



ANNUAL REPORT 2012/13

About this annual report

Welcome to Deer Industry New Zealand Annual Report for 2012/13.

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If you encounter any difficulties reading or navigating this Annual Report, please do not hesitate to contact us for assistance.

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

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Mission

To promote and assist the development of the New Zealand Deer Industry. A strong, stable, profitable industry for all participants.

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

Telling the story about NZ venison on the international stage by bringing journalists and chefs to NZ.

The Young Chefs Exchange – working with NZ's top restaurants to educate the next generation of European rising stars.

Increase in coverage of NZ venison the local market through more pro-active media activities.

Survey of European and North American chefs' attitudes toward NZ Venison.

A successful conclusion of the trade negotiation with Taiwan, providing an end date for barriers to be removed for New Zealand deer products.

A product registration underway in China for a HFF based on New Zealand velvet

More progress with New Zealand venison plant approvals, assisting co-product access into China

Increasing New Zealand velvet as food-type products in Korea, particularly HFFs

38th Annual Deer Industry Conference: Your capital, Your future.
Wellington May 2013, Amora Hotel.

What we did

6 German journalists and a tv film crew visited New Zealand in January 2013. Coverage of New Zealand deer farming and venison extended through German media for the year. 4 Belgian chefs in New Zealand learning about NZ Venison.

From 50 applicants 4 young German chefs spent 4 weeks in New Zealand in February March 2013 learning about New Zealand venison.

Working with New Zealand food writers saw numerous recipes in the Listner, New Zealand Herald, Cuisine magazine and the Healthy Food Guide, as well as more recipes online and in regional papers.

Surveys completed and results shared at May conference.

The New Zealand –Taiwan free trade agreement (ANZTEC) was signed on 10 July. DINZ played an active role in ensuring that negotiators had all necessary tools and direction to ensure that New Zealand deer products are best represented during the negotiations.

DINZ began a partnership agreement with a significant manufacturer and exporter of New Zealand nutraceutical products to develop and register a product based on New Zealand velvet as a HFF in China.

A second NZ plant was listed by AQSIQ on 1 April 2013 to export venison and co-products to China. DINZ continued to work with MPI to get further plants listed.

DINZ started another partnership project with a significant healthy food marketer to get a product based on New Zealand velvet registered as a HFF in Korea. DINZ also identified another company rapidly growing in the use of New Zealand velvet as a food product.

Very well attended event (220 delegates) with increased sponsorship and a comprehensive programme based on very successful keynote speakers . 23-page write up of conference activity in June 2013 Deer Industry News.

Year 3 of the second round of the industry's productivity strategy and the extension through the formal Focus Farms programme.

Addition of a partnership with Beef + Lamb NZ in Hawke's Bay in a large mixed-species operation (Anawai).

Further advances in three Focus Farms projects.

Three projects operating in Waipa, Canterbury and South Canterbury. New Focus Farm website "After the field day" developed (Sustainable Farming Fund project) www.deerfarming.co.nz

Greater emphasis on land-use and relative profitability analyses for deer farming systems and other livestock options.

Finances key part of Focus Farm reporting. Gross margin analysis completed for Southland comparative enterprise model and published in Deer Industry News. Deer enterprises shown as successful profitable land-use options in most situations.

Further develop extensive industry Central Progeny Test programme for venison production and develop yield-based traits and measurement systems.

Year 2 of deer progeny test completed and year 3 mating planned and achieved. DEERSelect reference committee formed.

Further refinement of the Productivity Information Hub and more directed use of the new website.

Website updated and improved; promoted to deer farmers and as a new resource for training and formal qualifications.

Once NAIT became fully operational for deer from 1 March 2013, further practical emphasis on the management gains and further potential of RFID in deer farming.

Sustainable Farming Fund project evaluating potential for UHF and full farm-to-consumer tracing completed. Promotion of RFID-based recording and evaluation in Focus Farms and at the base of the P2P programme.

Report from the chairman



ANDY MACFARLANE, CHAIRMAN

The venison industry battled some headwinds during the year as the schedule tracked below levels achieved over the previous five years. By the end of September the 55–60kg AP Stag schedule peak for the year had been just \$7.42, 6 percent below the previous year and 14 percent below the five-year average.

There have been several factors at play, including a continuing strong New Zealand dollar, deteriorating economic conditions in our major markets and increasing competition from within Europe. This has turned up the heat on our producers and marketer/exporters and highlighted the urgent need to keep driving our Passion 2 Profit (P2P) programme, so that all in the value chain get a sustainable return on their investment in the industry.

At the time of writing DINZ was in the process of completing a business case for Primary Growth Partnership funding to take this to a new level. The Advance Party concept is an exciting part of this and it has been heartening to see the interest from farmers and technical experts in setting up these centres for practice change at local level.

Product differentiation and the premium end of the market are keys to our strategy and I have been encouraged to see exporters continuing to work together in exploring the possibilities of bringing the Cervena® appellation to new markets.

Compared with venison, the velvet sector made sound and steady progress. Access issues in our key Asian market are complex and won't be fixed overnight, but our executives and New Zealand trade officials are making good headway in opening up new opportunities. We must remain mindful of the sensitivity of our velvet markets to volume, although there are signs that there is capacity to absorb a little more production than in previous years.

Growers and processors also need to ensure they stay sensitive to market signals, producing what our increasingly diverse customer base requires. That sensitivity also needs to extend to the strict food safety and animal welfare protocols we must follow in order to protect our hard-won freedom to market venison, velvet and co-products to the most discerning customers.

It's clear that the industry is in the middle of a sea change as the next generation of farmers and entrepreneurs takes over the reins from the pioneers who started deer farming. The next generation will have a different perspective and face different challenges. The old battles with government bureaucracy in past years are largely over, but new challenges in the form of water quality and environmental issues have emerged. The scourge of bovine Tb is being steadily rolled back but there are other productivity-limiting animal health issues that we must understand and tackle. And perhaps most importantly, we must continue to actively promote deer farming as a profitable, sustainable land use that complements other livestock classes while we improve our genetic base and production systems.



In order for the Board to stay in touch with concerns and developments at the farm level we continue to value our contact with the NZDFA through our invitation to take part in the annual Branch Chairmen's Meeting in Wellington, as well as the opportunity to engage at the annual conference, field days and regional events. It keeps us well in touch with the daily realities of deer farming.

You will see from the accompanying statements that DINZ is in a sound financial state. Of note is the continuing strong investment in research projects and significant increases in promotion expenditure for both venison and velvet during the 2013 year. Together with the spend by our processor/exporter partners, this investment leverages considerable exposure for our products in key markets.

For the Board and Executive it has, as always, been a busy 12 months, with our Primary Growth Partnership application just one of many projects additional to an already full business as usual schedule. I would like to thank my fellow Board members for another sterling year's work. In these challenging times it is important to maintain good governance and keep our "eyes on the prize" of increased efficiency and profitability and I thank the team for helping deliver that.

Of course none of that would be possible without an excellent executive team. I can only repeat the tributes paid to Mark O'Connor at the time of his departure from DINZ in mid 2013. Mark was an energetic and focused CEO and he left a cohesive and productive team. Dan Coup has quickly stepped up as Mark's successor. I'd like to formally welcome Dan and thank

him for his thoughtful and well-considered approach to the role. We can be assured the team is in good hands and the transition has been a smooth one.

On behalf of the DINZ Board I wish all members of the deer industry a prosperous and exciting 2014.



Andy Macfarlane
Chairman, Deer Industry New Zealand



Report from the CEO



DAN COUP, CHIEF EXECUTIVE

Deer Industry New Zealand made solid progress delivering on its objectives during the penultimate year of its five-year strategies for the development of velvet and venison markets.

The [Venison Industry Strategic Intent: 2009–2014](#) calls for premium positioning of New Zealand venison in key markets, supported by a differentiation strategy. The pressure to achieve this goal intensified during the year as volumes of competing product from Spain and Poland increased in both quality and quantity.

Efforts to lift New Zealand venison clear of the pack continued, with both DINZ and marketers committing to promoting the “Premium by Nature” message, aimed particularly at the European restaurant trade.

We furthered our efforts to target young chefs, undertaking research to gauge their awareness of, and attitudes towards, New Zealand venison. While there is some encouragement to be gained from this

research there is also clearly more work to do if we are to establish and defend a premium position.

DINZ engaged with the new generation of chefs through media tours and sponsorship, and by bringing them to New Zealand to see for themselves the origins of our product and innovative ways to present it.

Work in overseas markets was not confined to Europe and it was encouraging to see continued support for the Cervena® programme in the United States, where there was growth in both volume and value.

It was also pleasing to see a continuation of the steady increase in confidence for the velvet sector, which enjoyed another period of price stability. There was also good progress towards achieving the objectives of the [Velvet Industry Strategic Intent: 2009–2014](#), particularly in the areas of market access and the strengthening of the New Zealand velvet brand.

Improving access within our key markets of South Korea, China and Taiwan takes patience and resolve, but there are rewards to be had at both the highest level – through international trade agreements – and at the technical level in areas such as export certification and registration of velvet as a healthy functional food ingredient. Good work was carried out on both fronts.

There was a spirit of cooperation within the velvet industry in New Zealand as new grading guidelines were drafted in response to rapidly changing antler style and conformation as well as changes in market requirements – especially China.

The excellent work that has helped create the Productivity Improvement Programme was further refined with its re-launch as *Passion 2 Profit* (P2P) and preliminary work on the establishment of Advance Parties. These regional groupings of motivated deer farmers will see a more effective and sustained uptake of productivity-enhancing innovations and better mechanisms for promulgating change at grass roots level.

Innes Moffat, Venison Marketing Services Manager, took on the additional role of Programme Manager of P2P.

The “After the Field Day” Sustainable Farming Fund project continued, with a focus on ensuring that the messages and lessons from Focus Farm field days are captured and disseminated in a farmer-friendly format.

The “Your Capital Your Future” deer industry conference in Wellington took advantage of the proximity of leaders in the field of economics and marketing, with attendees being given an intriguing insight into the premium end of the protein market by special guest Anthony Puharich, an enthusiastic supporter of top-quality New Zealand venison.

On the policy front, much of our energy was devoted to biosecurity issues, particularly exotic disease incursion preparedness and the proposed Government–Industry Agreements, in which industries are expected to shoulder some of the financial burden of an exotic disease or pest response. Work also continued around the costs of the NAIT scheme.

Water quality issues and the proposed reform of the Animal Welfare Act also demanded input from DINZ on behalf of the industry. Work around issues like these is often behind the scenes but is essential if relatively small industries like ours are to have its interests protected in the face of changes affecting the wider agricultural sector.

The industry must remain mindful the need for vigilance when protecting our freedom to operate. To this end the collaboration with the Ministry for Primary Industries and transport operators on welfare standards has been a fruitful one, and the results from velvetting surveillance and audit showed continuing improvements in compliance.

The executive staff at Deer Industry New Zealand have continued to work well as a stable, efficient and productive team. There was only one staff change during the year, that of CEO, when I took up the position following the resignation of Mark O'Connor.

On a personal note I would like to thank Mark for the tremendous work he did leading the organisation during his tenure, the executive staff and Board for welcoming me into the position and helping make the transition a smooth one, and people from throughout the industry for their enthusiasm and willingness to share their vision for the future.

I look forward to another productive year in 2014.

Dan Coup

Dan Coup

Chief Executive Officer, Deer Industry New Zealand



What to look out for in 2014

- More visits to New Zealand by top German chefs.
- Examination of opportunities for collaboration among NZ venison marketing companies.
- New Zealand venison starring in high profile international food events.
- More venison being served in new Zealand restaurants and appearing on New Zealand supermarket shelves.
- The Launch of Passion2Profit. The deer industry productivity improvement programme.
- The development of Advance Parties – Where farmers help farmers work on projects to improve deer farming productivity.
- Increased tools to help with animal health and feed planning.
- The examination of reintroducing Industry Agreed Standards for on-farm Quality Assurance.
- Continued progress with clarifying the regulation around New Zealand velvet being imported and used as a healthy food ingredient in China.
- A better understanding of the market potential in Taiwan to maximise any opportunities enabled by ANZTEC New Zealand.
- DEERSelect breeder workshops, in Taupo and Invermay, February 2014.
- 39th annual deer industry conference, “*Grass Roots, Green Shoots*”, to be held at the Mt Hutt Centre, Methven, 20–22 May 2014, continuing with outstanding speakers, the “Next Generation” the Passion 2 Profit (P2P) Programme and Primary Growth Partnership.
- Year 4 of the second round of the industry’s productivity strategy and the final extension through the Focus Farms programme. Round 3 will be developed and launched with DFA branches later in 2014.
- Greater emphasis on land-use and relative profitability analyses for deer farming systems and other livestock options.
- Concluding year 3 in the industry Deer Progeny Test programme for venison production and further development of yield-based traits and measurement systems. New initiatives in ensuring sire linkages will be sought and promoting participation in DEERSelect and a wider appreciation of breeding values in venison sire selection.
- NAIT had been fully operational for deer for one year on 1 March 2014. There will be further emphasis on practical management gains and the potential of RFID in deer farming.
- Further refinement of the Productivity Information Hub and more directed use of the new website; incorporation into the industry communications strategy and lifting the industry’s profile in the wider press.
- Initiation of training programmes and the opportunity for formal deer qualifications alongside the Primary ITO; encouraging new training programmes in association with industry and business sector sponsorship.
- Producer management portfolio has a major role in the Advance Party programme as part of P2P, both in the field and through office support of recording and analysis programmes.
- Potential major role in the 6th World Deer Farming Congress in Kazakhstan, August 2014 to showcase New Zealand’s commitment to venison and velvet antler quality production, food safety, traceability and integrity, and extending the industry’s international connections.

