports promotional activities undertaken by New Zealand venison marketing companies. Forty percent of the DINZ venison promotion budget is allocated to individual companies to increase funds available to boost sales and awareness of New Zealand venison via commercial channels. In the 2009/10 year DINZ contributions were lower than in previous years because:

1. With falling availability, marketing companies were less inclined to spend money promoting venison, and
2. DINZ toughened the funding criteria to exclude activities that promoted sales, but did not promote the attributes of venison.

Consumer	\$219,241
Food service	\$180,222
Retail and NPD	\$80,476
Meat trade	\$23,103
<b>Total</b>	<b>\$503,042</b>



### Excerpt from “Storm in a frying pan”

Jon Morgan, *Dominion Post*, 13 October 2010

A storm in a frypan row between a judge and a chef on the *American Top Chef Masters* TV show over the environmental credentials of New Zealand venison could have been a disaster for New Zealand.

But quick thinking by Deer Industry New Zealand turned it into a marketing coup.

Top Chef is a cooking competition. The Masters is a contest between some of America’s top restaurant chefs, and in the final Las Vegas chef Rick Moonen (a spokesman for sustainable fisheries) chose to cook a dish of New Zealand venison.

All the judges raved about it, but Moonen lost by half a mark, the narrowest possible margin.

It wasn’t till the next day that the reason for the loss emerged. British judge Jay Rayner, a food writer notorious for his acid tongue, blogged that he marked down Moonen for his “craven attitude to environmental issues”.

He went on: “Bloody hell, but I was furious. For weeks he had worn his green credentials on his sleeve, bigged himself up as the saviour of the planet. But, when it came to the last stage of a cooking competition, he shrugged it off. I felt like we’d been had, been spun a line by a shameless opportunist.”

The row then erupted into the social media. What followed was a one-sided and short-lived stoush between Rayner and Moonen and his supporters (Rayner appeared to have none) conducted on Twitter and Facebook.

Moonen has first-hand knowledge of the New Zealand deer industry. He was an ambassador chef for our venison, marketed in the US as Cervena, in the 1990s, had demonstrated its

cooking in hotels and restaurants and had visited deer farms here.

Within a few minutes of being alerted of Rayner’s blog, Deer Industry NZ sent Moonen fact sheets on food miles and sustainability.

A few minutes later Moonen had the facts on his Facebook site: “New Zealand venison is sustainably farmed outside on natural pasture without hormones steroids or antibiotics. And, it’s sea freighted not flown in to the US. Transport contributes just 10 per cent of greenhouse gas emissions.”

It immediately took the sting out of the affair. Green sites which had jumped into the debate on Rayner’s side, quickly jumped out again. Comments supporting the Brit were taken down.

Within a few hours Rayner was also feeling the heat.

Deer Industry NZ was also stoking the fires. We went onto the food blogs and onto Twitter where people were commenting and added our perspective. A few days later, the website that hosted Rayner’s blog took down his posting, which Moonen and his supporters have taken as a tacit acceptance that he had been wronged.

When the social media get hold of an issue you have to react very quickly. Facebook is often people’s first port of call when people want to know what other’s are thinking on an issue and we have operated a Cervena page for some time now so we can be part of that conversation.



## Ethical Food

The question of ethical food production continues to gain ground. More people involved in the meat business, from retail marketers to traders, express an interest in being able to demonstrate that they are purchasing from suppliers who can prove they have taken some effort to produce products in an ethical manner.

The “ethical manner” varies from company to company, but largely revolves around three themes:

- Environmental – is the environment damaged by the production and distribution of this good?
- Animal Welfare – are animals treated well?
- Fair Trade – are workers provided an adequate wage and decent conditions in the production of this good?

These are on top of the existing food safety and product quality assurances that suppliers to affluent markets must already provide.

Some customers indicate they want to see third party verification of environmental and animal welfare conditions in New Zealand. While they admit that they would not pay more money for it and that they will continue to purchase even if it isn't provided, some expressed an opinion that New Zealand – which for so long was a leader in producing ethical food – is falling behind. And as these schemes become standard for local production, so they might become necessary for imported product too.

Electronic identification is certainly a step in

the right direction. European producers have had cattle passports for a decade, and some customers felt that it was about time New Zealand caught up. Even though the reasons are different, New Zealand needs to have it too.

The search for ethical food is widening in the United States. As the movement has expanded from “vegetarian commune hippie sandal-wearing freaks” in the 1970s to the growth of the local food movement in the 1990s, it has now become *de rigeur* among white table cloth restaurants and is moving into the larger corporate hospitality structures too. While price still rules the roost, larger corporations will have staff dedicated to finding solutions to ethical purchasing issues. For example, companies running resorts generally employ a sustainability manager, whose job will be to inform purchasing managers of issues pertaining to sustainability – responding to consumer concerns or advising on purchase decisions.

## New Zealand Well Placed

These issues create an argument that New Zealand is well placed to achieve higher value from affluent markets. This does not necessarily mean higher prices – the consumer still determines what they will and won't buy and venison is already one of the highest priced volume meats – but better value from more certainty of supply and more stable contracts, which will provide both sides with more confidence in the business.

## Changing Market Dynamics – In Search of Food Security

European food companies are changing some of their purchase requirements in their quest for protein from third country suppliers.

Manufacturers are now seeking to establish more direct supply contracts with New Zealand exporting companies after traditionally buying from importers. Their desire to secure their supply lines comes at a time of reduced availability from New Zealand.

This move is not restricted to just manufacturers, nor just venison. For example retail companies are establishing farmers' clubs as a means of creating loyalty among suppliers. Importers of most foodstuffs are seeking greater certainty for several reasons:

1. Lower production of meat in New Zealand and Australia, and uncertainty over South American supplies.
2. Increased competition from China for food – not so much on lamb and venison, nor on New Zealand beef, but importers are nervously listening to the vacuum sound coming from China as it hoovers up seafood, milk products and grains, and see no reason why it will not happen to protein too.
3. Food security – traditionally this term was waved around by agricultural protectionists



as an excuse to subsidise European agriculture. Now it means ensuring safe and secure supply lines. It means being able to trust the suppliers to produce safe food in an ethical manner, and to deliver it too.

New Zealand marketing companies' ability to meet this demand for food security can only be satisfied if they can secure certainty over their own supply of the raw material – this places those companies that can obtain more contracted supplies at an advantage on this issue.

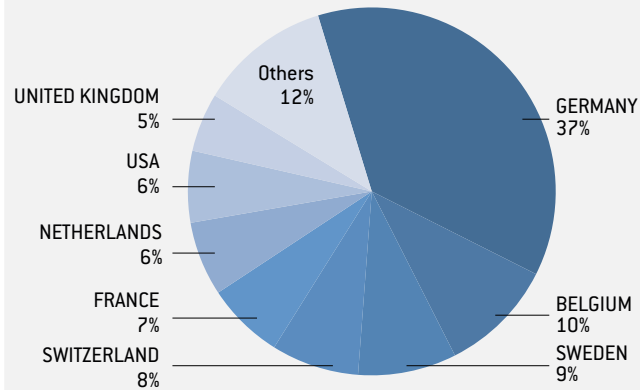




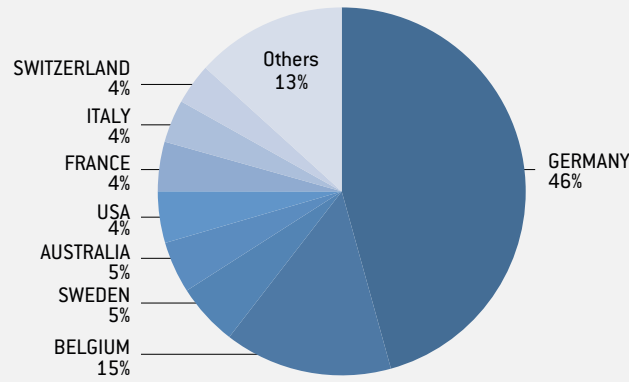
# STATISTICS

## TOP DESTINATIONS BY VOLUME

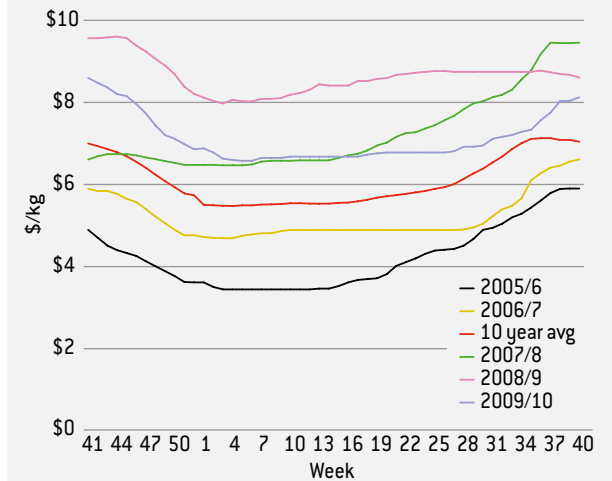
### Venison Exports 2009/10. Value \$211 Million



