



2013-14 ANNUAL REPORT



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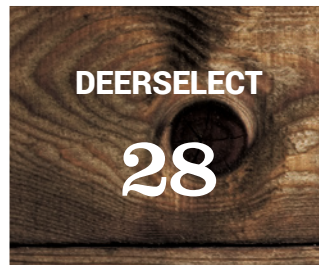
About this annual report

Welcome to Deer Industry New Zealand Annual Report for 2013/14.

This report document is designed in format and function to be read electronically in the ease and comfort of your computer or electronic device. It is easy to navigate and provides ease of access between the document and other relevant information via industry related website links (internet connection will be required).

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.



From the Chairman

The deer sector remained under pressure in the 2014 year but in tough times, action is better than reaction. Therefore, we continued to position ourselves and invest to take advantage of more productive times ahead.

I was heartened to see this attitude prevailing throughout the industry because we need that commitment right along the value chain.

Our resources are not limitless. With the ongoing reduction in the national herd, as with other livestock classes, we have had to make sure we extract maximum value from the declining levy income – doing more with less, as the mantra goes. This year we budgeted conservatively, for a kill of just 384,000 animals – 8.5 percent down on the previous year.

But while DINZ's year-on-year income fell, we have good reserves and have committed to using them wisely to create better returns that promote investment and confidence in our industry. Our initial proposal for a Primary Growth Partnership (PGP) between DINZ, exporters and the Government was declined, but we were encouraged to further develop our business case in conjunction with the five major venison processor/exporters.

The resubmitted proposal, set out in a 120-page business case, was for a \$16m seven-year programme, Passion2Profit (P2P). It is aimed at increasing on-farm returns and developing a well differentiated premium-value product in key markets. The contribution from the Government's PGP programme was to be \$7.4 million over the seven years, with the balance being contributed by DINZ (initially from reserves) and our five commercial partners: Alliance Group, Duncan & Co, Firstlight Foods, Mountain River Venison, and Silver Fern Farms.



Andy Macfarlane, Chairman



Collectively, this group of companies accounts for 90 percent of our venison exports and the “power of five” can be applied to creating a premium position for New Zealand venison in traditional European markets as well as emerging markets in Asia. These companies are competitors for suppliers and for a slice of very crowded overseas markets. Their willingness to work together on this initiative is to be commended and a real sign of maturity in the industry.

By the end of the reporting period, our PGP proposal was still under consideration. Most involved with deer will now be aware of the outcome and no doubt buoyed by the prospects for turning our industry around.

For the on-farm side, P2P has refined the deer industry’s science and innovation into three streams: genetics, nutrition and animal health. It’s a young industry and there is still much to learn, especially around matching peak animal production with demand curves. That said, there has also been great progress made to date, and the industry could take a leap in productivity by applying the technology that’s available now and integrating that technology with other skill sets and opportunities using innovative farm management practices.

Getting better farmer uptake of new technology and smart ideas is an ongoing challenge and one that DINZ is determined to tackle. We are continuing our support for the Deer Industry Focus Farm programme and we are also strongly committed to the newly established network of Advance Parties as part of P2P. Our commitment to research through DEEResearch that informs our future profitability boundaries also remains strong.

PGP funding support for this initiative could greatly assist the spread of good ideas. Rather than focusing on one property, Advance Parties involve all members of a group, whose members form a powerful think tank supported by appropriate experts in nutrition, animal health, breeding, farm management and so on. Their collective wisdom is applied to each farm in the group and, by monitoring progress, the whole group can get a much better idea of what works and what doesn’t. What they’ve learnt is then promulgated throughout their own deer farming communities at grass roots level.

We’re also planning to apply a mix of traditional and new techniques to spreading ideas to all deer farmers, from concise fact sheets to the online Deer Hub.

I can’t stress enough the importance of collaboration within the deer industry. The encroachment of other land uses, especially on good finishing country, can see some deer farmers becoming geographically isolated from their industry colleagues. That’s why networking through structures such as Advance Parties and DFA branches remains so vital for lifting performance across the board and attracting investment back into deer.

The “next generation” initiative is also blowing fresh wind into the industry’s sails and I’ve been delighted to see so many new faces, including the sons and daughters of many of our industry pioneers, stepping up into leadership roles.

Our unique board structure mix of processor/ marketers and producer representatives has worked hard to see past the current position of high velvet returns, disappointing venison returns and declining deer numbers to position the deer industry where it can optimise its contribution to pastoral agriculture in New Zealand.

Dan Coup and his team have done an excellent job at executing the initial phases of that strategy and we look forward to the results of their hard work.

The deer industry has a year of increasing opportunity ahead in a volatile world and I thank all participants for your ongoing support.



Andy Macfarlane
Chairman



From the Chief Executive Officer

Market conditions were a continuation of those in the previous year, with a strong New Zealand dollar and weak economies in the Eurozone dampening returns in 2014.

The total value of deer industry exports rose by just 0.2% over the previous year, although there was a modest increase in volumes for some product classes. Despite what the overall figures might indicate, Deer Industry New Zealand has moved forward. During the twelve months to September 2014 we made significant progress consolidating earlier gains and preparing the groundwork for a more productive and profitable industry through our Passion 2 Profit (P2P) initiative.