Deer Industry New Zealand Board Members

APPOINTED BY THE NEW ZEALAND DEER FARMERS' ASSOCIATION



Tim Aitken

Director of Firstlight Venison (NZ) Ltd, Firstlight Pool Ltd, NZDFA Holdings Ltd and Deer International Ltd

Shareholder of Firstlight Venison (NZ) Ltd and Farmlands

Owner of The Steyning (a deer farm)

Jeremy Bell

Director of Jeremy Bell Investments Ltd, Trading as Criffel Station and Wanaka Trading Ltd

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

Collier Isaacs

Officer of FarmIQ

Chairman of DEEResearch, Deer Industry Genetic Evaluation Steering Committee

Shareholder of Farmlands

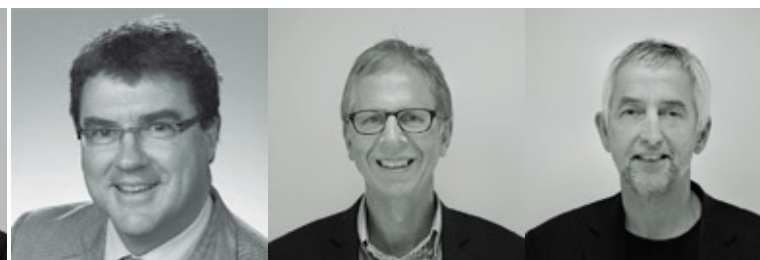
Andrew Macfarlane

Director of ANZCO Foods and AgResearch Ltd

Shareholder of Windwhistle Pastoral Ltd and Macfarlane Rural Business Ltd

Councillor, Lincoln University

ELECTED BY VENISON MARKETERS AND PROCESSORS



Danny Hailes

Officer of Alliance Group Limited

Director of DEEResearch Ltd

Glenn Tyrrell

Officer of Silver Fern Farms Ltd

Andrew West

Chairman of Herd Homes Systems Ltd

Director of (amongst others) DairySolutionNZ Ltd, BeefSolutionNZ Ltd and Innovation Waikato Ltd

Managing Director of Tidal Associates Ltd (the family-owned consulting company)

ELECTED BY VELVET MARKETERS AND PROCESSORS



Colin Stevenson

CK Import Export 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.

Trustee of the West Cowling Family Trust



Venison

Venison report

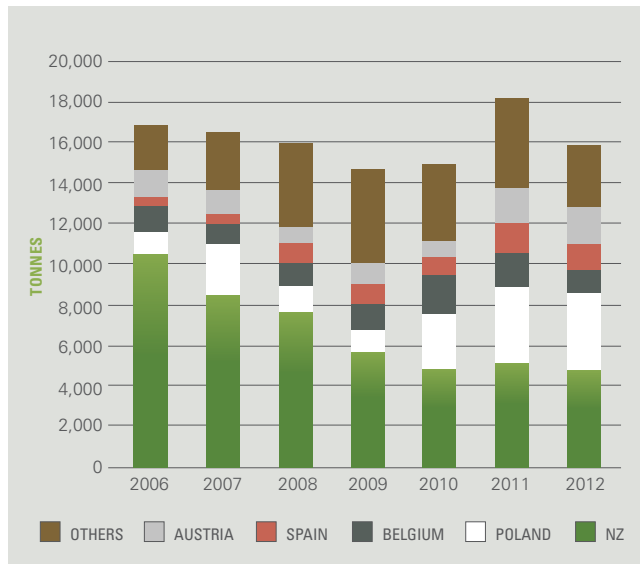
2013: A CHALLENGING YEAR FOR VENISON SALES

Through the 2012/13 season, venison prices came off the highs achieved the year earlier as buyers resisted New Zealand marketers' efforts to hold prices steady in a deteriorating economic environment. Adding to the downward pressure on prices were higher volumes of other game meats being offered by Eastern and Southern European countries. Softer market conditions combined with the record rise of the New Zealand dollar resulted in an average 5 percent drop in prices to New Zealand producers compared with the previous year.

New Zealand faced increased competition from other European suppliers. It is clear that New Zealand has decreased in importance as a supplier to the German game market, from nearly 60 percent of the market in 2006 down to only 30 percent in the past year. The recession encouraged other European countries to export more game meat to Germany. The big mover was Poland, whose total game exports increased from just over 1,000 tonnes in 2009 to more than 4,000 tonnes in 2012. Spain has also exported increased quantities, from 395 tonnes in 2006 to 1,300 tonnes in 2013. As well as a substantial increase in volume, the quality of European game also improved. European producers have worked hard to introduce higher hygiene standards in processing plants to allow their production to meet the requirements of European food manufacturers and retailers. Previously this

market had been largely the preserve of slaughtered animals because wild shot animals could not meet the bacteriological standards required.

GERMAN GAME IMPORTS



New Zealand marketers need to meet the challenge of increased competition for New Zealand venison in the main Continental European markets. Venison marketers agreed to increase efforts to inform the European food service industry of the quality of New Zealand venison in order to differentiate it from the competition.

During 2012/13, DINZ delivered messages that build upon New Zealand venison's key strengths in the European restaurant trade.

NZ venison is:

- suitable for 5-star dining
- highest quality
- comes from a pristine origin.

The message is that New Zealand venison is "Premium by Nature".



The focus was on high-end non-traditional users across selected European markets; specifically chefs aged between 25 and 40 years old, running in premium restaurants, and diners at high end restaurants looking for healthy cuisine. The New Zealand industry sought to encourage more use of New Zealand venison among this quality-conscious and outward-looking audience.

GERMAN CHEF AWARENESS

An awareness and attitude study was undertaken among 25–40 year-old chefs in Germany in 2012. A small group of chefs working in Michelin-starred restaurants were also interviewed on their usage of New Zealand venison and their attitude toward it. While 76 percent of chefs are aware of New Zealand venison and 36 percent think it is a premium meat, only 17 percent of users (5 percent of the total) will serve New Zealand venison outside the game season. The proportion among the top tier of chefs – those working in Michelin-starred restaurants – was lower. Only 2 percent admitted to using New Zealand venison in their restaurants; 98 percent claimed to use only German venison, even though 40 percent of starred chefs thought it was a good product. At issue is the perception that it is just another meat item, or that it is served only by lower-level wholesalers – not gourmet suppliers.

A programme of events was introduced to:

- increase young chefs' awareness of New Zealand venison
- demonstrate its superior attributes and
- encourage use outside of the main game season.

The method of creating this shift is to inform, inspire and demonstrate to chefs that changing supplier is beneficial. The message from DINZ to chefs is that they'll create better food, please their customers, waste less and earn more money

To inform the trade, DINZ brought five journalists who write for chefs' magazines and top-end consumer publications in Germany, and a television crew, to New Zealand to write about deer farming and the quality of our venison.

This resulted in 10 articles in German magazines reaching an audience of more than 2 million, plus a 15 minute television programme that was broadcast three times to a potential viewership of around 500,000.



Chance für Nachwuchsköche/Innen
Lust auf Neuseeland? **JETZT ANMELDEN**

Welcher Koch, welche Köchin träumt nicht davon, die Welt zu erobern, neue Küchen und Kulturen kennen zu lernen? Mit dem Young Chefs Exchange Program von Neuseelandhirsch kann der Traum Wirklichkeit werden. Es bietet Nachwuchsköchen die außergewöhnliche Möglichkeit, im März 2013 für einen Monat nach Neuseeland zu reisen, um dort in ausgezeichneten Restaurants des Landes zu arbeiten und die besten Köche und die regionalen Produkte vor Ort kennen zu lernen. Und so sieht Ihr Monat in Neuseeland aus:

- Sie arbeiten in einigen der besten Restaurants und können sich mit neuseeländischen Spitzenköchen austauschen
- Sie lernen als Mitglied der Restaurant-Teams den Arbeitsalltag und viele spannende neue Produkte und Zubereitungsarten kennen
- Sie können an geführten Touren teilnehmen und das Land auf eigene Faust bereisen

Neuseelandhirsch übernimmt alle Reisekosten sowie die Unterbringung vor Ort. Jeder Teilnehmer erhält von Neuseelandhirsch ein Taschengeld in Höhe von 1.000 Euro. Um am Young Chefs Exchange Program teilnehmen zu können, sollten die Bewerber zum Zeitpunkt der Reise (März 2013) zwischen 18 und 28 Jahren alt sein, ihre Kochausbildung abgeschlossen haben sowie Englisch sprechen und verstehen.
Weitere Informationen: per Tel. 069/25 781 28-28, E-Mail: neuseelandhirsch@gourmet-connection.de oder im Internet unter www.neuseelandhirsch.de

To inspire the younger generation we are doing things like sponsoring Junge Wilde, a pan-European cooking competition that attracted 2,000 entries and used New Zealand venison as the main protein. The winner impressed the judges with his venison dish – in a dessert!

The Young Chefs Exchange saw four talented young German chefs come to New Zealand for a month. We put them into the country's best restaurants and they worked alongside the best chefs to learn about preparing New Zealand venison. We also took them through farms and processing plants.



Young German Chefs on the New Zealand Venison exchange at Blanket Bay on Lake Wakatipu.

They are now back in Germany, sharing their experiences and doing demonstrations for us. We will be running this competition again because it is very effective at getting a message about New Zealand venison being modern, versatile and delicious to a younger, outward-looking audience.

To demonstrate what's in it for the chef, we have signed up eight well-respected chefs in Germany who contributed to the New Zealand venison recipe book, who are featuring New Zealand venison on their menus all year round and who are hosting media functions for food writers to help overcome the entrenched attitudes toward game meats that exists in Europe.

In conjunction with the marketing companies, New Zealand venison was placed at the right places, being used by the right people.

- Chefs Best: 50 of Germany's top chefs, including five three-star Michelin chefs, worked with New Zealand venison



Michelin star chef Rolf Straubinger of Burghotel Staufeneck enjoying New Zealand venison sushi at the Top 50 Chefs awards in Germany.

- Graham Brown and three-star chefs served New Zealand venison at the prestigious Rheingau Gourmet festival



Chef Graham Brown at Rheingau Gourmet Festival in Germany.

- School demonstrations to chef students in The Netherlands, Germany, Belgium and the United Kingdom.
- And conducting fairs/workshops across Europe with distributors .



Dutch Chef working with New Zealand venison.



A queue waits to sample New Zealand venison prepared by Michelin-starred chef Volker Drkosch at a fair in Germany.

Marketing managers continue to consider ways of moving more New Zealand venison out of a commodity trade and into higher-paying niches to reduce the reliance on the mainstream German game trade and to develop ways of differentiating the best-quality New Zealand venison.

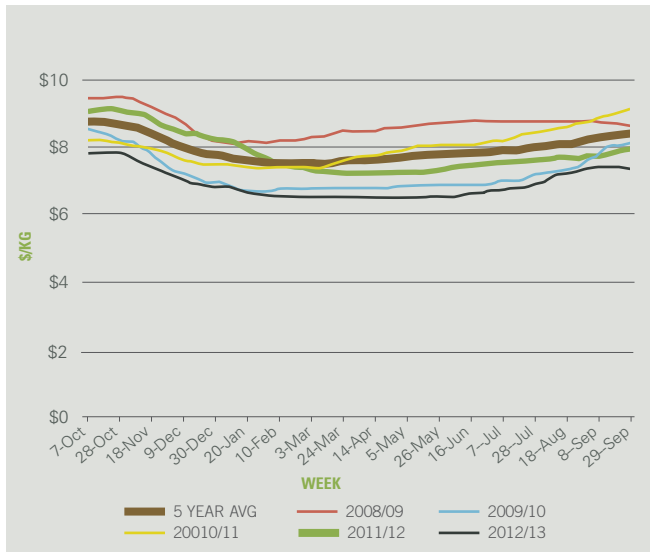
For example, the United States saw growth in volumes and value in the past year and companies continued to work collaboratively to promote the attributes of Cervena® venison.