### Venison Exports 2005/6. Value \$246 million



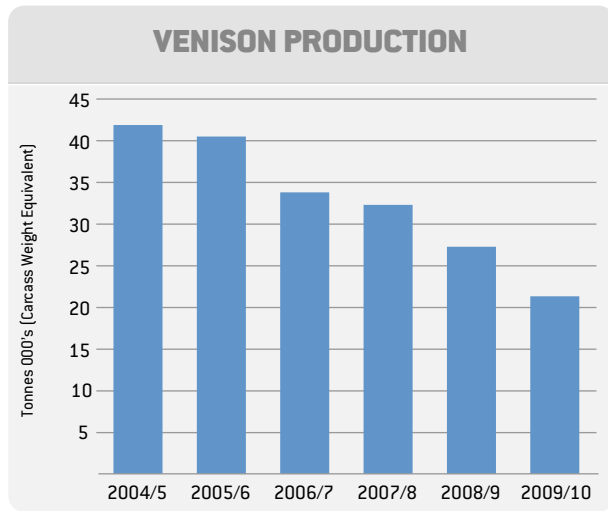
## AVERAGE PUBLISHED SCHEDULE 55-60KG AP STAG



As the NZ dollar rose against major trading currencies the returns to New Zealand reduced. Prices in Europe and North America also eased back as a carry-over of frozen venison middles weighed on market confidence.



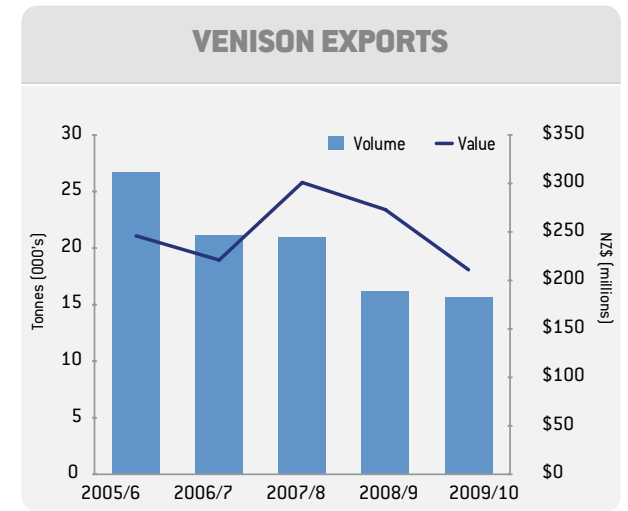
# STATISTICS



Total venison production of 21,339 tonnes in the 2009/10 season (carcass weight equivalent) was 22% down on the previous year.



Volumes increased in the year, but the weak Euro saw returns to New Zealand decline.



The total volume of venison exports in the year ending September 2010 fell 3% in comparison to the year earlier, because of the reduced number of deer on New Zealand farms, and an improvement in hind retention numbers.

Total FOB returns decreased 23% to \$211 million for the year ending September 2010. Returns on a \$/tonne basis decreased 20% due to the stronger New Zealand dollar. The New Zealand venison industry primarily sells in Euro which fell 20% in value in comparison with the year earlier.



# VELVET



2009/10 saw a significant, and much-needed lift in prices to velvet producers. The lift was achieved through strong selling by key exporters and a realisation by the market that global production had continued to slide. The potential consolidated selling platform, [NZ Velvet Marketing Company](#), operated its first year with its four stakeholders [PGG Wrightson](#), [Velexco](#), Suppliers Council and Tasman Velvet Processors. Velvet exports directly to South Korea increased over the previous year and marketing programmes continued to strengthen the New Zealand velvet brand.

## Strategic objectives

2009/10 was the first year of the 2010–2014 Velvet Industry Strategic Intent. A more focused approach to the industry's core markets in Korea, China and Taiwan has achieved some progress.

A cornerstone of the Velvet Industry Strategic Intent is improving market access. South Korea is New Zealand's key market for velvet and Deer Industry New Zealand estimates that at least 65% of New Zealand velvet ends up being consumed in that country. Deer Industry New Zealand was therefore disappointed to see an impasse over agriculture during the Korea New Zealand Free Trade Agreement (FTA) negotiations, particularly after both sides had expressed a desire for a speedy and high-quality FTA negotiation process. However, Deer Industry New Zealand fully supports the New Zealand Ministry of Foreign Affairs and Trade position – that any FTA with Korea needs to be *comprehensive*. In Deer Industry New Zealand's opinion, there should be no compromise to achieve

a lower-quality FTA. Four rounds of negotiations were completed in the year ended 30 September 2010 and talks at ministerial level continue.

## Around the markets

In **South Korea**, New Zealand's largest consumer market, the economy achieved a solid rebound from the global financial crisis with economic growth of more than 6% in 2010, reportedly the country's strongest growth in eight years.

### New Zealand velvet's premium positioning

The biggest achievement for New Zealand velvet during 2009/10 was the significant lift in the price of velvet to New Zealand producers. Not only did it provide economic returns to producers, it was also reportedly higher than Chinese and Russian prices at the Korean wholesale level. Maintaining strong prices relative to competing velvet industries throughout the season continued a trend of a strengthening New Zealand velvet brand.



NEW ZEALAND BRANDED VELVET

Korea's top media company, [Chosun Ilbo](#), profiled the New Zealand deer industry following a visit in 2010. Deer Industry New Zealand showed a reporter New Zealand's natural, free-range farming environment and quality velvet processing. The article finished with an interview in Seoul with one of New Zealand's pioneering velvet processors.

In **Taiwan**, Deer Industry New Zealand and the National Union of Chinese Medicine Associations held a velvet seminar which attracted 35 journalists and more than 70 senior delegates from the retailers' association groups. Dr Chunyi Li (AgResearch) presented on recent scientific



MS CHUNG (CHOSUN ILBO REPORTER), DONALD WHYTE AND TONY PEARSE AT EDENDALE STATION

achievements using New Zealand velvet. Deer Industry New Zealand's Executive presented on the benefits of New Zealand velvet. The event was well publicised by the attending media, achieving coverage by:

- four news reports on Taiwan's main television stations
- ten newspaper articles
- eighteen internet news articles.



In total, the event was estimated to earn an estimated advertising equivalent value of more than \$120,000.

Deer Industry New Zealand continued to strengthen its relationship with the local Taiwan Deer Farmers' Associations.

As **China** continues to increase its individual economic wealth, a market access report was undertaken to ascertain challenges for the sale of New Zealand velvet in that country. This report gives direction for Deer Industry New Zealand and the velvet industry to decide the best way to ensure New Zealand velvet is well positioned in the market, given regulatory constraints.

Deer Industry New Zealand welcomed more delegations from China as interest in New Zealand deer products increases.



DEER INDUSTRY NEW ZEALAND CONTINUED TO STRENGTHEN ITS RELATIONSHIP WITH THE LOCAL TAIWAN DEER FARMERS' ASSOCIATIONS.