Our unique in-market partnership with the major venison exporters continued to bear fruit. There were two highly successful initiatives to bring leading European chefs to see the New Zealand story first hand and create further demand at the top end of the market, while we were as busy as ever raising product awareness in stores and supermarkets. This is essential if we are to see an industry premium brand developed for New Zealand venison in Europe. It was encouraging to see the price differential between our product and local wild-shot venison in that market continuing to widen.

There are good stories behind the 2014 statistics. The contribution of velvet, co-products, hides and leather continues to grow steadily, accounting for about 29 percent of industry returns for the year. Velvet, in particular, has had its share of volatility but the past five years have seen an encouraging level of stability with modest, sustained growth in price and volumes. The Korea–New Zealand free trade agreement delivered less for deer velvet producers than what DINZ had sought. This was not entirely unexpected and we can take some consolation from having fared better than other velvet exporters in their own countries' bilateral trade deals with Korea.



Dan Coup, Chief Executive Officer



The prospects for co-products are looking positive, especially as market access in Asian markets is opening up with a number of additional processing plants being accredited for exporting to China.

On the venison side, our top producers are showing us what can be achieved with a combination of good genetics, nutrition and animal health management.

The five-year statements of strategic intent for both venison and velvet concluded in 2014. The DINZ Board is now reviewing progress in light of each statement and is preparing a statement of intent for the next five years. This is likely to be a single industry strategy rather than separate documents for velvet and venison as before. Deer farmers and other industry stakeholders will have the opportunity to comment on the new statement of strategic direction as it is being developed.

Although the data is patchy, the decline in the national herd appears to be still in progress albeit at a slower rate than before. While it is hoped that this trend will soon stabilise and eventually turn around as confidence rebuilds, we should not focus entirely on the raw numbers. The national sheep flock is less than half what it was 30 years ago and fell by more than 20 percent in just the past decade, but during that time there has been an exceptional increase in productivity. Deer are very different animals, but we can nonetheless learn from the sheep sector that we can breed, feed and measure our way to significant gains.

DEERSelect made steady progress and I was encouraged to see velvet attributes and elk/wapiti being incorporated into the system. The Deer Progeny Test finished its three-year programme and the industry can look forward to much better information about the potential to breed for specific production and quality attributes. Progress with development of the velvet-based wound-healing product RepaiRx was slow, but as the year ended the way was finally being cleared for the next essential stage: human clinical trials.

Other research progress is reported in detail in the 2013/14 DEEResearch Annual Report, which was distributed with the February 2015 *Deer Industry News*.

Policy work focused mainly around foot and mouth disease preparedness and water quality issues.

In recent years the deer industry has earned accolades for its work in environmental stewardship and animal welfare, but what was once considered exceptional is now expected as normal practice. Our joint work with the Ministry for Primary Industries on velvet surveillance has shown high levels of compliance within the NVSB programme. This is a pleasing result but we must remain vigilant on the welfare front.

In May I attended my first deer industry conference as CEO. I was impressed by the strong links between deer farmers and the businesses that support them, and by the excellent collegiality throughout the industry. The introduction of live-online coverage was a great innovation and opens up our industry to a much wider audience.

The DFA Branch Chairs' Conference in Wellington is developing from strength to strength and is a good forum for thrashing out issues, developing new leaders and introducing new ideas from outside the industry. Along with members of the DINZ Board, I look forward to the opportunity it provides to interact with farming and industry leaders in an honest, positive atmosphere.

The team at DINZ has continued to work well as an experienced, stable and hard-working unit. Once again I'd like to thank them for their dedication and support. They're a great team to be part of.



Dan Coup
Chief Executive Officer



Board Members

APPOINTED BY THE NEW ZEALAND DEER FARMERS' ASSOCIATION



Tim Aitken
(Until 30 June 2014)

Owner of The Steyning
(a deer farm)



Clive Jermy
(From 1 July 2014)

Owner of Stanfield
Red Deer Stud



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



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)

Trustee of the West Cowling Family Trust



Colin Stevenson

CK Import Export Ltd

ELECTED BY VENISON MARKETERS AND PROCESSORS

ELECTED BY VELVET MARKETERS AND PROCESSORS

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

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





Venison

Marketing companies and their importing customers rebalanced supplies with reduced levels of demand in 2013/14. All main European markets continued to experience turgid economic conditions, which inhibit demand for expensive meat. In most markets the trade in manufacturing venison saw an increase in supplies from European hunted deer, at lower prices (Figure 1).