Germany's latest three star chef Kevin Fehling of La Belle Epoque in Travemünde

Venison statistics

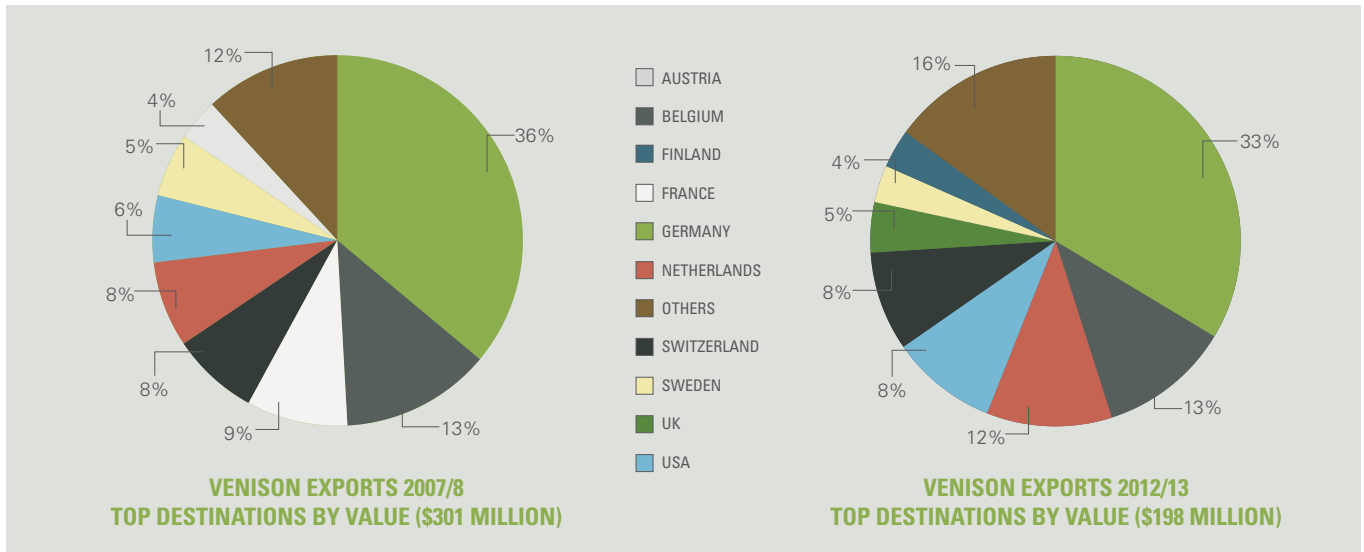
Figure 1: Average published schedule 55-60kg AP stag



Source: Statistics New Zealand

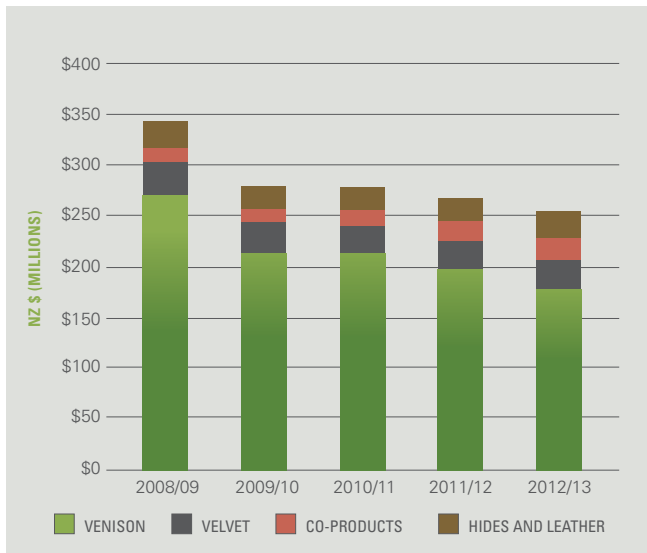
A New Zealand dollar that hit all time highs against both the Euro and the USD saw the venison schedule drop to the lowest level in 5 years during 2012/13. Exacerbating this decline were easing product prices in European markets as unsold stocks built in the market.

Figure 2: Export destinations by volume from 2007/08 to 2012/13; a five year comparison



Source: Statistics New Zealand

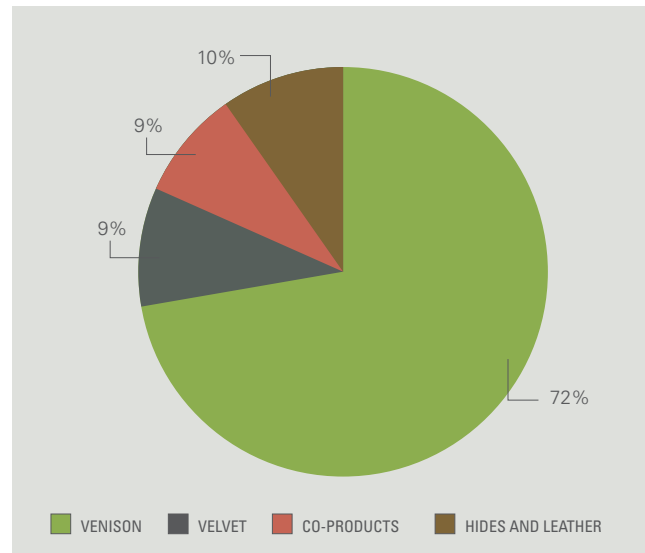
Figure 3: Total deer industry export earnings



Source: Statistics New Zealand

With prices easing for some items in international markets, and the NZD appreciating through the year, export receipts dropped for most products.

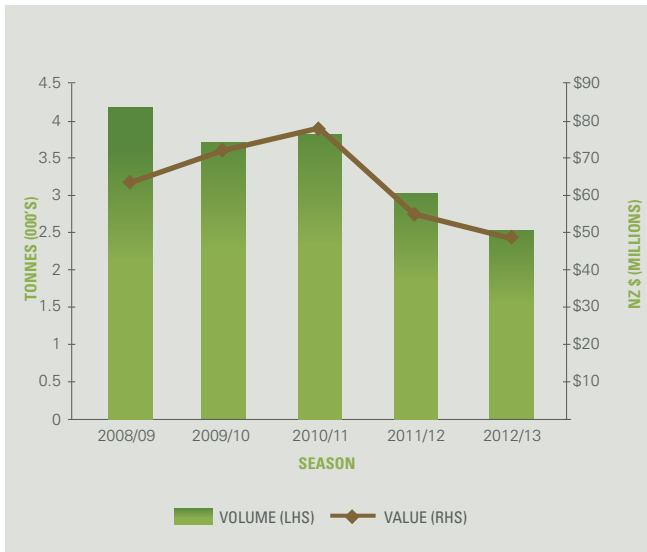
Figure 4: New Zealand deer industry exports



Source: Statistics New Zealand



Figure 5: Chilled venison exports



Source: Statistics New Zealand

Chilled export volume dropped as higher prices reduced orders through the off season and in some secondary markets. Changes in product type also saw less chilled venison exported.



Figure 6: Venison Production



Source: Statistics New Zealand

Total venison production of 23,773 tonnes (hot carcass weight) was up slightly from previous years due to increased hind kill brought about by climatic conditions and land use change. Early season carcass weights were well up on previous years which also contributed to increased production volumes.



Velvet

Velvet Report

SUMMARY

The average price paid to producers for New Zealand velvet over the 2012/13 season improved about 10 percent from a weighted average of \$86/kg to around \$95/kg. This resulted in a fourth season of relative stability and strengthening confidence in the velvet industry. New Zealand velvet production trends also remain relatively stable at around 450 tonnes. Global production is reported as continuing to decline. In 2012/13 it was the fourth year of the five-year [2009 – 2014 Velvet Industry Strategic Intent](#). The core markets of China, South Korea and Taiwan continued to be a key focus for DINZ activities, particularly around market access and development.

STRATEGIC OBJECTIVES

Improved market access, a cornerstone of the [2009 – 2014 Velvet Industry Strategic Intent](#), achieved further progress during the year. In particular:

SOUTH KOREA

Discussion around how to restart the stalled Free Trade Agreement negotiations was reported by [media](#) in both New Zealand and South Korea to be positive. South Korean negotiators appeared keen to parcel Canada, Australia and New Zealand agreements together. New negotiations with Australia and Canada are reported to be going well.

CHINA

2012/13 saw significant issues for agricultural exports to China, particularly meat and dairy products. Lack of meat plant listings by China's Administration of Quality Supervision Inspection and Quarantine (AQSIQ) continued to prevent real growth potential for the meat sector including venison and co-products. AQSIQ required further detail in the way that various plants operate and the supply-chain relationship they may have with non-integrated plants. One positive from the problems encountered in 2013 is that the New Zealand Government is giving market access significant priority and will either get better clarification or implement more effective systems – either of which will help address ongoing problems experienced by deer co-product exporters. Although a protocol was agreed between New Zealand and Chinese regulators in 2006, co-product access has remained problematic and import certificates were never forthcoming. Now, with the new relationship matrix and a willingness to ensure that New Zealand complies with the requests of Chinese authorities, DINZ sees that venison and co-products will benefit once AQSIQ lists the plants already approved by Ministry for Primary Industries.

DINZ has continued to work on market access projects in China. In the 2012/2013 season New Zealand velvet was accepted through Chinese borders with only minor issues. However the regulation of how New Zealand velvet can be retailed in China (to best maximise value) remains unclear. Market regulation clarification for New Zealand velvet remains a key objective and DINZ has partnered with a significant

nutraceutical company with a goal of registering a commercial product containing New Zealand velvet. The formulated product will be completely finished in New Zealand and marketed as a Healthy Functional Food (HFF), a registration process that takes several years. None of the 210 products containing velvet currently registered as a HFF in China are imported.

TAIWAN

On 10 July 2013 a Free Trade Agreement ([ANZTEC](#)) was signed between New Zealand and Taiwan. DINZ was involved throughout the quick negotiation period to ensure that the New Zealand deer industry's interests were best represented. Including fresh velvet in the make-up of the final agreement was very problematic during the process, and although a little disappointed with the 12-year frozen quota period, DINZ is pleased to see an end point to the quota and the inclusion of a transitional measure in place. The agreement allows for a country-specific quota for frozen velvet in addition to the WTO quota. The agreement as a whole appears comprehensive and mutually beneficial and other products from the deer industry were given advantage. For example, venison and some co-products achieved immediate free entry (from 17 percent duty) upon implementation (compared with two years for beef and four years for sheep) as well as a four year tariff phase out (equal instalments) for processed velvet. The rapid reduction should offer opportunity to add value from the 25 percent tariff.

Further to improving market access is ensuring a solid platform for market development to occur and a transparent and recognised channel-to-market that best fits the changing consumer environment.

With the reported rise in New Zealand velvet being used as an ingredient in healthy foods, DINZ was keen to encourage companies manufacturing and retailing products containing New Zealand velvet to promote the “New Zealand velvet story”. DINZ presented a series of concepts that were examples of possible stories for the companies to consider and which could clearly position them in the market. These examples were well received.



Example of a possible brochure explaining the New Zealand velvet story.

The presentation stimulated a company to create its own advertising, focusing on the New Zealand velvet story.



A point-of-sale display at a retail store in Seoul. A staff member at the store points to clear brand messages promoting the New Zealand aspect of their velvet products.

CHINA

DINZ continued to focus on the healthy food project it implemented last season. The project is significant and will take two-to-three years to complete due to the complex nature of the regulatory system for healthy foods in China.

TAIWAN

During the ratification process of ANZTEC, the Taiwan Deer Farmers Association (TDFA) had a delegation visit New Zealand. DINZ assisted with the visit to bring the two industries together and encourage a closer working relationship. DINZ believes that by working together, both the industries can grow the overall consumption of velvet and co-products in Taiwan from its current small base and provide a win-win for each industry. After the TDFA visitors returned to Taiwan, previous negative media on the impact of New Zealand deer products in the free trade agreement ceased. The TDFA appeared very pleased with the visit and members hugely appreciated meeting key members of the New Zealand deer industry.



TDFA Chairman Cheng with John Falconer at Clachanburn Station.

NEW GRADING GUIDELINES

A cross section of the industry (producers, buyers, processors and exporters) met during 2012/13 to review the New Zealand Velvet Industry-Agreed Grading Guidelines, last printed in 2008. Since this time, the industry has experienced rapid development in both antler style and conformation as well as changing market trends – specifically the rapid onset of the Chinese market and its differing requirements to the traditional Korean market. One key area the market had signalled was a concern around

recoverable “jelly tip” – given premium value in the Chinese market. The amount of recoverable jelly tip can be compromised by growing out velvet too far, whereby the top of the velvet flattens and begins to indent. A non-traditional grade was established for the SA and A grades, aimed to protect quality velvet that could be needed if there is any pressure. A new guideline was developed, printed and distributed for the 2013/14 season.



The two DFA Chairmen (Cheng and Orange) celebrate closer relations at a dinner hosted by TDFA.

	COVER A	BEST	LONG	OVERGROWN
Measurements	Tip length: 10-150mm; Base length: 150mm; Tip width: 40mm; Base width: 200mm; Tip height: 100mm; Base height: 150mm	Tip length: 150-200mm; Base length: 200mm; Tip width: 40mm; Base width: 200mm; Tip height: 100mm; Base height: 150mm	Tip length: 200-250mm; Base length: 250mm; Tip width: 40mm; Base width: 200mm; Tip height: 100mm; Base height: 150mm	Tip length: 250-300mm; Base length: 300mm; Tip width: 40mm; Base width: 200mm; Tip height: 100mm; Base height: 150mm

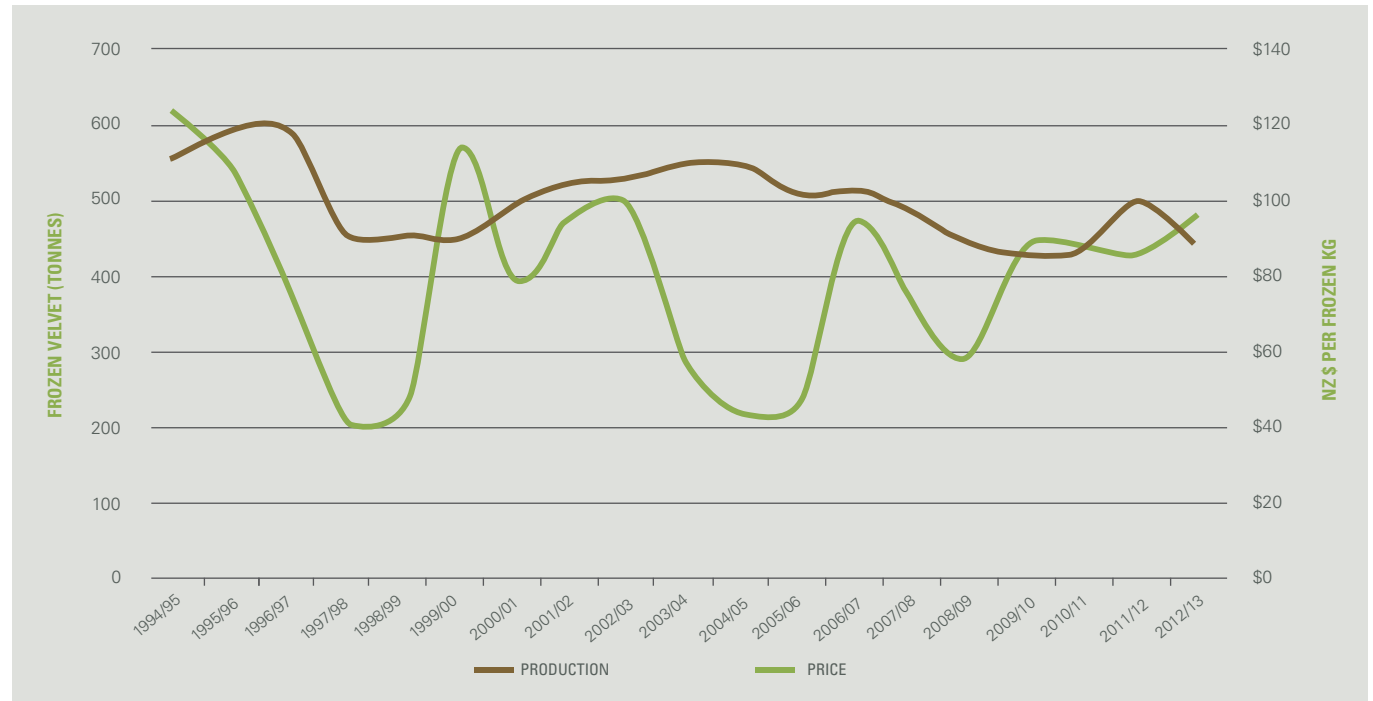
The new New Zealand Industry-Agreed Velvet Grading Guidelines 2013.