### Further steps to building a brand

Other smaller activities that Deer Industry New Zealand took part in over the year to improve New Zealand velvet's brand included:

- A calendar: This was designed to highlight the New Zealand velvet industry's key advantages, including the clean, green and free range farming environment with good quality systems for consumer safety. In keeping with the 2010–2014 Velvet Industry Strategic Intent, the calendars were printed in Korean, Traditional Chinese (for Taiwan) and Simplified Chinese (for Mainland China).
- A joint promotion to promote New Zealand sliced velvet through oriental medicine publications. This was run in conjunction with more Korean versions of the New Zealand Velvet Technical Manuals being printed and distributed by the marketer's representatives throughout Korea.
- General printing and distribution of more than 5,000 language-specific versions of the New Zealand Velvet Technical Manuals and other marketing collateral

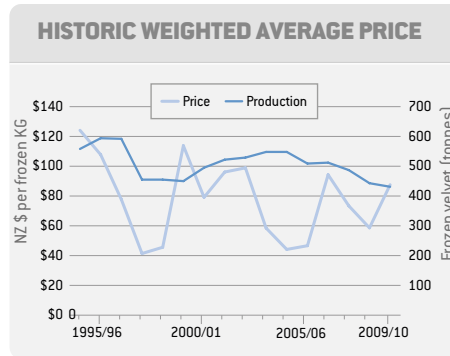




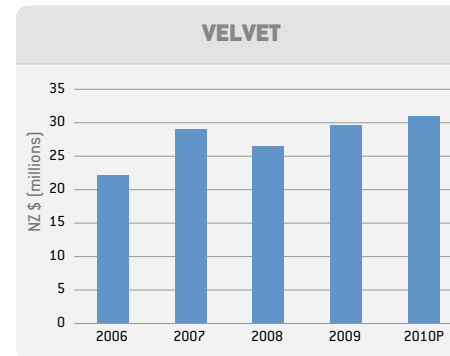
# STATISTICS

Velvet prices began strongly at the beginning of the 2009/10 season compared with the previous year and held firm over the course of the season. This was despite pricing from competing countries (particularly China and Russia) remaining low throughout the season causing pressure on New Zealand exporters to soften their position. Significant credit can be attributed to New Zealand's key exporters holding New Zealand velvet prices firm throughout the season. The weighted average price for Korean grade was in the region of \$107/kg, an increase of 60% on the \$67/kg for Korean grade in the previous season.

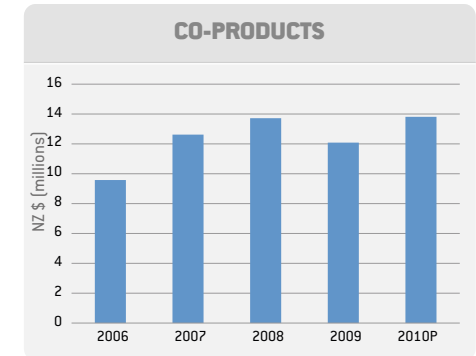
The weighted average for all grades, which includes Chinese and Taiwanese grades as well as hard velvet and hard antler, experienced a 49% increase in 2009/10 from \$59/kg the previous season to \$88/kg.



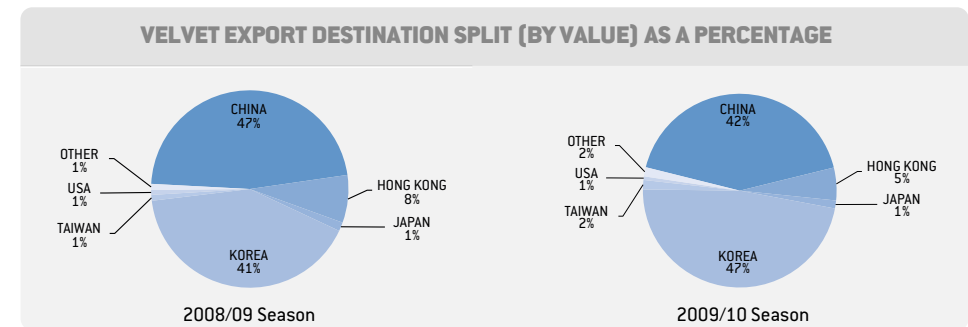
Deer Industry New Zealand uses velvet levy collected as a guide to measure production levels. Velvet levy collected continued its decline from 443 tonnes in 2008/09 to 431 tonnes in 2009/10. This was the third consecutive year in which production has been below the 10-year average of 502 tonnes. Deer Industry New Zealand understands that as well as a decline in New Zealand production, other countries experienced a similar trend, leading to an overall decrease in volume produced. With residual inventories from the previous year reduced and falling production, supply conditions were more manageable. Further decreasing stock levels and lower predicted production suggest that velvet supply should remain in balance with demand as a positive indicator for prices remaining stable in the short term.



New Zealand exported \$31 million worth of velvet (FOB) in the year ending September 2010 compared with NZ\$30 million in the year ending September 2009, a 4% increase in export value.



New Zealand exported \$14 million worth of co-products in the year ending September 2010 compared with \$12 million in the year ending September 2009, a 14% increase in export value.



Deer Industry New Zealand views the swing of direct exports to Korea as positive, agreeing with consumer and medicine associations that a transparent and more direct route to market is desirable where possible.



## RESEARCH

### Isotopic signature

Isotopic signatures offer the potential for country of origin verification. Through this technology, isotopic signatures can differentiate between the different elements that are present in the make up of velvet. After completing a successful proof-of-concept trial in 2007/08, which identified differentiated features between New Zealand velvet and velvet grown in competing countries, Velvet Antler Research of New Zealand (VARNZ) embarked on a pilot study in 2009/10. Between the two trials, there were 80 data sets collected, 64 New Zealand and 16 foreign. The results identified that carbon ( $\delta^{13}$ ) and sulphur ( $\delta^{15}$ ) provided good tools for discriminating foreign velvet from New Zealand velvet. The location of where velvet is produced (for example New Zealand), as well as inputs such as feed types (including pasture) help influence an isotopic signature.

Such a tool could potentially help protect New Zealand velvet's brand. New Zealand velvet producers and exporters work hard to provide a quality product and this potential audit tool could be used in the market to identify inferior products being misrepresented as New Zealand velvet. Isotopic signatures are reported to be increasing in their use, particularly with agriculture-related products that are harder to differentiate once processed.

A third stage is required to complete a useful tool and the researchers have indicated that the main

gap is in foreign data sets. Before commencement of Stage 3, DINZ had undertaken to check the concept and methodology with Korean Food and Drug Administration (KFDA) and seek general support by the New Zealand industry.

The KFDA was interested in the concept and provided good input to further strengthen the methodology. The KFDA officials consulted suggested, however, that they did not see an immediate use for this tool. Some New Zealand exporters struggle to understand the potential benefit and were reluctant to provide support for Stage 3. As such, the tool remains at the proof-of-concept stage.

### RepaIRx

Work continued by VARNZ on the wound healing extract RepaiRx. Over the course of the year, all the necessary work was completed to submit an application to the Perth Royal Hospital Ethics Committee to seek approval for human clinical studies to commence. This is a significant quantity of data.

A decision is expected in the next financial year. Until the trial begins in earnest, research expenditure on this project will remain low.

Filing for patent protection continued to protect the intellectual property generated around RepaiRx.





# ON-FARM/ PRODUCTIVITY





## PRODUCER MANAGER'S REPORT

### Representation and Communication

The Marketing and Communications Assistant (MCA) role undertaken by Hannah Hsu allowed an increase in the contracted services to the NZDFA at national, branch and local level, freeing up the Producer Manager role for both the productivity portfolio and in the slow progress with the National Identification and Traceability project (NAIT) aiming at getting the best and most practical deal for deer farmers possible. Around 60% of the MCA's duties were directed towards servicing NZDFA and producer interests, as well as supporting the Producer Manager's role.

Communications, apart from *Deer Industry News*, are centred around producing newsletters, advertising events and reporting for the *Making the*

*Difference* Focus Farm project, and in the monthly production of the electronic newsletter *Stagline-Online* as an exclusive service to subscription-paying NZDFA members.

Deer Industry New Zealand responded to requests from NZDFA's Branches and Executive Committee with full Board commitment to the Branch chairmen's meeting in October and a board meeting held in Southland attended by 75 producers and VetSouth clients. The full and frank discussion was dominated, not surprisingly, by further velvet consolidation and marketing initiatives. Discussion with individual board members covered wide ranging market-related areas.

At the national level, Deer Industry New Zealand-funded producer working groups or producer support included:

- The Tb Free New Zealand working group, associated with supporting the National Pest

Management Strategy

- Representation on the Venison Supply Systems (VSS) panel associated with DEEResearch
- Further consultation with farmers and industry, and promotion of the NZDFA's and Deer Industry New Zealand's viewpoint on NAIT's development
- Productivity strategy and the national Focus Farms technical conference
- DEERSelect and genetic progress especially in venison Estimated Breeding Values.

In addition the Producer Manager was closely associated with the Johne's Research Group 2 project (partly funded by the Sustainable Farming Fund) and Johne's Management Ltd (JML). This group is committed to developing a comprehensive risk management plan around Johne's disease for industry adoption. The group has also produced a new practical Johne's disease farmers' manual and worked with JML to support the establishment of a

nationwide group of expert veterinary consultants available to farmers to add value to prevention of Johne's disease or testing and reduction processes. [MAF Sustainable Farming Fund](#).

The NZDFA Executive Committee met regularly throughout the year with Deer Industry New Zealand Executives providing in-depth reporting. This provided another communication link to the NZDFA and onwards to the Branches.