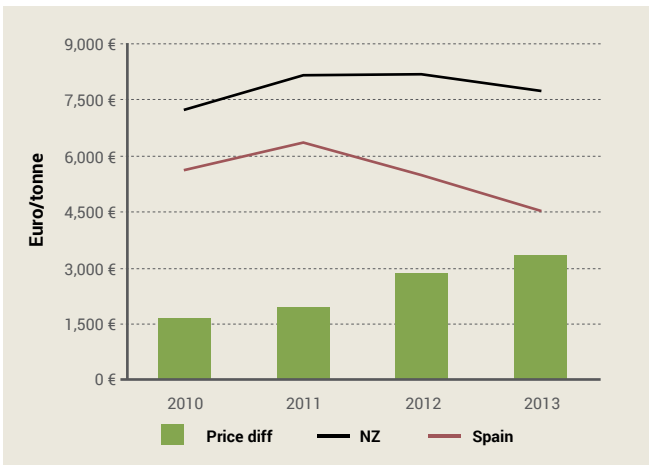


Figure 1: Differential between prices for Spanish and New Zealand venison, 2010-2013

New Zealand Venison held its own in the chilled market, but stable prices in euro were eroded by the strong New Zealand dollar.

VENISON INDUSTRY STRATEGIC INTENT: 2009-2014

To inspire the New Zealand deer industry to profitably grow and market the world's best red meat, the deer industry must:

1. achieve demand-led premium positioning of New Zealand venison underpinned by a differentiation strategy
2. fully support long-term commitment to product and market development
3. encourage farmers, processors and customers towards long-term supply commitments
4. improve on-farm productivity
5. ensure the industry has freedom to operate.

VENISON PROMOTION

DINZ spent levy funds on a series of specific programmes directed by venison marketing companies to create demand for New Zealand venison in priority markets.

The marketing companies identified three priority markets for DINZ to work in, supported by services to assist promotion efforts across a broader range of markets. The priority targets were:

- German chefs
- US chefs
- New Zealand consumers.

“ New Zealand Venison held its own in the chilled market, but good, stable prices in euro were eroded by the strong New Zealand dollar. ”



The services that DINZ provided for marketing companies included contract chefs for promotion and education, maintenance of industry websites and access to contemporary food and landscape imagery.

DINZ also supplied funding to companies to assist with their own promotion activities. The allocation to the various promotion activities is displayed in figure 2.

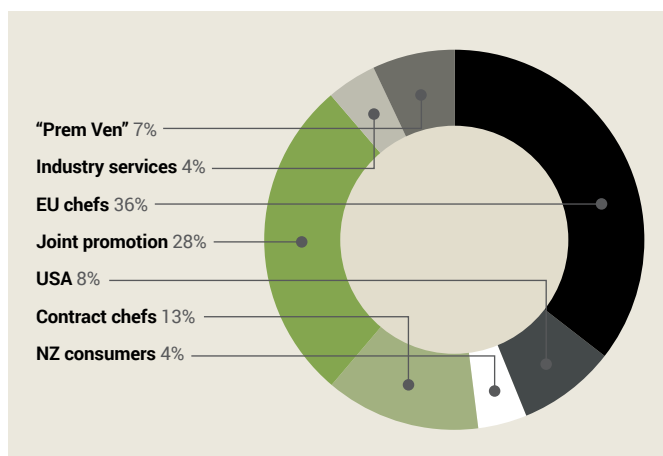


Figure 2: Venison promotion – allocation of expenditure

1. EUROPEAN UNION CHEFS

Germany remains New Zealand's No. 1 venison market. Sales are mostly made to the restaurant sector. New Zealand venison has a reputation for being good value for money, but faces resistance from the current fashion for "local" food and price pressure from cheaper European production when the quality of New Zealand farm raised venison is not valued. DINZ works with companies who sell to chefs and also communicates directly to chefs to improve their knowledge of the quality and availability of New Zealand venison.

In 2013/14, DINZ continued with the theme of "Premium by Nature", emphasising that New Zealand venison is the premium venison for restaurant menus. The strategy aims to get well respected German chefs using New Zealand venison to persuade young and innovative chefs that New Zealand venison is the best quality.

Objective: Increase innovative and young chefs' awareness and approval of New Zealand venison.

Activities

1. Five internationally respected chefs from Germany (with nine Michelin stars between them) visited New Zealand on a study tour in February 2014. The five were fascinated to learn first hand about deer farming and gained a huge understanding about why New Zealand venison is different from the European product. All five began promoting the benefits of New Zealand venison on their return to Germany.
2. For the second time, DINZ invited four young chefs from Germany to New Zealand for a working holiday. The four chefs won a competition in Germany and spent three weeks working at some of New Zealand's best restaurants in Auckland, Wellington and Queenstown, visiting deer farms and a processing plant during their stay. On their return to Germany the four conducted speaking engagements, cooking demonstrations, and media interviews about their experiences with New Zealand venison. They all said it was the highlight of their lives so far.

3. In order to spread the message among the food and restaurant trade press, a series of media dinners in ambassador restaurants was organised to showcase the quality of New Zealand venison and also the calibre of chefs, willing to work with it. Dinners were held in Frankfurt, Dusseldorf, Berlin and Hamburg with chefs who hold Michelin stars and other prestigious awards. About 40 journalists from food magazines and daily newspapers attended these events, learning about deer farming in New Zealand and about the year-round versatility of farm-raised venison.
4. To get recognition of the message that New Zealand venison is in good company with prestigious brands, DINZ arranged to sponsor the main four chef competitions in Germany in 2013.
5. CHEF-SACHE is the gathering of the top chefs and restaurateurs from across Germany, and New Zealand venison had a high profile at the 2013 event. Four ambassador chefs prepared venison on a New Zealand venison stand, providing more than 1,300 attendees with a gourmet experience.
6. DINZ arranges chef training at a number of culinary schools in Germany.