Velvet statistics

Velvet prices reported by exporters showed continued strength, with a fourth year of relatively stable prices. Further, farm gate prices rose by around \$9/kg to a weighted average for all grades of around \$95/kg (a 10 percent increase), while production was reported to ease slightly. DINZ believes there is no correlation between the small drop in production and firming of prices. Overall, global production was reported to soften somewhat, while consumption is estimated to be stable. Prices reported by competing countries identified a similar pattern of firming prices; however, some industry experts report that rising prices are not keeping up with the rising cost of feed inputs. Strong demand for Chinese grades helped to drive the firm prices. As with the previous four years, the price continues to perform above the 20 year average of around \$80/kg (Figure 1).

DINZ uses velvet levy collected as a guide to measure production levels. The levy collected indicated that production declined from 498 tonnes for the 2011/12 season to 442 tonnes in the 2012/13 season (Figure 1). This could be a seasonal variation caused by product being held over in the earlier period.

Figure 1: Historic production (tonnes) and average weighted price – all grades (farm gate)



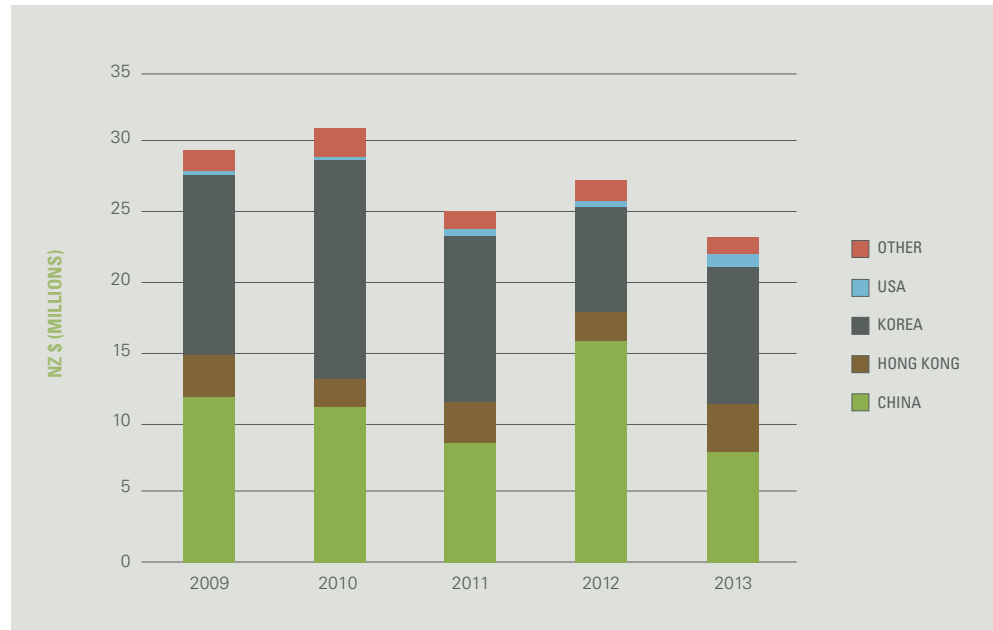
Source: Statistics New Zealand

VELVET AND CO-PRODUCT EXPORTS

VELVET

New Zealand exported NZ\$23.8m of velvet for the year ending September 2013 compared with NZ\$28.0m for the year ending September 2012, a 15 percent decrease in export value (Figure 2). China imported less velvet over this period, while South Korea increased its direct imports. Increased publicity in the USA led to a doubling of velvet exports to that market from \$375,000 to \$750,000.

Figure 2: Velvet export destination split (by value) as a percentage from 2009 to 2013 (years ending September)

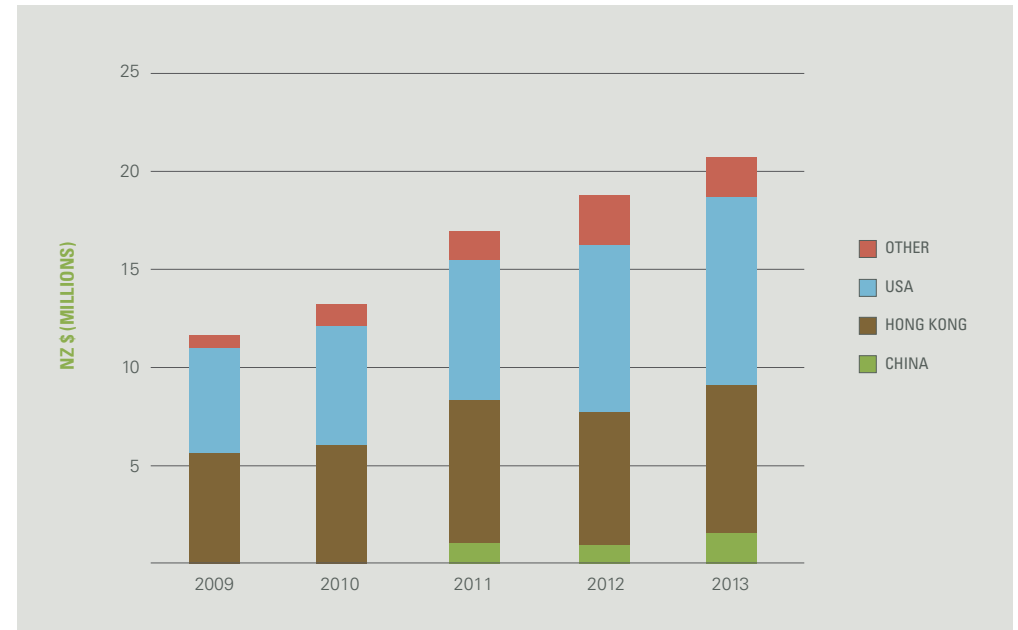


Source: Statistics New Zealand

CO-PRODUCTS

New Zealand exported NZ\$21.5m of co-products for the year ending September 2013 compared with NZ\$19.6m for the year ending September 2012, a 10 percent increase in export value and similar to the previous year's growth (Figure 3). The USA imports a large amount of co-products, which mainly consists of bones, oils and offal's – primarily destined for the pet food market. Hong Kong accounts for the majority of tails, sinews and pizzles; although exports to China are predicted to grow as market access improves.

Figure 3: Deer co-product export destination split (by value) as a percentage from 2009 to 2013 (years ending September)



Source: Statistics New Zealand



On-Farm / Productivity

Producer manager report

REPRESENTATION AND COMMUNICATION

In association with Amy Wills in the Producer Coordinator role, strong emphasis has been placed on supporting the industry's Productivity Improvement Programme (now termed Passion 2 Profit, or P2P) and the launch of Advance Parties. Along with other DINZ Executives, the extensive work around the bid to the Ministry for Primary Industries (MPI) for a Primary Growth Partnership has involved a close association between DINZ producer management and the seven theme groups that underpinned the programme recommendations for P2P.

The contribution from the New Zealand Deer Farmers' Association (DFA) Executive Committee has grown as the P2P programme extends into the development of the Advance Parties and wider networks. Our contact with all deer farmers remains channelled through the NZDFA branch network, but that is being extended and will integrate into a coordinated national communications strategy across all areas, to be launched in 2014.

Producer-based communication, beyond the bi-monthly *Deer Industry News*, involves newsletters, advertising events and reporting for year three of the three current *Making the DIFFerence* Focus Farms projects and the monthly *Stagline Online*.

This electronic newsletter remains as an exclusive service to subscription-paying DFA members and is now approaching its 80th issue. The publication has evolved from a quick-fire newsletter to an upmarket electronic bulletin with regular features from DINZ executive staff and the DFA's Executive Committee. It also includes newsworthy items from OSPRI and MPI, veterinarians' advice on seasonal issues, news from Johnes Management Limited and DFA branches, and a summary of activities and meetings of interest, all supported by good photography and layout. Under a wider communications strategy this may be supported by a short electronic regular industry update to all deer farmers as issues and needs arise.

The DINZ board continues to engage with DFA branch chairmen at their annual October meeting. DINZ and DFA have continued to invest in the New Faces programme, bringing another eight potential DFA leaders to the event alongside the current branch chairs and national DFA Selection and Appointments members. This forum also provides an opportunity for new DINZ Board members to meet deer farmers and discuss the issues that continue to define the industry.

This year's events included feedback from the DFA about the Productivity Improvement Programme and potential funding mechanisms within the Industry reserves and other funding avenues. Concerns related to potential significant levy increases were aired. While initial Primary Growth Partnership application did not progress, the funding model for the second application has taken these considerations into account.

At the national level, DINZ-funded producer working groups or targeted producer support projects included the following.

- The TBfree New Zealand working group, associated with supporting the National Pest Management Strategy; more equitable sector funding; implementation of the closed herds testing programme allowing voluntary reduction of testing from annual to three-yearly for herds meeting agreed criteria. About 65 herds have met these criteria and shifted from annual to three-yearly whole-herd testing after application to OSPRI NZ (formerly TBfree New Zealand). This option should continue to be more attractive because the NAIT ID scheme allows movement verification by animal age and individual ID.
- Representation on the Venison Supply Systems (VSS) Panel associated with DEEResearch as it concludes. It is now extended into the next six-year cycle as Hitting Targets for Deer Industry Profitability (HITDIP).
- Productivity strategy development via the Productivity Leadership Group and potential for involvement in the Advance Parties and P2P programme launched at the industry conference in 2013.

- Genetic progress, especially in venison estimated breeding values (EBVs), evolved with the DEERSelect genetics manager portfolio and the consolidation of the Deer Progeny Test programme into year two of slaughter data and a third cycle of artificial insemination (AI) to establish the third cohort of progeny.
- DEERSelect Manager, Sharon McIntyre, has added strength to the delivery of the genetics programme at Focus Farms and DFA branch field days. A Stakeholders' Reference Group was established. It meets six monthly and is drawn from a wide representation of stud and commercial deer breeders and farmers, genetic expertise and industry.

In addition, the Producer Manager remains associated with Johnes' Management Ltd (JML) at the invitation of its board. That has also allowed connection to the Johnes' Disease Research Consortium (JDRC) and an additionally funded three-stage programme via JDRC that will:

- compare and evaluate the Disease Research Laboratory (DRL) Paralisa™ and a second commercially available enzyme-linked immunosorbent assay (ELISA) test (Parachek™) against faecal quantitative polymerase chain reaction (qPCR) for the purpose of identifying high shedders of *Mycobacterium avium subsp. paratuberculosis* (MAP) in a herd

- begin JML on-farm validation encouraging owners of high-shedding herds to be interviewed to assess on-farm records of disease versus lymph node status at slaughter, and
- produce case studies through documenting reports of the management and control of Johnes' disease on deer farms using current practices recommended by the deer industry.

The JRG 2 Sustainable Farming Fund project is completed and has left an ongoing legacy with the final milestone, the industry Johnes' disease formal risk management plan, now lodged within DINZ with budget and commitment for at least an annual review. The remnant working group completed this activity in September.

The NZDFA Executive Committee meets regularly throughout the year with DINZ executives reporting in depth to these meetings and promoting communication and feedback to the Association and its branches. In turn, the DFA has an experienced working group that provides in-depth responses to the annual DINZ budget planning round and is available for further feedback on DINZ programmes as required. This opportunity is an important part of the DINZ-DFA relationship. That will be further extended in 2013/14 with regular teleconference updates with DINZ board members and DFA before the scheduled yearly calendar of board meetings.

The October 2012 branch chairmen's meeting with board and executives continues to evolve and allowed the 2012/13 Productivity Improvement Programme initiative to be fully discussed. This annual meeting remains a unique opportunity for DFA leaders to engage with DINZ board members and the executive.

Chairmen listened to a wide range of DINZ, industry and keynote presentations including: creating and enabling change; reaction to the PIP programme targets and objectives; aims and process related to the merging of Tb free New Zealand and NAIT.



Deer farmers were again quick to emphasise their pragmatic approach to NAIT and the costs and implications leading up to its inevitable introduction in March 2013. They also assimilated velvet reports, progress by marketing channels and the opportunity in China. Following the DFA's strategic planning sessions the Association established a clear vision and mission.

ANNUAL DEER INDUSTRY CONFERENCE: "YOUR CAPITAL...YOUR FUTURE"

The industry conference was in Wellington this year, with the "Your Capital Your Future" theme supported by inspirational speakers, political leaders and a forward-looking programme. The event was a mix of reflection and future vision, including acknowledgement of the contribution made to the

industry by retiring DINZ CEO, Mark O'Connor, and the launch of the *Passion 2 Profit* programme (P2P) and its associated concept of Advance Parties. In 2013/14 this will be a pivotal part of the drive for profitability through more efficient farming and marketing systems.