The Branch Chairmen's meetings with Board and executives comprised a full afternoon and evening session. This remains a unique opportunity for NZDFA leaders to engage with Deer Industry New Zealand Board Members and the Executive, and is a yearly highlight. The October 2010 meeting, reporting on the previous 12 months, featured:

- the introduction to FarmIQ and new concepts in recording, analysis and direct application to improve productivity



- a presentation, although under some legal constraints as to detail, related to the cooperative approach to velvet marketing which initiated vigorous discussion and strong criticism and feedback from the Branch Chairs
- an emphasis on 4WD bike safety
- a fresh approach to venison and velvet antler market reports
- a further meeting with NAIT, represented by its CEO and new staff. Branch Chairmen, as in the past, were quick to point out problems with the practical and cost aspects of the scheme.

During the year the NZDFA also led a review of its current structure, function and relationships with DINZ. There was a positive conclusion on current actions but a desire to be more involved in future strategy developments and commentary.

### Annual Conference *Focu\$ed 2010*

The Hawke's Bay Branch of NZDFA hosted the [2010 conference in Napier](#), attracting one of the strongest attendances in many years. The Agribusiness Seminar featured high-quality speakers including Wayne Gordon (Rabobank), AgResearch chief Scientist Steve Goldson and CEO Andy West, Massey University's Professor of Agriculture Jacqueline Rowarth and "Flying Doctor" Dave Baldwin.

A highlight was the attendance of the Minister of Agriculture, David Carter, who was in popular demand during Q&A and stayed on to enjoy the *Taste the Region* treats by local chefs, featuring venison and some of the best Hawke's Bay wines. This event was again very popular and will be maintained and refined as a feature of future conferences ahead of the formal FGM and AGM sessions.

[DINZ's FGM](#) featured in-depth market reports and perspectives from venison and velvet companies and executive reports, with an opportunity for vigorous Q&A with the 200 delegates .

The executive also attended the 5th World Deer Farming Congress in China, presenting a major paper that linked the industry productivity strategy and the Focus Farms concept. This was

an opportunity to showcase the industry's farming prowess, attention to QA, high welfare standards and best farm management practice. The programme included a whirlwind tour of leading large-scale sika deer farms (3,000 head). These are essentially indoor housed and associated with their own pharmaceutical companies. There are new product developments in added-value use of deer velvet, extracts for wines, blood, placenta and foetus and byproducts, developed for the new, affluent, younger consumer. The congress also agreed to try and coordinate a world deer farming forum to share contacts and information through a web based programme.





# ON-FARM PRODUCTIVITY IMPROVEMENT AND PROFITABILITY

## Making the DIFFerence – the deer industry Focus Farms project

The 2009/10 year marked further refinement and a gathering momentum around this important technology transfer initiative as the four three-year projects drew to a close.

The Southland project was initiated with Landcorp Farming properties and two commercial ventures cooperating to present aspects of management behind the single theme: *Integration*.

DINZ continues to owe a debt of gratitude for the voluntary effort given so freely by community groups in the DFA structures formed to support the Focus Farms, and their commitment to the farmers and facilitators who run these days. An exceptional group of Focus Farmers have relished the role and made significant gains in both productivity and profitability.

Attendances at field days continue to be strong, with these days established as part of a programme of regional and DFA Branch activities. Rural media continue to feature the Focus Farm programme alongside deer industry reports in *Deer Industry News* and *The Deer Farmer*. Better communication however remains a key area for future work using new media approaches such as YouTube and new website developments.

While each farm and region has its own emphasis, common themes have emerged as key parts of the “more calves, heavier and earlier” drivers of the programme. These include:

- use of summer and autumn brassicas and specialist pastures to enhance pre winter lactation and weaner growth
- winter fodder beet crops
- greater awareness of growth rate EBVs and terminal sires in breeding programmes
- diagnosis and test-and-cull programmes for Johnes disease.

In addition there has been steady interest in RFID and its management application. The industry has mostly accepted this technology and the inevitable transition to NAIT.

The project continues to host the annual get together of the Focus Farm couples, facilitators and community group chairmen, along with the Venison Supply Systems researchers, DINZ executives and Board members.

This DINZ-funded review of the year also included the DEEResearch Board for further feedback, and allowed the farmers and facilitators to run their own programme concentrating on better planning for field days, clear messages and a greater emphasis on profitability. Uptake and transformation will become increasingly important, along with feedback from attendees, greater community

involvement in themes and programme planning and more emphasis on reducing operational costs and improving profitability.

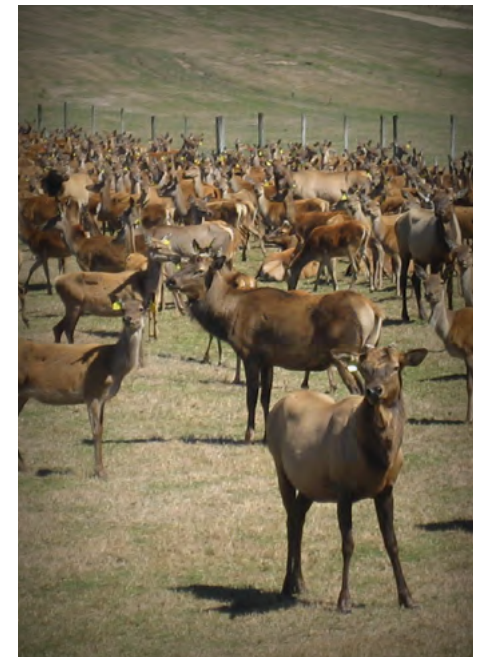
## NAIT

[www.nait.org.nz](http://www.nait.org.nz)

Both DINZ and the some what different emphasis from NZDFA are represented through the CEO and Producer Manager within the NAIT structure. The industry has negotiated that while it will join NAIT formally, it will watch and learn from the earlier experiences of cattle for at least 12 months. The deer industry is seeking:

- more practical tag placement
- that tag colour varies
- quick adoption of a single tag serving both NAIT and AHB requirements.

The industry generally supports recent Ministerial suggestions that efficiencies would be served by combining many aspects of AHB and NAIT. The 2010/11 year should see this proposal developed with some urgency. The deer industry has tabled its concerns about the risk of loss of effective direct representation. DINZ is developing a good relationship with the NAIT executive and Establishment Board, acknowledging areas where there is disagreement, but the dialogue and representation does greatly exceed the formal



2% of establishment costs to be carried by the deer industry. This will continue to be a major portfolio commitment in the forthcoming year as regulations are developed for deer.

AJ PEARSE  
PRODUCER MANAGER



# ANIMAL WELFARE AND DEERQA



## ANIMAL WELFARE AND DEERQA

### National Velvetting Standards Body (NVSB) Programme

The NVSB Auditors successfully completed 96 allocated audits of certified velvetters during the 2009/10 velvet season. Each season the aim is to audit 10% of certified velvetters. This audit is in addition to an annual supervisory visit by the supervising veterinarian (checking facilities, oral check and observe three stags being develvetted).

At the end of the 2009/10 velvet season, 1,026 velvetters were certified to the NVSB programme. In the period up to 30 September 2010, 99 new velvetters had applied to join the NVSB programme.

Two velvetters failed their audits during the 2009/10 season. However both have received additional training from their respective supervising veterinarians and will continue on in the programme.

The NVSB also undertook audits of veterinary practices during the velvet season. This practice had not been implemented for a number of years, but was reintroduced to ensure that the delivery of the programme is consistent and that calibration remains the same across the country.

Fifteen of the 19 allocated audits were completed and the results have been consistent with requirements of the programme. Minor

adjustments were recommended to some veterinary procedures, but in the main the calibration and level of competency remains high. Audits of veterinary practices will continue in coming seasons.