Photograph overleaf

9 Michelin Stars across 5 famous German chefs learning about why New Zealand venison is so good on their visit to New Zealand in February 2014.





2. UNITED STATES

Five New Zealand companies, representing more than 90 percent of venison processed and exported from New Zealand, share ownership of the Cervena™ appellation. These five companies committed to a shared strategy of increasing sales of Cervena venison in North America.

Sales of expensive meat took a battering in the years following the global financial crisis as US consumers cut back on eating out at expensive restaurants. At the beginning of 2013/14 interest in venison among wholesaling companies and chefs was recovering, but a weak US dollar meant the relatively high prices for middle cuts restricted sales. As the year progressed, favourable economic conditions, and increasing prices for competing proteins saw increased sales of venison to the United States.

Key activities for the year included:

- proactive key account support
- recipe development for chain restaurants
- support for distributors' sales staff.

3. NEW ZEALAND

Venison is available in all good New Zealand supermarkets. But it doesn't form part of kiwis' weekly shopping routine. Venison has a small footprint in most supermarket meat counters and can be easily overlooked by busy shoppers.

Several companies put a big effort into increasing shoppers' awareness of their venison brands. DINZ helped these companies, both with funding a share of their own branding activities, as well as getting more venison recipes included in the nation's food press.

4. CONTRACT CHEFS

Most New Zealand venison is sold in restaurants. The chef has the biggest influence on how enjoyable the final eating experience is. Many chefs regard venison as a meat needing old-school treatment to improve flavour and tenderness, but farm-raised New Zealand venison shouldn't be handled the old-school way.

DINZ worked with importers and distributors to get skilled and knowledgeable chefs working with chefs and trainees showing them how New Zealand farm-raised venison can be cooked to show off its best. Shannon Campbell in Germany, Sophie Wright in the United Kingdom, Matt Lambert in the United States and Stephen Dehaeze in Belgium are locally based chefs running award-winning restaurants or catering companies who like New Zealand venison and make themselves available to spread the word to their colleagues. DINZ arranged chef workshops and demonstrations to culinary schools in the USA, UK, Belgium and Germany. DINZ delivered professional teaching to nearly 1,000 students over the course of the year.

Graham Brown worked tirelessly alongside marketing companies in countries like Belgium, the Netherlands, United Kingdom, United States, Canada and China to promote venison and educate chefs on how it can be cooked in a modern way.

“Several companies put a big effort into increasing shoppers' awareness of their venison brands.”



5. JOINT VENISON PROMOTION FUND

Companies that process venison in New Zealand have access to money from DINZ to co-fund venison promotion costs.

In 2013/14, DINZ allocated \$400,000 to venison marketing companies. Five companies submitted applications for venison promotion during the year. Some 29 projects were co-funded by DINZ. Total expenditure on venison company promotions was \$1.146 million; DINZ reimbursed 39% of this total. Activities were spread across 13 countries and three sectors. Consumer activity accounted for just over half of the DINZ reimbursement, food service activity took a little over one-third and business-to-business promotion, largely sales promotion to wholesalers and distributors, accounted for 14 percent of the total joint promotion fund.

New Zealand, Germany, United States and the United Kingdom attracted the most joint promotion funding in the financial year.

Examples of venison promotions co-funded by DINZ include:

- New Zealand retail promotion – print and online advertising and instore tastings
- videos for chef education in Canada
- new product development for UK retail accounts
- retail sales promotions in Scandinavia.

6. SERVICES FOR THE VENISON INDUSTRY

New food photography, websites for www.nzvenison.com, www.cervena.com, posters, recipes, aprons were provided. DINZ maintains a selection of promotion and information material that is used widely by marketing companies, farmers, food writers and home consumers.

7. OPPORTUNITIES TO COLLABORATE TO MARKET A PREMIUM VENISON BRAND

Silver Fern Farms, Alliance, Duncan and Co, Mountain River Venison and First Light Foods agreed to investigate opportunities for a collaborative marketing structure to increase venison returns.

The five companies agreed a principles paper setting out how a collaborative vehicle could operate and agreed shared marketing objectives. A market scoping project collected evidence of attitudes to change and the potential to create new demand for venison in new market segments in five markets. Interviews, and chef workshops were undertaken in The Netherlands, Denmark, Belgium, Switzerland, Hong Kong, Shanghai and Beijing. The results of this exercise were used by the marketing companies to agree on potential target markets and marketing partners for possible market development activities.

The marketing companies' agreed collaborative market development strategy was included in the deer industry application for Primary Growth Partnership funding, which was submitted to the Ministry for Primary Industries at the end of the 2013/14 financial year.