The conference was evaluated by many as one of the most successful for years, attracting record sponsorship and 240 delegates and partners. The days when it was a DFA conference where the staff and board from the former Game Industry Board and later DINZ were invited for a guest appearance and occasional grilling are well past. Today's event is a truly integrated industry gathering with a strong international flavour in both its speakers and the venison dishes on show, reflecting some of the in-market venison marketing joint ventures and programmes.

A "Next Generation" session profiled the aspirations, views and questions posed by a group of emerging industry leaders. The conference for the first time hosted an innovative and popular morning breakout session for rural women associated with the deer industry. It is intended that both these initiatives will be retained.

The conference reporting was exceptional this year, both in *Deer Industry News* and rural media, and was supported also by the invitation of a team of young new rural reporters who wrote articles from their perspectives.





ON FARM PRODUCTIVITY IMPROVEMENT AND PROFITABILITY:

Making the DIFFerence - the Deer Industry Focus Farms project

In the 2012/13 year the Focus Farms adopted a new approach in holding themed workshops alongside the usual public and community field days on the base focus farm property. The workshops covered parasitism, winter feeding and integrated livestock farming systems and the potential of lucerne in dryland agriculture and deer production systems for weaner growth and late lactation.

As part of the ongoing improvement process, AgResearch's Social Science Unit surveyed Focus Farm attendees, facilitators, community groups and

farmers. Based on the feedback, recommendations related to clarity of purposes, short, sharp take-home messages, preferred activities at field days, better pre-publicity and a clear agenda were implemented. The next farm programmes will feature a greater emphasis on profitability. Uptake and on-farm transformation continue to be priorities. Feedback from attendees and more community involvement in themes and programme planning is being sought, with greater emphasis on reducing operational costs and improving profitability.



NAIT

Advocating for the most practical, cost-effective and responsive position for deer farmers in the lead-up to implementation of NAIT has been a significant role for the producer management portfolio. The scheme became mandatory for deer farmers on 1 March 2013.

This was reluctantly accepted as inevitable but deer farmers have since become frustrated by many unexpected aspects of the requirements.

Concerns have included a higher-than-expected rate of NAIT tag loss during transport or in lairage to slaughter plants, attracting the \$13.00 "Impractical to Tag" levy. Untagged animals have consistently accounted for about 5 percent of monthly slaughter numbers. Deer farmers have been unimpressed with the NAIT response to this problem, namely that "if you want to be sure your animals left the farm compliant, you should scan them and forward the list to the processor".

However, the approaching year will see a settling down, high compliance and a gradual acceptance of the on-farm management benefits of radio frequency identification (RFID). Within this framework, farmers who have already committed to RFID technology for recording and management report substantial decision making benefits with easy-to-collect data.

Both DINZ and the NZDFA – which has a different perspective – are represented directly via the DINZ CEO and Producer Manager within NAIT. The industry negotiated that while it will join NAIT formally, it will watch and learn from the earlier experiences of cattle for at least 12 months. DINZ and NZDFA were successful in seeking practical relief on tagging placement (either ear), agreement with a well-supported farmer directive that tag colour be a variable and the quick implementation of a move to adopt a single tag serving both NAIT and AHB requirements.

MINISTRY FOR PRIMARY INDUSTRIES SUSTAINABLE FARMING FUND PROJECTS

The portfolio continues to have substantial involvement in the three current projects co-funded through the NZDFA, DINZ and MPI.

The largest project, “**After the field day**”, is in its second year. It seeks to capture the science and technology presented at Focus Farm field days and has developed a website www.deerfarming.co.nz, linked via www.deernz.org. The information presented is repackaged into short, sharp topic-based information sheets. The site also links to the completely redesigned Productivity Information Hub. The project team is developing further tools and resources particularly around feeding levels, target weights and feed budgeting.

Following the release of the industry’s update of the **Deer Farmers’ Landcare Manual** in 2012, DINZ and DFA have supported a successful application with the New Zealand Landcare Trust to further promote the use of the manual in risk management and mitigation. Within this project, which is co-funded by land management officers from the major regional councils, Beef + Lamb NZ has generously provided its developed template for the formal three-tier land and environment planning toolkit that allows farmers to develop an environmental risk management plan and create the basis for audit.

DINZ also was a lead co-funder with the Pathfinder group and other interested parties in a project that sought to evaluate potential and roles of **Ultra High Frequency unique ID tags**. The project had two outcomes: Farm to market traceability for venison, and to establish a series of blue sky workshops and discussions exploring wider on farm use for the UHF tag technology and expanded, given the high read rate and greater distances possible for readers with this technology.

Once a suitable tag manufacturer had been identified, successfully track and trace deer off farm in Geraldine through a slaughter, processing and packaging process, and then on through the supply chain through transport and distribution channels in Europe, to retail customers in Germany.

<http://www.rfid-pathfinder.org.nz/wp-content/uploads/2012/08/EPCIS-Final-Report5.pdf>

All animals and products were uniquely identified and tracked using an integrated traceability system based on the suite of GS1 Electronic Product Code (EPC) RFID standards. The project involved the use of EPC UHF Radio Frequency Identification (RFID) standards to identify, capture and share information through an 11-stage process which followed 19 deer (and the resultant venison in a number of batches) from the farm, to and through a venison processor, shipment to Germany, receipt at the importer and eventual delivery to retailers in Hamburg, Germany.

Data was captured using RFID readers and populated into a network of experimental physics and industrial control system (EPCIS) servers on the internet.

In the view of the sponsors, the project conclusively demonstrated how existing traceability and supply chain systems could be enhanced with next-generation RFID and networking standards available now.

These provided a high-integrity, interoperable model supporting “pasture to plate” traceability, market access and food safety.

On farm, the use of EPC standards provides added benefit through being able to read RFID tags on both single animals and mobs faster than existing low-frequency RFID technologies and, often, more efficiently and effectively.

The project held a number of blue-sky workshops that sought to develop innovative uses on farm with UHF technology, with its greater read range and speed capability, and ability to link seamlessly as the basis of a worldwide unique ID standard from farm to consumer.

As EPC standards are already supported natively in NAIT, the team believes that the project has provided a road map for the near future. DINZ hopes to extend this work as NAIT and technology advance both continue to evolve.



DEERSelect

DEERSelect Manager Report

REPRESENTATION

This has been an important year as the deer industry through DINZ has taken more responsibility for DEERSelect – the genetic evaluation for the deer industry and for the delivery of the genetic themes outlined in the Productivity Improvement Programme (PIP) to commercial deer farmers.

A DEERSelect Reference group of seven breeders was set up to help guide developments and set policy to reflect the needs of breeders and commercial deer farmers. It has formed a productive relationship with AgResearch, which provides the science and tools to support and develop DEERSelect. The Deer Progeny Test (DPT) has been an important tool in building genetic links across deer herds, so valid evaluations and breeding values can be published for connected herds.

This group met twice in 2013 and several changes were made as follows.

- The number of official across-industry evaluations was increased from four to six.
- Publication of breeding values only for herds that are sufficiently genetically connected for growth to allow fair evaluation across herds.
- A role in guiding and setting policy around new developments such as updated indexes for 2014, more accurate breed information and revised evaluation parameters.

COMMUNICATION

Commercial deer farmers were canvassed for their ideas on important genetic traits by AgResearch scientists and the DEERSelect manager at several field days. This will be used to set priorities for new trait development. Regular contributions were made to *Deer Industry News* to highlight the role genetics can play in lifting productivity. There was a genetic/productivity section at the *Next Generation* seminars and presentations made at various deer industry field days and DINZ/DFA meetings.



Communication and support for breeders was provided by a new two-monthly email focusing on improving recording practices. Contributions were also made to breeders' newsletters or sale catalogues

SCIENCE AND DEVELOPMENTS

The DPT has completed its second year of recording and the third birth cohort was born in November 2013. This has strengthened the genetic links between the 27 herds in DEERSelect. Maintenance of these links will increasingly become the responsibility of breeders. Valuable information is coming from the DPT. CarLA – a parasite antigen present in saliva – passed the proof of concept test in deer, potentially giving breeders a tool to select for individuals that achieve immunity sooner or exhibit higher levels of immunity in future but more science is required to confirm its role. The meat and co-products information is the first time there will be measured carcass information combined with pedigree and genetic information. How much do these traits vary between animals? How much of the variation is heritable? These are some of the questions the DPT is looking to answer.

The contributions of the AgResearch scientists, the farmers running the DPT herds and the partner herds are very valuable in building a stronger system to deliver genetic gain to the deer industry.

FUTURE

- Breeder workshops in both Islands in February 2014.
- More extension work and presence at field days.



Science

Research

This year saw DINZ's [Productivity Improvement Hub](#) go live with further additions during the year. This followed extensive behind-the-scenes planning and writing by DINZ staff, scientists, consultants, journalists and deer farmers in the previous year. The Hub has a prominent position on the [DINZ homepage](#) and is the shop window for research undertaken by DEEResearch and Velvet Antler Research New Zealand (VARNZ) of practical relevance to the everyday operations of deer industry participants, particularly farmers. Feedback received during the year from users was overwhelmingly positive in terms of its content and accessibility. DINZ's challenge is to raise awareness and uptake of this tool amongst levy payers so that it can be a key enabler of the *Passion2Profit* programme.

DEERESEARCH

DEEResearch remained the main vehicle for the deer industry's investment into venison research. During the year, the New Zealand Deer Farmers' Association sold its shareholding to Deer Industry New Zealand, so that by the end of the year, the shareholders (holding a 50 percent stake each) were DINZ and AgResearch.

In order to ensure that its research was wholly aligned with its shareholders' objectives, its investment decisions were based on clearly enunciated principles and to afford greater accountability to levy payers, DEEResearch undertook a major evaluation and update of its objectives and policies. The Board was mainly directed by the goals and identified research

needs of DINZ's Passion2Profit programme and AgResearch's Statement of Corporate Intent for 2012-2017. After considerable consultation and discussion, DEEResearch produced an updated **Statement of Purpose**, three **Objectives**, and **Investment Policies** covering 15 areas. DEEResearch intends to determine investment opportunities against these framework statements and has disseminated them to current and potential research providers. Further, DEEResearch determined 6 **Key Performance Indicators** by which its outputs and outcomes from its outputs should be reviewed.

STATEMENT OF PURPOSE

Coordinate and invest in research and innovation to enable a more profitable and sustainable New Zealand Deer Industry

OBJECTIVES

1. *Ensure that the research and innovation pipeline is achieving impact and demonstrating value for industry and outcomes for New Zealand*
2. *Coordinate and efficiently manage research and innovation benefitting the deer industry*
3. *Align short- and long-term research and innovation with deer industry aspirations and, where applicable, government strategy*

THEMES COVERED BY INVESTMENT POLICIES

Investment types

1. *Industry goods*
2. *Investment into pan-sector project*
3. *Investment into third-party project*
4. *Commissioning research*
5. *Seeking co-investment*

Coverage of research spectrum

6. *Stages of spectrum*
 - *Core/fundamental/strategic/H3*
 - *Development/applied/H2*
 - *Product and knowledge development/H1*
7. *H3 and H2 research: vision for industry impact*
8. *Practice change*
9. *Balance between stages*

Quality and delivery of outputs

10. *Research proposals*
11. *Quality of researchers and facilities*
12. *Measuring and monitoring success*
 - *Monitoring*
 - *Success measures*
13. *Communication of outputs*

Other

14. *Intellectual property*
15. *Reputational risk*

KEY PERFORMANCE INDICATORS

- *a profitable, productive (in terms of increased output per unit of input) and sustainable deer industry*
- *more deer, heavier, earlier and better*
- *innovation being applied across industry*
- *relevant capability in research, development and practice change being sustained by growing sector demand*
- *a regained presence of the deer industry in the agriculture sector*
- *strengthened freedom to operate*

The 2012/13 year was the sixth and last year of the Venison Supply Systems Programme (VSSP), the largest of the DEERResearch projects and undertaken by AgResearch and its contractors, such as Massey University. Funders of the VSSP (DINZ and AgResearch in the main and Landcorp Farming Ltd and Alliance Group Ltd for specific sub-projects) were all keen to continue investment into venison research and, as such, agreed a successor five-year programme, Hitting Targets for Deer Industry Profitability (HITDIP). Its structure was determined in light of the refreshed DEERResearch framework, particularly those parts designed to accommodate Passion2Profit.

Some of the part-completed VSSP projects are continued (such as the Deer Progeny Test and parasitology research) whereas other completely new projects are commenced (for example, Improving Overseer for Deer).

DEERResearch commissioned an independent review into the value obtained from the VSSP so that it can continuously learn from and improve how it commissions industry-good venison research. The review will be undertaken in the 2013/14 year.

Besides the VSSP, DEERResearch continued to invest in small, tactical venison-focused research projects and larger pan-pastoral research consortia during the year. Other changes within DEERResearch were the valediction from the Board of Prof Frank Griffin, after two consecutive terms as director and the appointment in his stead of Professor Tim Carpenter of Massey University, a professor of veterinary epidemiology and infectious diseases. Similarly, new CEO Dan Coup replaced former CEO Mark O'Connor as the DINZ-appointed director.

VARNZ

REPAIRX

Following the decision in 2011/12 to shift the first in-human clinical study of RepairX from Perth, Australia to Middlemore Hospital, Auckland, in 2012/13, VARNZ applied for and obtained Ministry of Health regulatory approval for the study. While the study did not start

during the year as hoped, considerable preparatory work was undertaken, particularly in relation to quasi-regulatory processes (such as identifying independent trial assessors and safety monitors), technology transfer to the manufacturer of the trial batch of product, upskilling of and liaison with Middlemore clinicians and management, and amending the protocol to better align with Middlemore's standard of care practices.