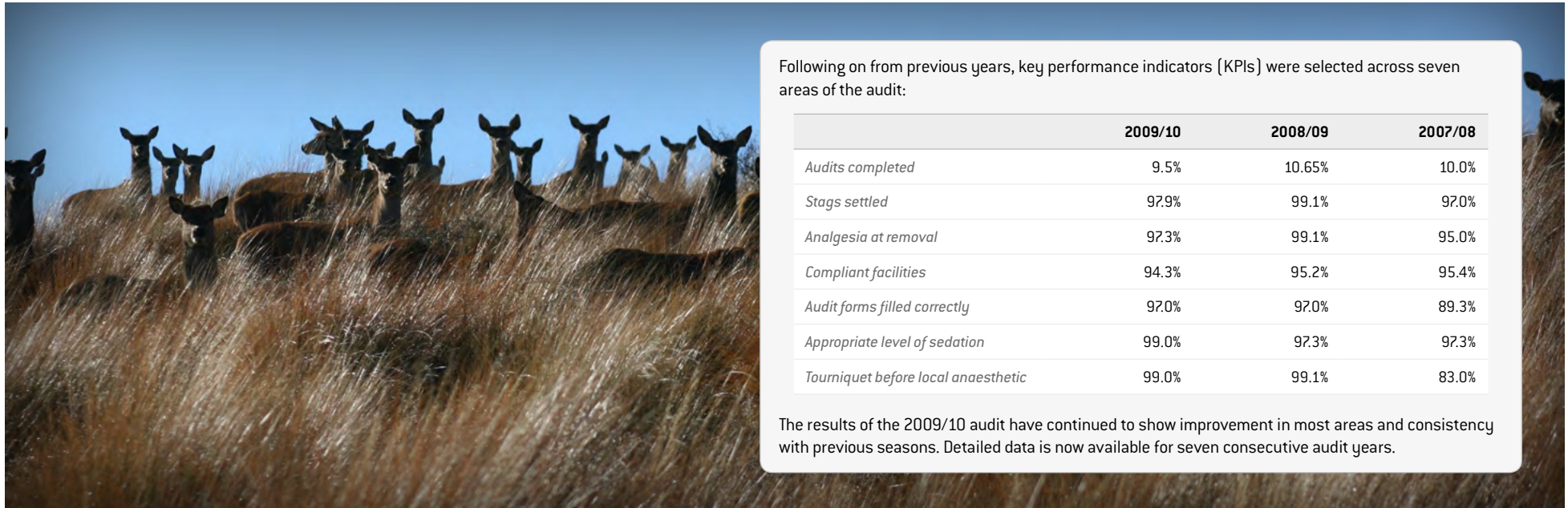
Overall, the NVSB auditors have been very complimentary of velvetters and veterinarians during the audits. Many have commented on the excellent procedures carried out by most certified farmers and farm workers, and the overall competence of those audited. There is still a number of the inaugural velvetters (those that became certified in the first year of the NVSB programme) operating within the NVSB programme which is now into its 18th year of operation. In general, the competence and professional approach to velvetting remains very high.

The overall number of major and minor failings recorded during all audits in the 2009/10 season decreased from the previous season. Again, this is in line with the continued improvement across the entire programme.

The following is a summary of the main findings of the 2009/10 Velvet Audit.

- Of the 96 audits carried out:
- 98% of deer were recorded as being settled at time of velvetting.
- Nerve block (40%) was the most common method of local administration followed by





Following on from previous years, key performance indicators (KPIs) were selected across seven areas of the audit:

	2009/10	2008/09	2007/08
<i>Audits completed</i>	9.5%	10.65%	10.0%
<i>Stags settled</i>	97.9%	99.1%	97.0%
<i>Analgesia at removal</i>	97.3%	99.1%	95.0%
<i>Compliant facilities</i>	94.3%	95.2%	95.4%
<i>Audit forms filled correctly</i>	97.0%	97.0%	89.3%
<i>Appropriate level of sedation</i>	99.0%	97.3%	97.3%
<i>Tourniquet before local anaesthetic</i>	99.0%	99.1%	83.0%

The results of the 2009/10 audit have continued to show improvement in most areas and consistency with previous seasons. Detailed data is now available for seven consecutive audit years.

- ring block (34%) with six percent using a combination.
- Pole syringe (52%) is the most common method of administering Xylazine, followed by auto syringes (43%) with hand held syringes at three percent. Two percent used westerguns or paxarms.
- 100% of velvetters demonstrated a satisfactory knowledge of antler nerves and blood supply.
- 97% effective analgesia was recorded throughout all audits.
- Effective removal of the antler was recorded in 100% of audits where the mechanical block system was used. 96% of velvetters showed

- effective removal using local and or chemical restraint. Four percent showed one or more failings during this process.
  - Tourniquets were applied before administration of local anaesthetic in 99% of audits.
  - Following velvet removal, effective tourniquet use and haemostasis was recorded in 98% of the deer velvetted.
  - 94% of facilities meet the requirements of the programme, ie, pens, gates, walls, flooring, lighting, ventilation and hygiene. The seven-year average for this section of the programme is 94%.
- No specific NVSB-initiated veterinary velvetting

training days were offered during the season. However one NVSB Auditor attended a field day in the Te Anau area to demonstrate to farmers and veterinarians the correct way of applying the cable tie method for use on spikers.

The ability to report year-on-year data continues to strengthen the intrinsic value of the audit and allowed various trends to be identified, and with the inclusion of KPIs, the programme is now able to be benchmarked and reviewed annually.

The joint venture surveillance programme between the New Zealand Food Safety Authority (NZFSA), Ministry of Agriculture and Forestry Enforcement

Directorate (MAF ED) and the NVSB continued during the 2009/10 velvet season. All data was collated and forwarded on to MAF ED for further consideration and action where required. The information collected to date shows a number of farmers submitting velvetted deer for slaughter that did not have a current NVSB status. However that did not necessarily mean they were velvetting illegally because in most cases it was able to be verified that veterinarians or accredited employees had removed the velvet. Verification of this is part of the process where MAF ED follows up with the individual farmer concerned.



The National Animal Welfare Advisory Committee (NAWAC) Code of Welfare for Animals Transported throughout New Zealand that was to have been approved last year was delayed. It is now under peer review and is expected to be published towards the middle of 2011.

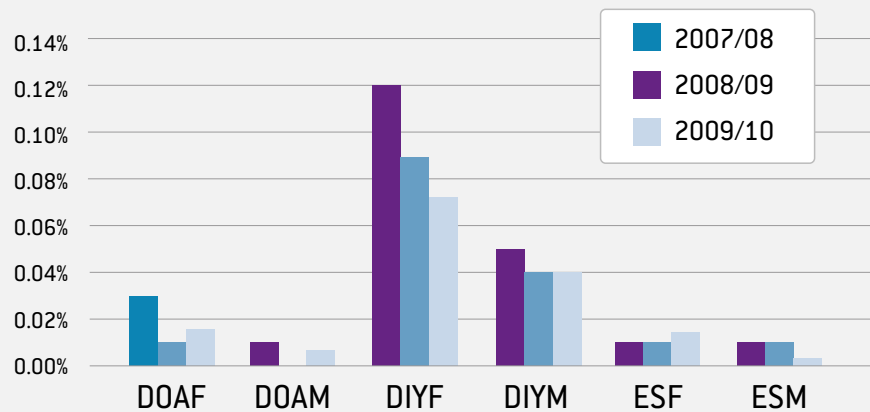
Audits of all accredited transport companies within the DeerQA Transport Programme are ongoing along with the refresher courses for all current accredited DeerQA Transport drivers.

Again the statistics provided by the NZFSA for deaths and injuries for deer during transport and lairage including emergency slaughter show similar percentage results to that of the two previous years. While the percentage figures are relatively small, the actual number of animals dead or injured totalled 635 in 2007/08, 409 in 2008/09 and 330 in 2009/10. These results show that female stock are at greater risk of death during transit or in the yards on a ratio of almost three females to one male. This is likely to be an issue of age rather than gender.

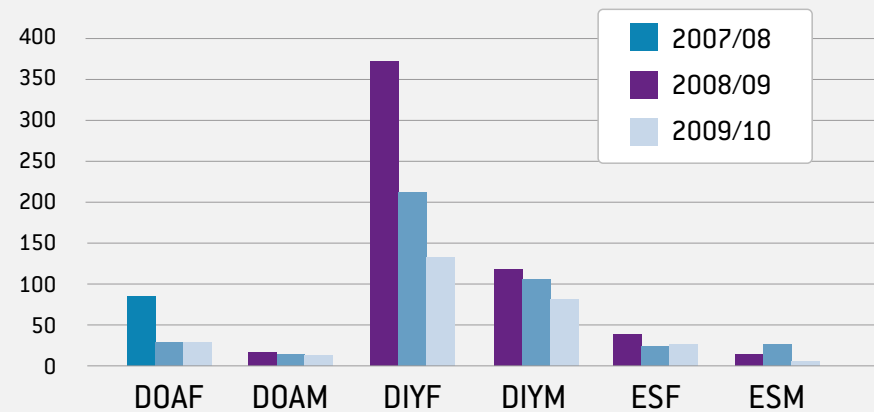
A percentage of female animals are culled from the breeding herd, especially after weaning, and may be at the end of their productive life. They could be in lighter body condition and are more likely to have other concurrent problems. The industry will continue to promote awareness of this situation to its constituents.

The following graphs show those statistics for the past three seasons.