Venison Statistics

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

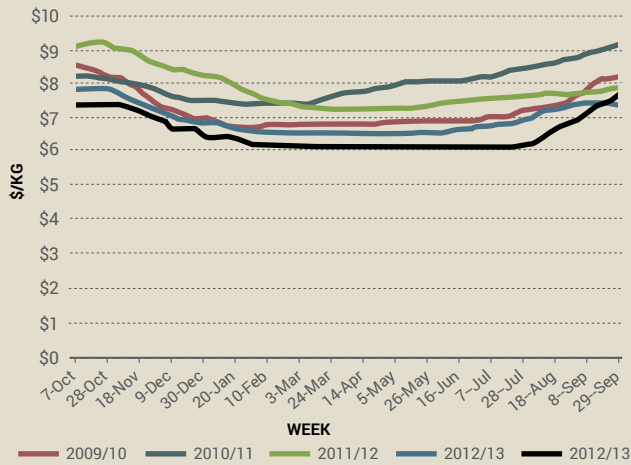
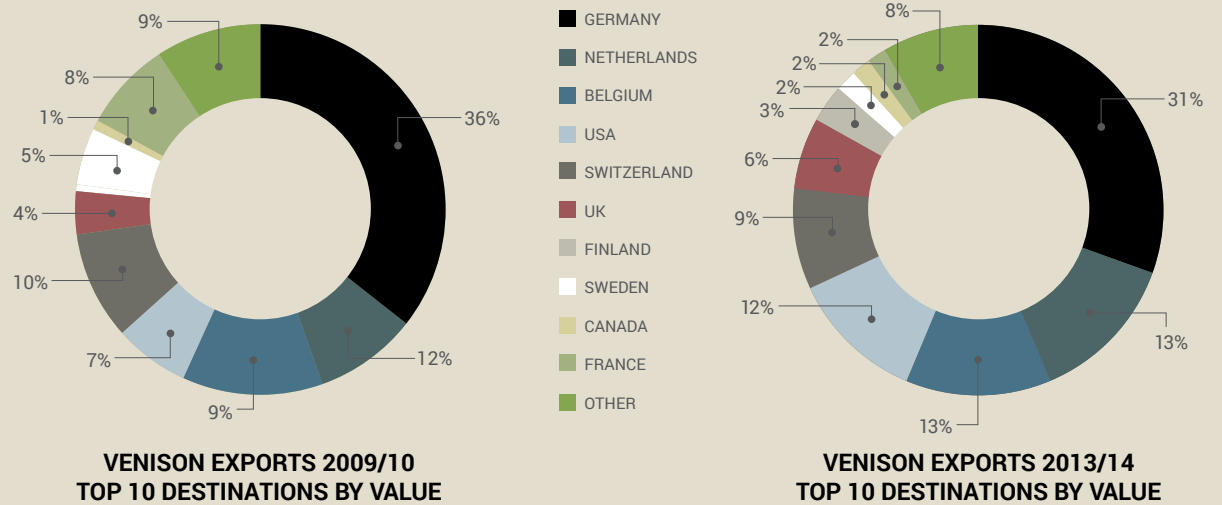


Figure 2: Export destinations by volume from 2009/10 to 2013/14; a five year comparison



Due to the strong NZ dollar and subdued market prices the NZ venison schedule reached five year lows in the 2013/14 season. Seasonal lows of \$6.18/kg were recorded, with the spring peak hitting \$7.63, 16% below the schedule reported in September 2011.

Substantial changes in the destination of New Zealand venison exports have been observed between 2010 and 2014. Exporters continue to reduce New Zealand's reliance on Germany with direct exports dropping from 36% in 2010 to 30% in 2014. Smaller markets such as the UK and the USA increased purchases of NZ venison over this period.