HEALTHY FUNCTIONAL FOOD RESEARCH

For market access enhancement purposes, VARNZ agreed in principle and prepared to undertake research into velvet efficacy for particular human health claims by negotiating its role in two healthy functional food projects to be jointly undertaken by DINZ, VARNZ and commercial entities with a view to eventual product launch and registration in Korea and China. Headway was made on non-research aspects of the project during the year and velvet efficacy research will be done by AgResearch and Chinese research providers during 2013/14.



Policy

Policy

Last year, Deer Industry New Zealand reported that its busiest area in terms of policy effort was biosecurity. This work has not abated – although we have concentrated our efforts on foot and mouth disease – but it has been joined in terms of neediness by water quality.

These are some of the areas where we have had input.

BIOSECURITY

FOOT AND MOUTH DISEASE (FMD) PREPAREDNESS

Deer Industry New Zealand joined with other sectors, auditors and commentators in calling for the Ministry for Primary Industries (MPI) to devote biosecurity preparedness resource to FMD. MPI responded by initiating the FMD Preparedness Programme, an 18-month project encompassing particular aspects of FMD incursion planning, whose scope was determined after considerable liaison with DINZ and other pastoral sector industry-good bodies. This focusing of effort represents a key departure from MPI's previous generic preparedness work and should contribute real benefit to the pastoral sector. DINZ is also keeping a close eye on other MPI FMD preparedness work that falls outside the formal FMD Preparedness Programme. It now has regular sessions with MPI senior management to discuss progress in a frank and constructive manner. While MPI remains severely resource constrained, its increasing willingness to

engage with industry in project prioritisation and substantive decision-making is welcome. Through greater transparency, DINZ has ever-increasing confidence in New Zealand's ability to respond effectively to a FMD incursion.

To maintain farm-level biosecurity awareness, DINZ – with Beef + Lamb NZ – produced practical drystock biosecurity guidelines. A booklet setting these out was posted to all levy-payers DINZ and Beef + Lamb NZ were aware of.

GOVERNMENT-INDUSTRY AGREEMENTS (GIAS)

DINZ continued to participate in dialogue between MPI and industry bodies on how Crown and sector bodies would act jointly in dealing with priority exotic pests and how the bill would be split. By the end of the year a final draft for Cabinet's approval was nearing finalisation. In 2014 DINZ may choose to consider whether it is worth entering into a GIA and, if so, whether to enter into an operational agreement for any specific exotic pest or pathway.

PASTURE PEST HAZARD IDENTIFICATION

The pastoral sector and MPI commissioned an expert report on exotic pests that present hazards to our main pasture species. The report was completed within the 2013/14 year albeit not published until 2014. In respect of the highest hazards, DINZ will now encourage MPI to determine the actual risk of incursions and assess the robustness of existing surveillance and response mechanisms to deal with the highest-risk organisms.

OSPRI

Policy work around National Animal Identification and Tracing (NAIT) has included exploring options by which system costs are assessed and allocated between shareholders as part of the industry-body funding arrangement. This work will continue after data representative of the volume and pattern of movements under a fully bedded down (post-transitional) scheme is available.

DINZ has continued to have input into the technical direction and progress of Tbfreenz's implementation of the Pest Management Strategy for bovine tuberculosis by being a member of the Stakeholder Technical Advisory Group.

WATER QUALITY

DINZ had an extremely busy year dealing with water quality issues from a multitude of angles. DINZ is well aware that deer producers are deeply concerned about the sustainability of their operations both from an economic and environmental perspective, and protecting the nutrient balance in the surrounding waterways is part of that. Momentum has shifted from sustainability being primarily dealt with at farm level to the focus of regional and district regulation (following on from the Government's response to the Land and Water Forum reports and recommendations on the state of water in New Zealand).

DINZ's main focus has been on trying to foster – from a national level down – recognition that regulatory imposts must be fair and equitable to producers in the sense that burdens:

- should be focused on addressing practices causing the particular problem for a catchment
- should incentivise behaviours that are proven to address that problem
- do not have perverse effects on practices whose contribution to the problem is minimal (such as discouraging deer production in favour of more nitrogen-polluting practices)
- do not penalise deer producers (e.g. in their scope for increased production intensity) for their use of relatively undeveloped extensive systems by comparison with other sectors.

DINZ joined the Land and Water Partnership, a primary sector alliance aiming to achieve national consensus amongst the primary sector on environmental issues. DINZ set up a committee (with NZDFA representation) to formulate deer industry policy on various water quality issues. The committee recommended DINZ's involvement, with NZDFA assistance, in an Environment Canterbury project to determine OVERSEER®-related good management practice nutrient discharge limits. DINZ has engaged in this regional project owing to the interest elsewhere in using good management practice (GMP) as the foundation of water quality regulation, with a view to some of the outputs (such as GMP definitions) being transferable elsewhere.

FREEDOM TO OPERATE

ANIMAL WELFARE

DINZ engaged with MPI on its discussion paper on reform of the Animal Welfare Act. DINZ agreed with MPI that the Act did not need to be fundamentally re-written as current standards are pitched at a high level supported by producers and consumers, but that tools to facilitate greater compliance without needing to resort to prosecution would be valuable. DINZ counselled that MPI should invest in comprehensive training of inspectors, so that they would be able to consistently apply the appropriate enforcement tool (mindful of the MPI inspectorate being a non-specialist team drawn from the pre-merger Ministry of Agriculture and Forestry, Ministry of Fisheries and Food Safety Authority).

As for proposals to rewrite codes of welfare as regulations, DINZ welcomed this where appropriate to facilitate more effective enforcement. As to where this would be appropriate, DINZ noted that-

- only a small proportion of current standards would be amenable for drafting as black-and-white regulations;
- such standards were not necessarily those warranting more effective enforcement; and
- it would expect to be consulted on the actual drafting.

DINZ disagreed with proposals to diminish the role of the National Animal Welfare Advisory Committee, whose work in welfare code development was collaborative, thorough and apolitical.

DINZ agreed that specified surgical techniques warranted regulatory oversight, with a view to the National Velveting Standards Body's velveting standards being given a regulatory footing.

The majority of DINZ's points were accepted by the Government in its Animal Welfare Amendment Bill which DINZ has engaged with at select committee level in the 2013/14 year.

ENVIRONMENTAL PROTECTION AGENCY ORGANOPHOSPHATE REVIEW

The Environmental Protection Agency (EPA) completed its review of the regulatory framework for organophosphate- and carbamate-based plant protection products. DINZ made strong written and oral submissions in support of the maintenance of approvals for the few products that combat the most destructive endemic pasture pests and which are potentially efficacious against exotic pests. Despite a paucity of actual evidence of harm, the agency revoked the approval of a few substances (with phase-out periods) and tightened the approval conditions of remaining products. As a result of primary sector pressure, the EPA has maintained the approvals of enough products that deal effectively with the worst of our pasture pests such as grass grub.



Animal Welfare

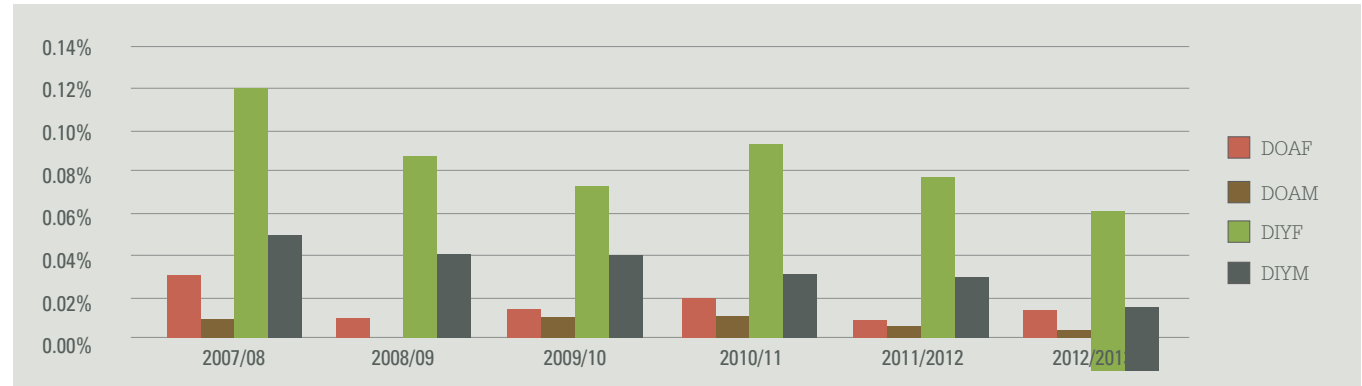
Animal Welfare and Deer QA

TRANSPORT

Auditing of the eligible DeerQA transport companies was completed during 2013. One issue detected during the audits was the number of uncertified drivers engaged in transporting deer. This issue has been corrected with drivers undertaking the required industry training. These courses are ongoing and several more will be conducted throughout 2014. Because deer are totally different animals to transport compared with species such as sheep and cattle, it is essential that all those transporting deer are aware of and possess the required skills to avert potential animal welfare issues that may arise, especially during transport. It is also important from a health and safety perspective that drivers are skilled in the proper handling and care of the deer they are transporting.

There is still concern about losses of low-body-condition hinds being sent either post weaning or after the winter months. Again the statistics on the following graphs illustrate this. This information provides a measure of the welfare of deer in the transport/pre-slaughter period at export slaughter plants. The message to farmers is cull prior to the winter months. Be aware of the requirements for transporting low body condition deer. If in doubt seek advice from your veterinarian.

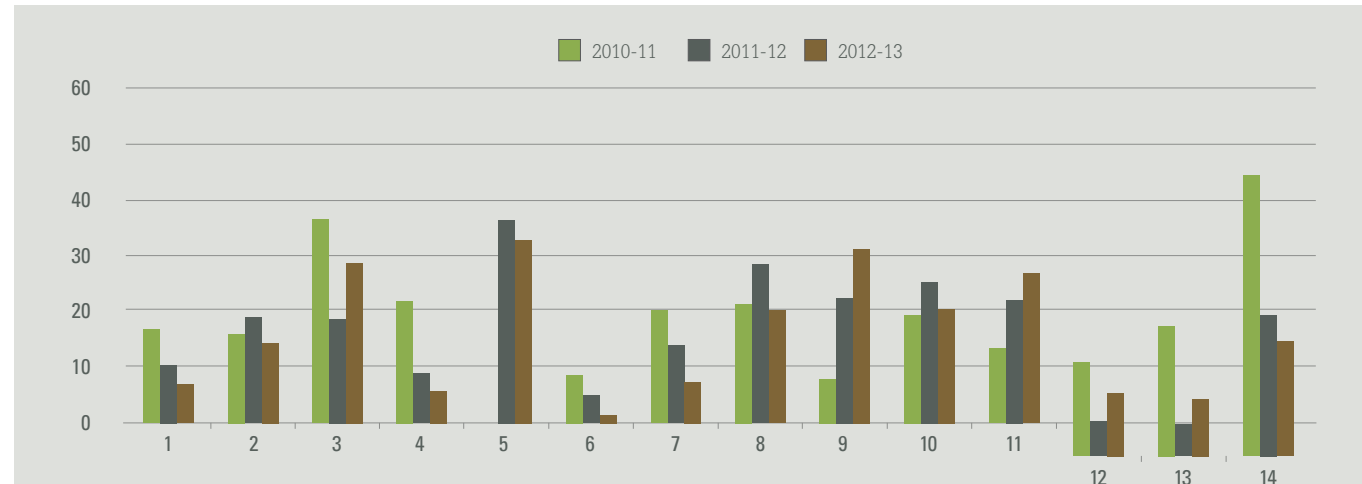
Figure 1: Deer mortality in transit to slaughter plants or in yards of plants 2007/08–2012/13 (%)



Note: Dead on arrival: female (DOAF); Dead on arrival: male (DOAM); dead in yards: female (DIYF); dead in yards: male (DIYM)

Source: Ministry for Primary Industries (MPI) Verification Service

Figure 2: Combined deaths of hinds and stags, dead on arrival and dead in yards, by premises, 2010/11–2012/13



Source: Ministry for Primary Industries (MPI) Verification Service

VELVET

VELVET SURVEILLANCE PROGRAMME

This joint initiative continued during the 2012/13 velvet season. Compliance levels continued to show positive results; however a small number of velvetters required a follow-up during the season. Of the 1,125 farmers who supplied velvetted deer to meat export premises over the season, 299 farmers were contacted initially by Ministry for Primary Industries (MPI) Verification Service personnel to verify who did the velvetting and how the velvet was removed. Of these, about 35 suppliers required follow-up. Some of these follow-ups were conducted by MPI with visits to the supplier's property. All the follow-ups resulted in positive outcomes with the suppliers either opting to join the National Velvetting Standards Body (NVSB) velvetting programme or alternately engaging a veterinarian to velvet their deer.

VELVET AUDITS

Some 123 audits of eligible velvetters were successfully completed during the season. This represented 11 percent of velvetters. Fewer problems with the organising and coordinating of audits were reported during the season and auditors in general were happy with the process, achieving more audits than required.

Of the 123 audits carried out:

- 38 were accredited for mechanical block only
- 42 were accredited for local only
- 43 were accredited for chemical restraint which includes local.

Thirteen of the above audits were carried out where velvetters used either local and/or mechanical block systems or chemical and/or mechanical block systems.