**CERVINE ANTE MORTEM STATISTICS PERCENTAGES**



**CERVINE ANTE MORTEM STATISTICS TOTALS**



DEAD ON ARRIVAL (DOA), DEAD IN YARDS (DIY), EMERGENCY SLAUGHTER (ES), MALE (M), FEMALE (F)



# FINANCIALS





## TO THE READERS OF DEER INDUSTRY NEW ZEALAND AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

The Auditor-General is the auditor of Deer Industry New Zealand ("DINZ") and Group. The Auditor-General has appointed me, Jacqueline Robertson, using the staff and resources of Deloitte, to carry out an audit of the financial statements of DINZ and Group on her behalf.

We have audited:

- the financial statements of DINZ and Group on pages 32 to 40, that comprise the Statement of Financial Position as at 30 September 2010, the Statement of Financial Performance, Statement of Movements in Accumulated Funds, Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory information.

### Opinion

In our opinion:

- the financial statements of DINZ and Group on pages 32 to 40:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect DINZ and Group's:
    - financial position as at 30 September 2010; and
    - financial performance and cash flows for the year ended on that date.

Our audit was completed on 25 November 2010, 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 our responsibilities, and we explain our independence.

### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards and the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we consider internal control relevant to DINZ and Group's preparation of the financial statements that fairly reflect the matters to which they relate in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DINZ and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing the financial statements

- in accordance with generally accepted accounting practice in New Zealand; and
  - that fairly reflect DINZ and Group's financial position, financial performance and cash flows.
- The Board of Directors' responsibilities arise from the Primary Products Marketing Act 1953

# INDEPENDENT AUDITOR'S REPORT

and include the design, implementation, and maintenance of internal control relevant to the preparation of the financial statements so that those statements are free from material misstatement, whether due to fraud or error.

### Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on the audit. 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 areas of tax advisory services, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, DINZ and Group.

JACQUELINE ROBERTSON  
DELOITTE  
ON BEHALF OF THE AUDITOR-GENERAL  
WELLINGTON, NEW ZEALAND

*This audit report relates to the financial statements of Deer Industry New Zealand ("DINZ") and Group for the year ended 30 September 2010 included on DINZ's website. The Board of Directors is responsible for the maintenance and integrity of DINZ's website. We have not been engaged to report on the integrity of DINZ's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 25 November 2010 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 2010 \$	Consolidated 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>INCOME</b>					
Levy Income Venison	1	2,972,321	3,246,867	2,972,321	3,246,867
Levy Income Velvet	1	1,183,997	1,266,445	1,183,997	1,266,445
Project Management Fees		-	-	96,129	-
Interest Received	1	200,584	303,274	105,790	157,700
Other Income		230,090	209,705	187,199	209,180
Animal Health Board Levy Received	2	1,329,484	1,265,931	1,329,484	1,265,931
Processor Voluntary Contribution for Johnes Management Ltd		384,714	195,454	384,714	195,454
<b>TOTAL INCOME</b>		<b>6,301,190</b>	<b>6,487,676</b>	<b>6,259,634</b>	<b>6,341,577</b>
<b>EXPENDITURE</b>					
<b>RESEARCH INVESTMENT</b>					
Research Expenditure	13	813,526	901,006	636,585	804,545
Project Management Fees		-	-	-	-
Johnes Management Limited Operating Expenses		325,296	248,912	-	-
<b>Total Research Investment</b>		<b>1,138,822</b>	<b>1,149,918</b>	<b>636,585</b>	<b>804,545</b>
<b>VENISON PROMOTION</b>					
Generic Promotion		1,191,790	1,161,173	1,191,790	1,161,173
Joint Promotion		503,750	781,803	503,750	781,803
<b>Total Venison Promotion</b>		<b>1,695,540</b>	<b>1,942,976</b>	<b>1,695,540</b>	<b>1,942,976</b>
<b>VELVET</b>					
Promotion		295,727	493,629	295,727	493,629
Velvet Removal		233,188	301,270	233,188	301,270
<b>Total Velvet Expenditure</b>		<b>528,915</b>	<b>794,899</b>	<b>528,915</b>	<b>794,899</b>
<b>ANIMAL HEALTH BOARD LEVY</b>	2	1,329,484	1,265,931	1,329,484	1,265,931
<b>JOHNES MANAGEMENT LIMITED LEVY</b>		-	-	384,714	195,454
<b>COMMUNICATIONS</b>		344,030	339,247	344,030	339,247
<b>QUALITY ASSURANCE</b>		172,148	195,930	172,148	195,930
<b>PRODUCER MANAGEMENT</b>		291,367	259,475	291,367	259,475
<b>OPERATING EXPENDITURE</b>					
Audit Fees	3	32,150	32,018	26,850	27,818
Depreciation	7	24,487	17,974	18,520	12,318
Board and Directors' Fees and Expenses	10	213,900	223,654	195,205	197,020
Foreign Currency Loss		26,538	46,993	26,538	46,993
Insurance		43,150	48,693	43,150	48,693
Accounting and Advisory Fees		33,187	19,440	17,236	18,840
Other Operating Expenses		269,601	241,346	266,845	222,423
Grant To Cervena Trust Limited		-	-	(1,273)	21,951
Premises Rental and Costs		128,061	99,976	117,132	99,976
<b>Total Operating Expenditure</b>		<b>771,074</b>	<b>730,094</b>	<b>710,203</b>	<b>696,032</b>
<b>Total Expenditure</b>		<b>6,271,380</b>	<b>6,678,470</b>	<b>6,092,986</b>	<b>6,494,489</b>
<b>(Deficit)/Surplus Before Taxation</b>		29,810	(190,794)	166,648	(152,912)
<b>Taxation Expense</b>	4	444	938	-	-
<b>(Deficit)/Surplus After Taxation</b>		29,366	(191,732)	166,648	(152,912)
<b>(Deficit)/Surplus Attributable to:</b>					
Deer Industry New Zealand Members		157,011	(148,830)	166,648	(152,912)
Deer Industry New Zealand Research Trust		(175,695)	35,548	-	-
Johnes Management Limited		48,050	(78,450)	-	-
		<b>29,366</b>	<b>(191,732)</b>	<b>166,648</b>	<b>(152,912)</b>

## STATEMENT OF FINANCIAL PERFORMANCE



	Notes	Consolidated 2010 \$	Consolidated 2009 \$	Parent 2010 \$	Parent 2009 \$
<i>Opening Accumulated Funds</i>		4,379,148	4,570,880	1,845,578	1,998,490
<i>Net (Deficit)/Surplus</i>		29,366	(191,732)	166,648	(152,912)
<i>Total Recognised Revenue and Expenses</i>		29,366	(191,732)	166,648	(152,912)
<b>Closing Accumulated Funds</b>		<b>4,408,514</b>	<b>4,379,148</b>	<b>2,012,226</b>	<b>1,845,578</b>
<i>Closing Accumulated Funds relate to:</i>					
<i>Deer Industry New Zealand</i>	11	2,014,733	1,857,721	2,012,226	1,845,578
<i>Deer Industry New Zealand Research Trust</i>	11	2,326,972	2,502,667	-	-
<i>Johnes Management Limited</i>	11	66,809	18,760	-	-
		<b>4,408,514</b>	<b>4,379,148</b>	<b>2,012,226</b>	<b>1,845,578</b>

## STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS



	Notes	Consolidated 2010 \$	Consolidated 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>Accumulated Funds</b>	11	4,408,514	4,379,148	2,012,226	1,845,578
<b>Represented By :</b>					
<b>Current Assets</b>					
Short Term Bank Deposits		5,089,016	5,252,615	2,655,303	2,500,118
Trade Receivables		508,666	443,033	483,191	425,542
Inter Company Receivables	6	4,005	22,206	4,005	11,218
Accrued Interest		50,743	56,746	30,768	43,817
Prepayments		6,555	5,330	6,555	5,330
Tax Refund Due		55	94	-	-
<b>Total Current Assets</b>		<b>5,659,040</b>	<b>5,780,024</b>	<b>3,179,822</b>	<b>2,986,025</b>
<b>Less Current Liabilities</b>					
Accounts Payable		443,931	724,421	328,578	452,154
Inter Company Payables	6	30	4,621	25,686	11,372
Accruals		771,262	646,539	771,262	646,539
Employee Entitlements		97,916	48,780	97,916	48,780
<b>Total Current Liabilities</b>		<b>1,313,139</b>	<b>1,424,361</b>	<b>1,223,442</b>	<b>1,158,845</b>
<b>Non Current Assets</b>					
Fixed Assets	7	97,886	23,455	91,019	18,098
Investment in Subsidiaries / Associates	5	30	30	130	300
<b>Total Non Current Assets</b>		<b>97,916</b>	<b>23,485</b>	<b>91,149</b>	<b>18,398</b>
<b>Non Current Liabilities</b>					
Accrued Lease Liabilities		35,303	-	35,303	-
<b>Total Non Current Liabilities</b>		<b>35,303</b>	<b>-</b>	<b>35,303</b>	<b>-</b>
<b>Net Assets</b>		<b>4,408,514</b>	<b>4,379,148</b>	<b>2,012,226</b>	<b>1,845,578</b>