Figure 3: Venison production

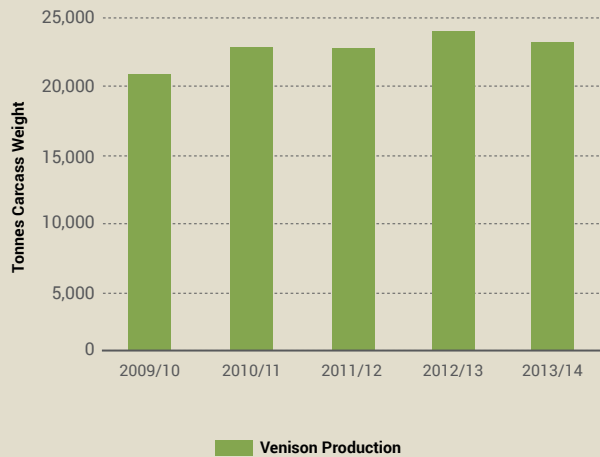


Figure 4: Venison exports

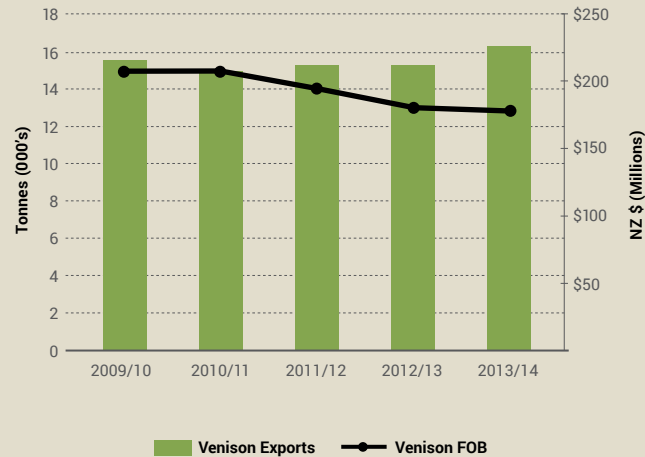
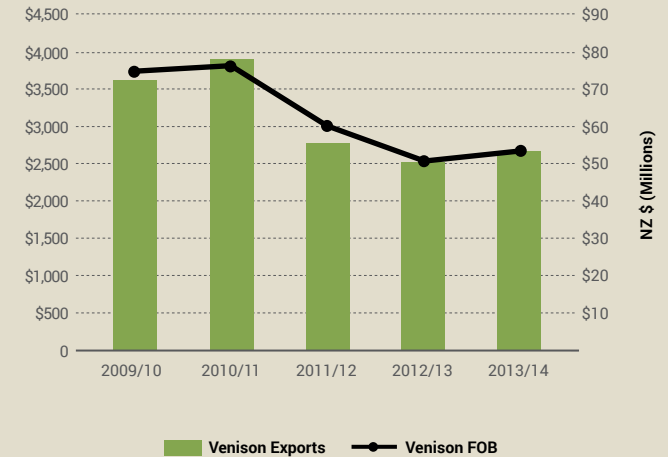


Figure 5: Chilled venison exports



Venison production has been stable for the past five years at around 23,000 tonnes (carcass weight). The increase in the hind kill has kept production levels stable as the national herd has decreased due to land use change. A sharp reduction in production is anticipated in future years due to the reduction in the national herd and increased hind retention.

Venison exports have changed little over the past few years due to the relatively stable production. Increases in 2013/14 on a reduction in production reflected exporters moving stocks in to European markets following a period of inventory management to attempt to stabilise prices. The NZ FOB revenue has been declining due to the strengthening NZ Dollar even as market prices increased.

Chilled venison exports took a tick upward in 2013/14 with increased demand from North America. Exports of chilled venison to Europe remained subdued due to the effects of prolonged recession, the weak Euro and competition from locally shot venison. Total FOB revenue was hit by the double whammy of reduced volumes and weaker NZD returns due to the softening Euro.



Velvet

The weighted average velvet price paid to producers over the 2013/14 season improved by 7.5 percent from \$95/kg to around \$102.50/kg. This resulted in a fifth season of relative stability and continued to underpin confidence in the velvet industry. New Zealand velvet production trends also remain relatively stable, increasing from around 450 tonnes to 475 tonnes. Global production is reported as reasonably flat.

2013/14 was the final 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.

“DINZ continued to work closely with the Korean Deer Breeders’ Association”

STRATEGIC OBJECTIVES

Improved market access, a cornerstone of the 2009 – 2014 Velvet Industry Strategic Intent, achieved further progress during the year, in particular as follows.

- **South Korea:** The stalled New Zealand–Korea Free Trade Agreement negotiations, which started in 2009, resumed in 2014. The negotiations had hit an impasse in 2010 around concessions for agricultural products as New Zealand sought to ensure a quality and comprehensive free trade agreement (FTA), but Korea wanted to protect some items they deemed as sensitive. While deer velvet was considered a sensitive item from the beginning, New Zealand negotiators were hopeful of its inclusion in the FTA in some form. DINZ continued to work closely with the Korean Deer Breeders’ Association, which had accepted an FTA with New Zealand and was keen on a closer relationship. However, velvet had been excluded in the Canadian and Australian FTAs with Korea, which set a difficult precedent for New Zealand negotiators. Concerned that the final Agreement may not include New Zealand velvet, DINZ considered innovative ways for velvet to be included. One idea DINZ provided the Ministry of Foreign Affairs and Trade was to separate the tariff code for dried velvet and frozen velvet.



• **China:** There was a significant breakthrough in non-tariff barriers for the New Zealand venison industry, which will benefit co-products in terms of direct market access to China. The Ministry for Primary Industries (MPI) was successful in working with Chinese regulators (AQSIQ) and over the 2013/14 period, venison plant listings went from one active plant to seven, providing over 85 percent access for New Zealand venison. Although an FTA was signed with China in 2008, restrictive listing requirements had prohibited the industry from capitalising on

the agreement. Work also continued on improving clarification around New Zealand velvet's regulatory pathway to market. While New Zealand velvet is legitimately exported to, and consumed in, China, DINZ and velvet exporters believe there is a more optimal channel to better align New Zealand velvet's position (and use) in this growing market – notably healthy foods. DINZ continues to work a multi-pronged approach to improving the regulatory pathway for New Zealand velvet in the healthy foods category. One approach is to work closer with the Chinese Deer Industry Association (CDIA). In the spirit of improved cooperation, DINZ invited CDIA Executive Chairman, Professor Yang Fuhe to present on the Chinese industry and velvet market at the 39th Deer Industry Conference in Methven in May. Professor Yang stated that by working together, both the New Zealand and Chinese industries would benefit and lift the consumption of velvet generally in China.