During the 2012/2013 season there were 160 velvetters in "abeyance" meaning they have placed their velvet programme on hold for up to three years. Sixty-five individuals have joined the NVSB programme since September 2012. Two velvetters failed their audits during the season and were required to undertake further training and follow-ups by their respective supervising veterinarians. Both velvetters were then able to continue in the programme. Nine veterinary practices were audited during the season. This was to ensure that the delivery of the NVSB programme is consistent and that the calibration for velvetting, record keeping, drug reconciliation and so on remains consistently high throughout the country. It is pleasing to note that the calibration and level of competency continue at a high level throughout all the audits carried out during the season. Audits of veterinary practices will continue in coming seasons.



As in earlier years, the NVSB auditors were very complimentary of velveters during the 2012/2013 season. Many commented on the excellent procedures carried out by most farmers or farm workers and the overall competence of those audited. In general the competence and professional approach to velvetting remains at a very high level.

The number of major and minor failings recorded during all audits in this past season shows an increase (Table 1); however there were more audits carried out than in the previous season (11 percent compared with 8.2 percent) and the increase in major and minor findings did not have any significant impact on the overall audit findings.

Following on from previous years, key performance indicators (KPIs) were selected across the same seven areas of the audit (Table 2).

The ability to report year-on-year data continues to strengthen the intrinsic value of the velvet audits and allows trends to be identified. With the inclusion of KPIs, the programme is now able to be benchmarked and reviewed annually.

Table 1: Number of velveters scoring one or more failings 2008/09–2012/13

NUMBER OF FAILINGS	2008/09		2009/10		2010/11		2011/12		2012/13	
	MINOR	MAJORS	MINOR	MAJORS	MINOR	MAJORS	MINOR	MAJORS	MINOR	MAJORS
1	32	24	25	34	41	43	22	20	46	92
2	12	5	16	9	36	16	14	8	25	20
3	15	0	12	1	26	1	5	4	5	27
4	7	0	10	1	9	4	5	4	0	18
5	0	0	10	2	0	0	10	0	1	5

Source: National Velvetting Standards Body (NVSB)

Table 2: Key performance indicators selected across seven areas of the audit

VELVET SEASON	2008/09	2009/10	2010/11	2011/12	2012/13
AUDITS COMPLETED	10.65%	9.5%	10.8%	8.2%	11%
STAGS SETTLED	99.1%	97.5%	98%	96.5%	99.2%
ANALGESIA AT FIRST TEST	99.1%	97.3%	96%	91.6%	100%
COMPLIANT FACILITIES	95.2%	94.3%	96%	97.4%	96.6%
NUMBER OF FORMS FILLED CORRECTLY	97%	97%	97%	98%	97%
APPROPRIATE LEVEL OF SEDATION	97.3%	99%	97%	99%	95.1%
TOURNIQUET BEFORE LOCAL ANAESTHETIC	99.1%	99%	99%	99%	99.1%

Source: National Velvetting Standards Body (NVSB)



Financials

Independent Auditor's Report

TO THE READERS OF DEER INDUSTRY NEW ZEALAND AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

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

We have audited the financial statements of Deer Industry New Zealand and Group on pages 46 to 60, that comprise the Statement of Financial Position as at 30 September 2013, the Statement of Financial Performance, Statement of Movements in Accumulated Funds and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion the financial statements of Deer Industry New Zealand and Group on pages 46 to 60:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Deer Industry New Zealand and Group's:

- financial position as at 30 September 2013; and
- financial performance and cash flows for the year ended on that date.

Our audit was completed on 21st November 2013. This 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 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, which incorporate 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 the preparation of Deer Industry New Zealand and Group's financial statements that fairly reflect the matters to which they relate. We consider internal control 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 Deer Industry New Zealand 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;
- 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 have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect Deer Industry New Zealand and Group's financial position, financial performance and cash flows.

The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board's responsibilities arise from the Primary Products Marketing Act 1953 and the Financial Reporting Act 1993.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our 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 set out in Professional and Ethical Standard 2, issued by the External Reporting Board.

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



Jacqueline Robertson
DELOITTE
On behalf of the Auditor-General
Wellington, New Zealand

This audit report relates to the consolidated financial statements of Deer Industry New Zealand for the year ended 30 September 2013 included on Deer Industry New Zealand's website. The Board of Directors is responsible for the maintenance and integrity of Deer Industry New Zealand's website. We have not been engaged to report on the integrity of the Deer Industry New Zealand'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 29 November 2013 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Financial Performance

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	NOTES	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
INCOME					
Levy Income Venison	1	3,325,550	3,202,045	3,325,550	3,202,045
Levy Income Velvet	1	1,217,574	1,310,704	1,217,574	1,310,704
Project Management Fees		-	-	89,155	94,942
Interest Received	1	217,473	224,800	96,104	118,036
Foreign Currency Gain		15,877	-	15,877	-
Other Income		168,269	306,917	168,269	263,025
Animal Health Board Levy Received	2	1,410,019	1,397,955	1,410,019	1,397,955
Processor Voluntary Contribution for Johne's Management Limited		344,791	353,242	344,791	353,242
NAIT Levy Received	3	73,992	-	73,992	-
TOTAL INCOME		6,773,545	6,795,663	6,741,331	6,739,949
EXPENDITURE					
RESEARCH INVESTMENT					
Research Expenditure	13	707,764	882,056	651,256	1,259,725
Project Management Fees		-	-	-	-
Johne's Management Limited Operating Expenses		346,003	300,983	-	-
TOTAL RESEARCH INVESTMENT		1,053,767	1,183,039	651,256	1,259,725
VENISON PROMOTION					
Generic Promotion		1,197,002	1,150,796	1,197,002	1,150,796
Joint Promotion		704,666	526,212	704,666	526,212
TOTAL VENISON PROMOTION		1,901,668	1,677,008	1,901,668	1,677,008
VELVET					
Promotion		367,399	302,258	367,399	302,258
Velvet Removal		202,394	170,520	202,394	170,520
TOTAL VELVET EXPENDITURE		569,793	472,778	569,793	472,778

	NOTES	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
ANIMAL HEALTH BOARD LEVY	2	1,410,019	1,397,955	1,410,019	1,397,955
JOHNES MANAGEMENT LIMITED LEVY		-	-	344,791	353,242
NAIT LEVY		73,992	-	73,992	-
COMMUNICATIONS		300,695	293,255	300,695	293,255
QUALITY ASSURANCE		244,316	252,335	244,316	252,335
PRODUCER MANAGEMENT		304,293	282,850	304,293	282,850
PRODUCTIVITY IMPROVEMENT		188,858	253,432	188,858	253,432
DEERSELECT		79,907	-	79,907	-
OPERATING EXPENDITURE					
Audit Fees	4	34,000	33,760	28,500	27,660
Amortisation of Software		461	2,026	-	-
Depreciation	8	44,757	28,069	43,392	26,162
Board and Directors' Fees and Expenses	10	223,797	220,688	204,327	200,509
Foreign Currency Loss		-	8,584	-	8,584
Insurance		43,513	47,913	43,513	47,913
Accounting and Advisory Fees		20,167	42,790	15,700	26,730
Other Operating Expenses		259,101	239,665	256,340	231,250
Grant To Cervena Trust Limited		-	-	2,636	8,420
Premises Rental and Costs		64,826	65,775	61,041	61,178
TOTAL OPERATING EXPENDITURE		690,622	689,270	655,449	638,406
TOTAL EXPENDITURE		6,817,930	6,501,922	6,725,037	6,880,986
MOVEMENT IN EQUITY IN INVESTMENT IN ASSOCIATE	6	110,896	-	-	-
SURPLUS/(DEFICIT) BEFORE TAXATION		66,511	293,741	16,294	(141,037)
TAXATION EXPENSE	5	-	2,573	-	-
SURPLUS/(DEFICIT) AFTER TAXATION		66,511	291,168	16,294	(141,037)
SURPLUS/(DEFICIT) ATTRIBUTABLE TO:					
Deer Industry New Zealand Members		16,294	(141,037)	16,294	(141,037)
DEEResearch		110,896	-	-	-
Deer Industry New Zealand Research Trust		(36,604)	383,028	-	-
Johne's Management Limited		(24,075)	49,177	-	-
		66,511	291,168	16,294	(141,037)

Statement of Movements in Accumulated Funds

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	NOTES	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
OPENING ACCUMULATED FUNDS		5,106,485	4,815,317	1,888,762	2,029,799
NET SURPLUS/(DEFICIT)		66,511	291,168	16,294	(141,037)
TOTAL RECOGNISED REVENUE AND EXPENSES		66,511	291,168	16,294	(141,037)
CLOSING ACCUMULATED FUNDS		5,172,996	5,106,485	1,905,056	1,888,762
CLOSING ACCUMULATED FUNDS RELATE TO:					
Deer Industry New Zealand	11	2,018,358	1,891,168	1,905,056	1,888,762
Deer Industry New Zealand Research Trust	11	2,935,296	2,971,900	-	-
Johne's Management Limited	11	219,342	243,417	-	-
		5,172,996	5,106,485	1,905,056	1,888,762

Statement of Financial Position

AS AT 30 SEPTEMBER 2013

	NOTES	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
ACCUMULATED FUNDS	11	5,172,996	5,106,485	1,905,056	1,888,762
<i>REPRESENTED BY:</i>					
CURRENT ASSETS					
Short Term Bank Deposits		5,679,177	5,817,490	2,361,542	2,365,908
Trade Receivables		580,031	567,880	566,343	550,939
Related Party Receivables	7	-	-	-	-
Accrued Interest		51,803	53,507	19,067	28,454
Prepayments		6,969	71,211	6,969	71,211
Taxation Receivable		2,716	-	-	-
Intercompany Account VARNZ Ltd	7	-	3,000	-	3,000
TOTAL CURRENT ASSETS		6,320,696	6,513,088	2,953,921	3,019,512

Continued

	NOTES	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
LESS CURRENT LIABILITIES					
Accounts Payable		598,644	734,580	372,124	435,520
Related Party Payables	7	60	30	22,809	18,914
Accruals		608,023	608,168	608,023	608,168
Employee Entitlements		97,638	125,093	87,331	125,093
TOTAL CURRENT LIABILITIES		1,304,365	1,467,871	1,090,287	1,187,695
NON CURRENT ASSETS					
Fixed Assets	8	80,075	105,332	76,924	102,666
Intangible Assets	8	1,296	1,757	-	-
Investment in Subsidiaries	6	1	1	101	101
Investment in Associates	6	110,956	30	60	30
TOTAL NON CURRENT ASSETS		192,328	107,120	77,085	102,797
NON CURRENT LIABILITIES					
Accrued Lease Liabilities		35,663	45,852	35,663	45,852
TOTAL NON CURRENT LIABILITIES		35,663	45,852	35,663	45,852
NET ASSETS		5,172,996	5,106,485	1,905,056	1,888,762

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


 Chairman of the Board
 21 November 2013


 Chairman of Audit Committee
 21 November 2013

Statement of Cashflows

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Venison, Velvet, Animal Health Board Levies & Johne's Mgmt Contributions	6,359,775	6,538,470	6,356,522	6,549,076
Interest Received	219,177	210,389	105,491	110,530
Other Operating Income	168,269	306,917	257,424	357,967
Taxation Refund	-	-	-	-
	6,747,221	7,055,776	6,719,437	7,017,573
Cash was applied to:				
Payments to Suppliers and Employees	6,863,319	6,521,658	6,706,154	7,015,735
Taxation Paid	2,716	2,587	-	-
	6,866,035	6,524,245	6,706,154	7,015,735
NET CASHFLOWS FROM OPERATING ACTIVITIES	(118,814)	531,531	13,283	1,838
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash was applied to:				
Purchase of Fixed Assets	19,500	61,518	17,649	59,434
NET CASHFLOWS FROM INVESTING ACTIVITIES	(19,500)	(61,518)	(17,649)	(59,434)
NET INCREASE IN CASH HELD	(138,314)	470,013	(4,366)	(57,596)
OPENING CASH BALANCE	5,817,490	5,347,477	2,365,908	2,423,504
Effect of exchange rate change on foreign currency balances	-	-	-	-
CLOSING CASH BALANCE	5,679,176	5,817,490	2,361,542	2,365,908

Continued

	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
RECONCILIATION OF NET (DEFICIT)/SURPLUS AFTER TAX WITH OPERATING ACTIVITIES				
Reported (Deficit)/Surplus	66,511	291,168	16,294	(141,037)
Add:				
Non Cash Items				
Amortisation of Software	461	2,026	-	-
Depreciation	44,757	28,069	43,392	26,162
Movement in Equity in Investment in Associate	(110,896)	-	-	-
Amortisation of Lease Expense	(1,353)	(1,353)	(1,353)	(1,353)
Foreign Currency Loss/(Gain)	-	-	-	-
	(67,031)	28,742	42,039	24,809
Movement in working capital				
Accounts Receivable	(10,447)	260,113	(6,018)	277,624
Prepayments	64,242	(64,275)	64,242	(64,275)
Tax Refund Due	(2,716)	(14)	-	-
Accounts Payable	(135,936)	14,847	(63,396)	(84,456)
Accruals	(27,600)	9,226	(37,906)	9,226
Subsidiary and Associates Receivables / Payables	3,000	561	6,865	(11,216)
Lease Liabilities	(8,837)	(8,837)	(8,837)	(8,837)
	(118,294)	211,621	(45,050)	118,066
NET CASHFLOWS FROM OPERATING ACTIVITIES	(118,814)	531,531	13,283	1,838

Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

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 2013. 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:

(a) undertake, and arrange to be undertaken, research into deer and into processing methods for slaughtered deer;

(b) undertake, and arrange to be undertaken, research into products derived from deer including venison and velvet;

(c) undertake, and arrange to be undertaken, research into processing and dealing with products derived from deer including venison and velvet;

(d) undertake, and arrange to be undertaken, research into the farming of deer to enhance the value, quality and marketability of the production from deer farming;

(e) disseminate research outcomes to the deer industry;

Cervena Trust Limited

Cervena Trust Limited is the corporate trustee of the Cervena Trust. Deer Industry New Zealand owns 25 percent of the share capital of Cervena Trust Limited and the remaining 75 percent is held in a fiduciary capacity by the directors on behalf of Deer Industry New Zealand. In these circumstances, while not operationally part of the Deer Industry New Zealand

Group, power and benefit elements are present and therefore the financial statements of the Cervena Trust Limited are required to be consolidated with those of Deer Industry New Zealand under FRS 37: *Consolidating Investments in Subsidiaries*.