## STATEMENT OF FINANCIAL POSITION

The Financial Statements were  
authorised on 25 November 2010  
on behalf of the Board by:

Andrew Macfarlane  
Chairman of the Board

Jeremy Bell  
Chairman of Audit and Risk Committee



# STATEMENT OF CASHFLOWS

	Consolidated 2010 \$	Consolidated 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>Cashflows from Operating Activities</b>				
<i>Cash was provided from:</i>				
<i>Venison, Velvet, Animal Health Board Levies &amp; Johnes Mgmt Contributions</i>	5,804,883	5,884,118	5,812,867	6,042,872
<i>Interest Received</i>	206,587	310,419	118,839	168,906
<i>Other Operating Income</i>	216,264	209,705	288,076	209,180
<i>Taxation Refund</i>		38,324	-	-
	6,227,734	6,442,566	6,219,782	6,420,958
<i>Cash was applied to :</i>				
<i>Payments to Suppliers and Employees</i>	6,264,734	6,771,928	5,945,880	6,814,346
<i>Taxation Paid</i>	405	-	-	-
	6,265,139	6,771,928	5,945,880	6,814,346
<b>Net Cashflows from Operating Activities</b>	<b>(37,405)</b>	<b>(329,362)</b>	<b>273,902</b>	<b>(393,388)</b>
<b>Cashflows from Investing Activities</b>				
<i>Cash was applied to :</i>				
<i>Purchase of Fixed Assets</i>	98,918	17,523	91,441	11,880
<b>Net Cashflows from Investing Activities</b>	<b>(98,918)</b>	<b>(17,523)</b>	<b>(91,441)</b>	<b>(11,880)</b>
<b>Net Increase in Cash Held</b>	<b>(136,323)</b>	<b>(346,885)</b>	<b>182,461</b>	<b>(405,268)</b>
<b>Opening Cash Balance</b>	<b>5,252,615</b>	<b>5,646,493</b>	<b>2,500,118</b>	<b>2,952,379</b>
<i>Effect of exchange rate change on foreign currency balances</i>	(27,276)	(46,993)	(27,276)	(46,993)
<b>Closing Cash Balance</b>	<b>5,089,016</b>	<b>5,252,615</b>	<b>2,655,303</b>	<b>2,500,118</b>
<b>Reconciliation of Net (Deficit)/Surplus After Tax With Operating Activities</b>				
<b>Reported (Deficit)/Surplus</b>	<b>29,366</b>	<b>(191,732)</b>	<b>166,648</b>	<b>(152,912)</b>
<i>Add:</i>				
<b>Non Cash Items</b>				
<i>Depreciation</i>	24,487	17,974	18,520	12,318
<i>Loss on sale</i>	738	-	738	-
<i>Amortisation of Lease Expense</i>	26,511	-	26,511	-
<i>Foreign Currency Loss/(Gain)</i>	26,538	46,993	26,538	46,993
	<b>78,274</b>	<b>64,967</b>	<b>72,307</b>	<b>59,311</b>
<b>Movement in working capital</b>				
<i>Accounts Receivable</i>	(59,630)	(83,434)	(44,600)	79,381
<i>Prepayments</i>	(1,225)	(1,363)	(1,225)	(1,363)
<i>Tax Refund Due</i>	39	39,262	-	-
<i>Accounts Payable</i>	(280,490)	205,446	(123,576)	206,577
<i>Accruals</i>	173,859	(303,658)	173,859	(332,288)
<i>Subsidiary and Associates Receivables / Payables</i>	13,610	(58,850)	21,697	(102,094)
<i>Deer Industry New Zealand Research Trust</i>	-	-	-	(150,000)
<i>Lease Liabilities</i>	8,792	-	8,792	-
	(145,045)	(202,597)	34,947	(299,787)
<b>Net Cashflows from Operating Activities</b>	<b>(37,405)</b>	<b>(329,362)</b>	<b>273,902</b>	<b>(393,388)</b>



## NOTES

TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 SEPTEMBER 2010

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 2010. All subsidiaries and the Trusts have a 30 September balance date.

- Deer Industry New Zealand Research Trust  
The Trust is a charitable research trust established by Deer Industry New Zealand on 10 June 2008. Operations began on 1 July 2008. The Trust is registered as a charitable entity under the Charities Act 2005 (Registration Number CC33142). The purposes of this Trust include:
  - i. undertake, and arrange to be undertaken, research into deer and into processing methods for slaughtered deer;
  - ii. undertake, and arrange to be undertaken, research into products derived from deer including venison and velvet;
  - iii. undertake, and arrange to be undertaken, research into processing and dealing with products derived from deer including venison and velvet;
  - iv. 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;
  - v. disseminate research outcomes to the deer industry;
- Cervena Trust Limited  
Cervena Trust Limited is the corporate

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

- Johnes Management Limited (JML)  
JML is a wholly owned subsidiary that was established on 23 November 2006 to gather epidemiology information on Johnes disease, and provide information to farmers so that they may manage the disease. JML is funded entirely from voluntary contributions collected by DINZ. DINZ passes the funds through to JML which applies them towards the cost of undertaking the project and on any associated administration costs incurred in carrying out the project.
- Group Research Holdings Limited  
This wholly owned subsidiary was wound up on 12 August 2010.

The following entities have not been consolidated for the year ended 30 September 2010:

- 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 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%), Deer Industry New Zealand (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 a 30 June balance date.

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

### Fixed Assets

Deer Industry New Zealand has four classes of fixed assets: Furniture & Fittings, Computer Equipment, Office Equipment and Leasehold Improvements. 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, Leasehold Improvements: 5 Years.

### Goods and Services Tax (GST)

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

### 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:

- i. Operating activities include all transactions and other events that are not investing or financing activities.
- ii. 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.
- iii. 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 and voluntary contributions from venison processors. These are accounted for on an accrual basis.

Interest income is accounted for on an accrual basis.

### Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those used in previous years.

### 2. Animal Health Board Levy

Deer Industry New Zealand collects the Animal Health Board ('AHB') levy at a rate set annually from 1 October, and makes minimum monthly payments based on the annual contribution agreed with the AHB. During the 2006 financial

year Deer Industry New Zealand executed a Deed of Amendment and Restatement with the Animal Health Board requiring all excess of AHB levy funds over the monthly minimum payment collected by Deer Industry New Zealand to be remitted to the Animal Health Board.

These funds are managed by the Animal Health Board and accounted for 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 2010 the Animal Health Board reported levies held on behalf of the deer industry of \$0.4 million (2009: \$0.9 million).

### 3. Audit Fees

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

	2010	2009
<i>Audit of Deer Industry New Zealand:</i>	\$25,950	\$22,260
<i>Audit of other Group entities:</i>	\$6,200	\$6,558
	<b>\$32,150</b>	<b>\$28,818</b>

During the year ended 30 September 2010 tax advisory fees were paid to the auditors of \$13,024 (2009: \$15,132).



#### 4. Taxation

	Consolidated 2010 \$	Consolidated 2010 \$	Parent 2010 \$	Parent 2010 \$
Net Surplus Before Tax	29,810	(190,794)	166,648	(152,912)
Permanent Differences	166,056	84,091	37,375	7,508
	195,866	(106,703)	204,023	(145,404)
Tax @ 30%	58,759	(32,011)	61,207	(43,621)
Deferred Tax Asset not Previously Recognised	(58,315)	(32,949)	(61,207)	43,621
<b>Income Tax Charge as per Statement of Financial Performance</b>	<b>444</b>	<b>938</b>	<b>-</b>	<b>-</b>

The Group has income tax losses of \$100,026 (2009: \$285,224) 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.

	Consolidated 2010 \$	Consolidated 2010 \$	Parent 2010 \$	Parent 2010 \$
<b>Imputation Credits</b>				
Opening Balance	771,724	771,724	771,724	771,724
<b>Closing Balance</b>	<b>771,724</b>	<b>771,724</b>	<b>771,724</b>	<b>771,724</b>

Deer Industry New Zealand, Johne's Management Limited and Cervena Trust Limited are all taxable entities. The Deer Industry New Zealand Research Trust is tax exempt, due to Charitable Trust status.