• **Taiwan:** The FTA between New Zealand and Taiwan (ANZTEC) was implemented on 1 December 2013, with the first official “anniversary” one month later on 1 January 2014. This resulted in two cuts to tariffs and expedited the longer phase out times (particularly for frozen velvet). Over the course of the year, exports to Taiwan nearly doubled, although off a small base.

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.



Professor Yang Fuhe presenting at the 39th Deer Industry Conference



• **Korea:** While the traditional oriental medicine sector continued to remain under pressure, velvet used as a healthy food ingredient in Korea was reported to further increase over this period. DINZ continued its work to encourage Korean health food companies to develop products containing New Zealand velvet and promote the ingredient brand attributes of New Zealand velvet.

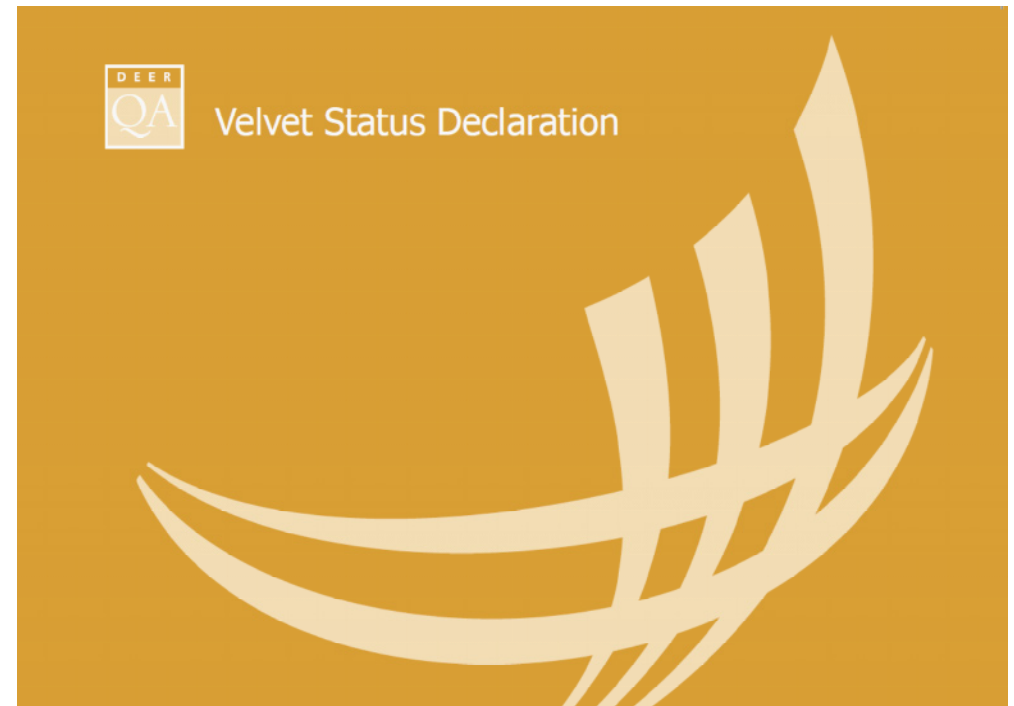
• **China:** As reported in the 2012/13 Annual Report, DINZ continues to work with a major marketer/exporter of New Zealand health products to get a product containing New Zealand velvet registered as a Healthy Functional Food in China. While the process is significant and will take two years to achieve an outcome, progress continues to be made.

NEW INDUSTRY STANDARDS

The new Velvet Industry-Agreed Grading Guidelines, implemented last season, were reported to be a success. Velvet buyers generally reported improved quality and careful consideration to maximising the optimal removal period to ensure the velvet antler didn't outgrow.

DINZ worked with the NVSB to introduce a new standard to be trialled during the 2014/15 season.

The standard is a simple declaration form, highlighting that velvet that has been produced in New Zealand in accordance with NVSB standards and the ACVM Act 1997 is safe for human consumption. The idea is to ensure confidence by the growing number of companies keen to use New Zealand velvet as a healthy food ingredient in their products.