Johne's Management Limited (JML)

JML is a wholly owned subsidiary that was established on 23 November 2006 to gather epidemiology information on Johne's disease, and provide information to farmers so that they may manage the disease. JML is funded entirely from voluntary contributions collected by DINZ. DINZ passes the funds through to JML which applies them towards the cost of undertaking the project and on any associated administration costs incurred in carrying out the project.

The following entities have not been consolidated for the year ended 30 September 2013:

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:

DEEResearch Limited

DEEResearch Limited is a joint venture company, whose shareholders are AgResearch Limited (50%), Deer Industry New Zealand (50%; 2012 25%) and in 2012 the New Zealand Deer Farmers' Association (NZDFA)(25%). During the year NZDFA and Deer Industry New Zealand agreed to a transfer of the NZDFA shareholding, NZDFA still retains the right to appoint a director to the Board of DEEResearch Limited. 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 expenditure.

Equity in DEEResearch Limited represents its share of assets in the research consortium of Johnes Disease Research (12%), Pastoral Greenhouse Gas (1.5%) and Pastoral Genomics (1.0%).

DEEResearch Limited has a 30 June balance date.

The equity accounting provisions of FRS 38: *Accounting for Investments in Associates* have been applied in respect of DEEResearch Limited. DEEResearch Ltd's audited financial statements as at 30 June 2013 have been equity accounted.

Velvet Antler Research New Zealand Limited (VARNZ)

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

VARNZ Limited has a 30 September balance date.

Ospri New Zealand Limited

OSPRI New Zealand is a not-for-profit limited company, established on 1 July 2013. Its shareholders are DairyNZ (45.5%), Beef+Lamb New Zealand Ltd (45.5%) and Deer Industry New Zealand (9%). TBfree New Zealand Ltd (formerly the Animal Health Board) and NAIT Ltd are wholly-owned subsidiaries of OSPRI New Zealand Ltd.

Ospri New Zealand Limited is registered as a charitable entity under the Charities Act 2005 (Registration Number CC49247). Ospri New Zealand 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 2013 the Animal Health Board reported levies held on behalf of the deer industry of \$0.5 million (2012: \$0.5 million).

3. NATIONAL ANIMAL IDENTIFICATION & TRACING (NAIT) LEVY

Deer Industry New Zealand collects the NAIT levy at a rate set annually from 1 October. These levy funds are required to be remitted to NAIT in the month following collection.

NAIT also collects directly an Impractical to Tag levy from deer farmers and these levies are applied for the benefit of the deer industry by NAIT.

The NAIT levy is reviewed annually by Deer Industry New Zealand and a new Funding Agreement for future years is currently being negotiated with NAIT Ltd.

4. AUDIT FEES

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

	2013 \$	2012 \$
Audit of Deer Industry New Zealand:	\$28,500	\$27,660
Audit of other Group entities:	\$5,500	\$6,100
	\$34,000	\$33,760

During the year ended 30 September 2013 tax advisory fees were paid to the auditors of \$15,700 (2012: \$26,730).

5. TAXATION

	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
Net (Deficit)/Surplus Before Tax	65,010	293,741	16,294	(141,037)
Permanent Differences	(31,831)	(420,959)	6,201	6,132
	(33,179)	(127,218)	22,495	(134,905)
Tax @ 28%	(9,290)	2,573	6,299	(37,773)
Deferred Tax Asset not Previously Recognised	(9,290)	-	(6,299)	37,773
Income Tax Charge as per Statement of Financial Performance	-	2,573	-	-

The Group has income tax losses of \$184,848 (2012: \$126,436) available to be carried forward to be offset against taxable income in future periods. The parent has income tax losses of \$166,693 (2012: \$135,623) available to be carried forward to 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 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
IMPUTATION CREDITS				
Opening Balance	771,724	771,724	771,724	771,724
Closing Balance	771,724	771,724	771,724	771,724

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 its Charitable Trust status.

6. INVESTMENT IN SUBSIDIARIES & ASSOCIATES

	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
SUBSIDIARIES				
Cervena Trust Ltd	-	-	100	100
Johne's Management Ltd	1	1	1	1
Closing Investment in Subsidiaries	1	1	101	101
ASSOCIATES				
DEEResearch Ltd				
Opening Investment in Associate	60	30	60	30
Share of current year revenue and expenditure	49,021	-	-	-
Share of historic revenue and expenditure	61,875	-	-	-
Closing Investment in Associate	110,956	30	60	30

Equity in DEEResearch Limited represents its share of assets in the research consortium of Johne's Disease Research (12%), Pastoral Greenhouse Gas (1.5%) and Pastoral Genomics (1.0%) as at 30 June 2013 the most recent set of audited financial statements.

7. RELATED PARTIES RECEIVABLES AND PAYABLES

	CONSOLIDATED 2013 \$	CONSOLIDATED 2012 \$	PARENT 2013 \$	PARENT 2012 \$
VARNZ Ltd	-	3,000	-	3,000
Total Related Parties Receivables	0	3,000	0	3,000
DEEResearch Ltd	60	30	60	30
Johne's Management Ltd	-	-	22,749	18,884
Total Related Parties Payables	60	30	22,809	18,914

8. FIXED AND INTANGIBLE ASSETS

FIXED ASSETS PARENT

	COST \$	ACCUMULATED DEPRECIATION \$	NBV 2013 \$	NBV 2012 \$	DEPRECIATION 2013 \$	DEPRECIATION 2012 \$
Furniture & Fittings	47,465	44,783	2,682	2,429	377	368
Computer Equipment & Software	189,757	136,531	49,226	62,248	28,121	10,633
Office Equipment	11,002	7,710	3,291	2,067	695	963
Leasehold Improvements	70,987	49,262	21,725	35,922	14,198	14,198
	315,211	238,285	76,924	102,666	43,392	26,162

FIXED ASSETS CONSOLIDATED

	COST	ACCUMULATED DEPRECIATION	NBV 2013	NBV 2012	DEPRECIATION 2013	DEPRECIATION 2012
	\$	\$	\$	\$	\$	\$
Furniture & Fittings	47,465	44,783	2,682	2,429	377	368
Computer Equipment & Software	194,177	142,596	51,581	64,914	28,842	12,540
Office Equipment	17,273	13,185	4,087	2,067	1,339	963
Leasehold Improvements	70,987	49,262	21,725	35,922	14,198	14,198
	329,902	249,826	80,075	105,332	44,757	28,069

INTANGIBLE ASSETS CONSOLIDATED

Software	17,180	15,884	1,296	1,757	461	2,026
	17,180	15,884	1,296	1,757	461	2,026

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 makes investments with the ANZ Banking Group New Zealand, Bank of New Zealand and Kiwibank Ltd. 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 18% were denominated in foreign currency.

At balance date, foreign currency deposits totalled \$71,704 (2012: \$3,176). The notional or principal contract amounts of foreign exchange instruments at balance date for the parent and group for forward exchange contracts was nil (2012: \$nil). The unrealised gain/loss on these contracts at balance date is \$nil (2012: \$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.

In the 2013 year Directors' fees and expenses totalled \$204,327 (2012: \$200,509). This comprises \$162,500 in Director fees (2012: \$162,500), and \$41,827 in travel and accommodation expenses (2012: \$38,009), and discretionary expenses nil (2012: nil).

There were no changes in the composition of the Board this year.

CERVENA TRUST LIMITED

No Directors' fees were paid in 2013 (2012: nil). No Directors' fees were paid for meetings for the year ending 30 September 2013.

Travel expenses were nil (2012: \$179).

JOHNE'S MANAGEMENT LIMITED

Directors' fees were paid to Mr GW Neilson \$15,000, (Chairman), Mr M Coutts \$1,739, Mr ID Stewart \$1,231 and Mr R Hilson \$1,500. Mr M O'Connor resigned from the Board during the year and was replaced by Mr D Coup with the change in Chief Executive Officer role for Deer Industry New Zealand.

11. ACCUMULATED FUNDS

The accumulated funds of the Group are \$5,172,996 (2012: \$5,106,485), of which \$2,935,296 (2012: \$2,971,900) is held by the Deer Industry New Zealand Research Trust and \$219,342 is held by Johnes Management Ltd (2012: \$243,417).

DEER INDUSTRY NEW ZEALAND

	2013 \$	2012 \$
Opening Balance	1,888,762	2,029,799
Surplus/(Deficit) attributable to Deer Industry New Zealand	16,294	(141,037)
Closing Balance	1,905,056	1,888,762

DEER INDUSTRY NEW ZEALAND RESEARCH TRUST

	2013 \$	2012 \$
Opening Balance	2,971,900	2,588,872
Deficit/(Surplus) attributable to Deer Industry New Zealand Research Trust	(36,604)	383,028
Closing Balance	2,935,296	2,971,900

JOHNE'S MANAGEMENT LTD

	2013 \$	2012 \$
Opening Balance	243,417	194,240
(Deficit)/Surplus attributable to JML	(24,075)	49,177
Closing Balance	219,342	243,417

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	3
\$120,000 – \$139,999	1
\$210,000 – \$219,999	1

13. RELATED PARTIES

During the year Deer Industry New Zealand provided research administration grants to associated entities: VARNZ 2013: \$11,446 (2012: \$9,149) and DEEResearch Limited 2013: \$25,100 (2012: \$20,979). 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 \$10,725 (2012: \$7,777).

The Deer Industry Research Trust provides the research funding to VARNZ of \$39,361 (2012: \$84,151) and DEEResearch Limited of \$517,147 (2012: \$638,180).

Deer Industry New Zealand provided a research grant to the Deer Industry New Zealand Research Trust of \$500,000 (2012: \$1,100,000).

An operational grant of \$2,636 (2012: \$8,420) 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

RENT

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

	Parent & Consolidated 2013 \$	Parent & Consolidated 2012 \$
Not later than 1 year	49,018	49,018
Later than 1 year and not later than 2 years	49,018	49,018
Later than 2 years	98,036	147,054

AHB

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

	2013 \$	2012 \$
Annually	1,400,000	1,450,000

This agreement has been renegotiated, but a funding agreement has yet to be signed. The annual funding of \$1.4 million is reflected in the Animal Health Board's Business Plan for the year ended 30 June 2014.

ASSOCIATES

The following funding arrangements have been made by Deer Industry New Zealand's research associates subject to milestones being achieved. These commitments are as follows:

Velvet Antler Research New Zealand Limited

Approved but not contracted	2013 \$	2012 \$
Not later than 1 year	794,000	380,000

DEEResearch Limited

Contracted	2013 \$	2012 \$
Not later than one year	120,000	562,000
Later than 1 year and not later than 2 years	35,000	74,000
Later than 2 years and not later than 5 years	-	40,000

Approved but not contracted	2013 \$	2012 \$
Not later than one year	548,000	-
Later than 1 year and not later than 2 years	488,000	-
Later than 2 years and not later than 5 years	1,224,000	-

15. CONTINGENCIES

Deer Industry New Zealand's associated entity DEEResearch Limited has an interest in three unincorporated joint ventures; Pastoral Greenhouse Gas Research Consortium (1.5% 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:

- a. guarantee the due performance and observance of the guaranteed obligations by its subsidiary companies; and
- 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.

16. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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










17. SUBSEQUENT EVENTS

There were no material events subsequent to the balance date requiring disclosure in the financial statements (2012: nil).



Contact details

DINZ EXECUTIVE STAFF

				
Dan Coup	Rhys Griffiths	Pam Macleman	Sharon McIntyre	Innes Moffat
Chief Executive Officer	Velvet Marketing Services Manager	Quality Administrator	DEERSelect Manager	Venison Marketing Services Manager
04 471 6113 021 743 624 dan.coup@deernz.org	04 471 6112 021 506 647 rhys.griffiths@deernz.org	04 471 6114 027 392 4795 pam.macleman@deernz.org	04 473 4500 027 634 9387 sharon.mcintyre@deernz.org	04 471 6111 021 465 121 innes.moffat@deernz.org
				
Tony Pearse	Catharine Sayer	John Tacon	Amy Wills	
Producer Manager	Science and Policy Manager	Quality Manager	Producer Coordinator	
04 471 6118 021 719 038 tony.pearse@deernz.org	04 471 6116 021 178 3457 catharine.sayer@deernz.org	04 471 6117 021 242 2873 john.tacon@deernz.org	04 471 6110 021 929 246 amy.wills@deernz.org	

CONTRACTED SPECIALISTS

Graham Brown
Contracted Chef
03 312 8559
graham@thecookhouse.co.nz

John Moynihan
Technical Consultant
john.moynihan@xtra.co.nz

Sandra Windley
Finance Contractor
04 474 0841
sandra.windley@deernz.org

WEBSITES

Corporate
www.deernz.org

Non-velvet research
www.deersearch.org

Venison
www.nzvenison.com
www.neuseelandhirshe.de
www.cerfdenouvellezealande.com
www.cervena.com

Velvet
www.velvet.org.nz

PO Box 10702, Wellington 6143 Level 5, Wellington Chambers, 154 Featherston Street, Wellington 6011, New Zealand
Telephone: +64 4 473 4500 Fax: +64 4 472 5549 Email: info@deernz.org