#### 5. Investment in Subsidiaries & Associates

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
Group Research Holdings Ltd	-	-	-	200
Cervena Trust Ltd	-	-	100	100
D&EResearch Ltd	30	30	30	-
Johne's Management Ltd	1	1	1	1

#### 6. Related Parties Receivables and Payables

	Consolidated 2010 \$	Consolidated 2009 \$	Parent 2010 \$	Parent 2009 \$
Cervena Trust	4,005	4,449	4,005	4,449
VARNZ Ltd	-	17,073	-	6,085
D&EResearch Ltd	-	684	-	684
<b>Total Related Parties Receivables</b>	<b>4,005</b>	<b>22,206</b>	<b>4,005</b>	<b>11,218</b>
D&EResearch Ltd	30	4,621	30	-
Johne's Management Ltd	-	-	25,656	11,372
<b>Total Related Parties Payables</b>	<b>30</b>	<b>4,621</b>	<b>25,686</b>	<b>11,372</b>

#### 7. Fixed Assets

PARENT						
	Accumulated Cost \$	Depreciation \$	NBV 2010 \$	NBV 2009 \$	Depreciation 2010 \$	Depreciation 2009 \$
Furniture & Fittings	46,983	46,492	491	750	258	3,665
Computer Equipment & Software	135,373	110,904	24,469	14,824	10,812	7,909
Office Equipment	7,613	5,871	1,742	2,524	781	744
Leasehold Improvements	70,987	6,670	64,317	-	6,669	-
	<b>260,957</b>	<b>169,937</b>	<b>91,020</b>	<b>18,098</b>	<b>18,520</b>	<b>12,318</b>

CONSOLIDATED						
	Accumulated Cost \$	Depreciation \$	NBV 2010 \$	NBV 2009 \$	Depreciation 2010 \$	Depreciation 2009 \$
Furniture & Fittings	46,983	46,492	491	750	258	3,665
Computer Equipment & Software	158,661	127,325	31,336	20,181	16,779	13,566
Office Equipment	7,613	5,871	1,742	2,524	781	743
Leasehold Improvements	70,987	6,670	64,317	-	6,669	-
	<b>284,244</b>	<b>186,358</b>	<b>97,886</b>	<b>23,455</b>	<b>24,487</b>	<b>17,974</b>

#### 8. Segmental Reporting

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





The Group entities conduct work in New Zealand and a number of overseas countries in the fulfilment of their purpose - assisting the orderly development of the deer industry and promoting products derived from deer.

## 9. Financial Instruments

### Nature and Extent

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

### Fair Value

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

### Credit Risk

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

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

### Interest Rate and Currency Risk

While the majority of the Group's activities are carried out in New Zealand, of the total expenditures incurred by the Group approximately 16% were denominated in foreign currency.

At balance date, foreign currency deposits totalled \$9,479 (2009: \$7,817). The notional or principal contract amounts of foreign exchange instruments at balance date for the parent and group for forward exchange contracts was nil (2009: \$nil).

The unrealised gain/losses on these contracts at balance date is \$nil (2009: \$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 2010 year total for Deer Industry New Zealand is \$195,205 (2009: \$197,020). This comprises \$162,500 in Board fees (2009: \$162,500), and \$32,705 in travel and accommodation expenses (2009: \$34,520), and discretionary expenses nil (2009: nil).

The following changes in Board composition have taken place this year:

- Mr John Scurr, Mr Stuart Natrass and Mr Keith Neylon all resigned from the Board on 30 June 2010 and were replaced on 1 July 2010 by Mr Andrew Macfarlane, Mr Collier Isaacs and Mr Glen Tyrrell. Mr Andrew Macfarlane was elected as Chairman and Mr Jeremy Bell as Deputy Chairman.

### Cervena Trust Limited

No directors' fees were paid in 2010 (2009: \$9,000). Director's fees are now paid on a daily fee basis and the only meeting of the trustees in the year to September 2010 was by telephone conference. Travel expenses were \$445 (2009: \$384).

## Johne's Management Limited

Directors' fees were paid to Mr GW Neilson \$15,000, Chairman, Mr E A Brook \$1,000, Mr ID Stewart \$1,000 and Mr IS Hercus \$1,250.

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

## 11. Accumulated Funds

The accumulated funds of the Group are \$4,408,514 (2009: \$4,379,148), of which \$2,326,972 (2009: \$2,502,667) is held by the Deer Industry New Zealand Research Trust and \$66,810 is held by Johnes Management Ltd (2009: \$18,760).

	2010	2009
Deer Industry New Zealand	\$	\$
Opening Balance	1,845,578	1,998,490
Surplus/(Deficit) attributable to Deer Industry New Zealand	166,648	(152,912)
<b>Closing Balance</b>	<b>2,012,226</b>	<b>1,845,578</b>

	2010	2009
Deer Industry New Zealand Research Trust	\$	\$
Opening Balance	2,502,667	2,467,119
(Deficit)/Surplus attributable to Deer Industry New Zealand Research Trust	(175,695)	35,548
<b>Closing Balance</b>	<b>2,326,972</b>	<b>2,502,667</b>

	2010	2009
Johne's Management Ltd	\$	\$
Opening Balance	18,760	97,209

	2010	2009
Deer Industry New Zealand	\$	\$
Surplus/(Deficit) attributable to members		
JML	48,050	(78,449)
<b>Closing Balance</b>	<b>66,810</b>	<b>18,760</b>

## 12. Employee Remuneration

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

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

## 13. Related Parties

During the year Deer Industry New Zealand provided research administration grants to associated entities: VARNZ 2010: \$15,826 (2009: \$15,582) and DEEResearch Limited 2010: \$8,190 (2009: \$7,531). This funding is provided directly from Deer Industry New Zealand.

During the year Deer Industry New Zealand provided project management administration and financial services to the Deer Industry New Zealand Research Trust of \$8,427 and \$5,500 (2009:nil).

The Deer Industry Research Trust provides the research funding to VARNZ of \$154,345 (2009: \$135,367) and DEEResearch Limited of \$466,160 (2009: \$565,150).

Deer Industry New Zealand provided a research grant to the Deer Industry New Zealand Research Trust of \$450,000 (2009: \$600,000).



An operational grant of \$2,076 (2009: \$21,951) was provided from Deer Industry New Zealand to Cervena Trust Limited.

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

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

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

#### 14. Commitments

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

	Parent & Consolidated 2010 \$	Parent & Consolidated 2009 \$
Not later than 1 year	49,018	77,740
Later than 1 year and not later than 2 years	49,018	–
Later than 2 years	245,091	–

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:

	2010 \$	2009 \$
Not later than one year	587,000	543,000
Later than 1 year and not later than 2 years	587,000	577,000
Later than 2 years and not later than 5 years	542,000	577,000

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

	2010 \$	2009 \$
Not later than 1 year	390,774	228,159

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

	2010 \$	2009 \$
Annually	1,200,000	1,200,000

This agreement is currently being renegotiated, but the current 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 2009 financial year at no less than 2008 funding levels of \$1.2 million per annum until a new agreement is signed. The Minister of Agriculture has notified that there will be a review of the National Pest Management Strategy for bovine Tb. This may have an impact of future funding obligations.

#### Contingencies

Deer Industry New Zealand's associated entity DEEResearch Limited has an interest in three unincorporated joint ventures; Pastoral Greenhouse Gas Research Consortium (1.82% holding), Pastoral Genomics Consortium (1.0% holding) and Johnes Disease Research Consortium (12% holding). DEEResearch Limited has unconditional guarantees to the other partners in the unincorporated joint ventures which:

- i. a. guarantee the due performance and observance of the guaranteed obligations by its subsidiary companies; and
- ii. b. indemnify against any loss or damage due to any breach of the unincorporated joint venture agreements by its subsidiary companies. No claims have been made.

#### 15. 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.

#### 16. Subsequent Events

There were no material events subsequent to the balance date requiring disclosure in the financial statements (2009: nil).



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<i>Venison</i>	<a href="http://www.nzvenison.com">www.nzvenison.com</a>	<a href="http://www.neuseelandhirsch.de">www.neuseelandhirsch.de</a>
<i>Velvet</i>	<a href="http://www.cerfdenouvellezelande.com">www.cerfdenouvellezelande.com</a>	<a href="http://www.cervena.com">www.cervena.com</a>
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