The front cover of the new Velvet Status Declaration form booklets



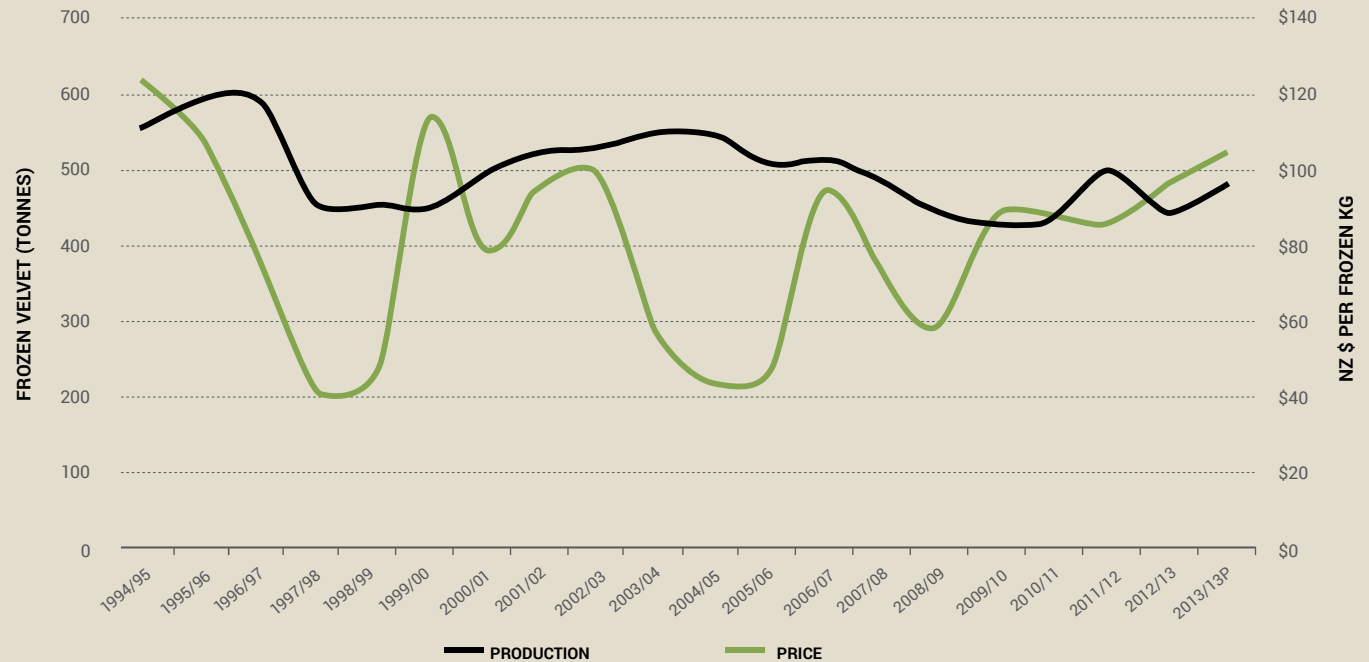


Velvet Statistics

Velvet prices reported by exporters showed continued strength, with a fifth consecutive year of relatively stable prices. Further, farm gate prices rose by around \$7.50/kg to a weighted average for all grades of around \$102.50/kg (a 7.5 percent increase), while production increased slightly. Overall, global production was reported to be stable or slightly softening. Global consumption is estimated to be stable or slightly lifting with the influence of healthy foods (Korea) and a general rise in Chinese consumption. Prices reported by competing countries identified a similar pattern of firming prices. Strong demand for Chinese grades helped to drive price increases. 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 increased from 442 tonnes in the 2012/13 season to 480 tonnes in 2013/14 (Figure 1).

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



Source: Statistics New Zealand

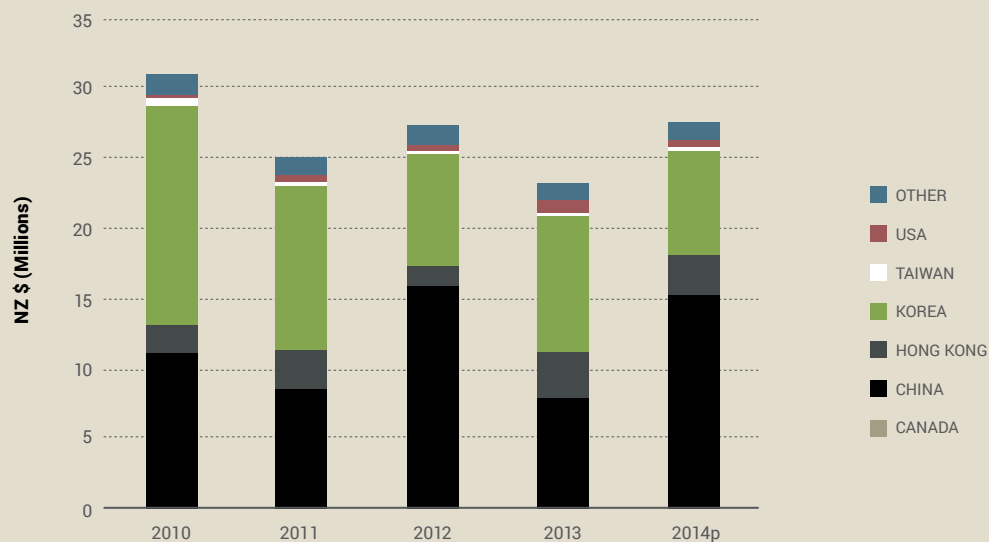


VELVET AND CO-PRODUCT EXPORTS

Velvet

New Zealand exported NZ\$27.8m of velvet for the year ending September 2014 compared with NZ\$23.8m for the year ending September 2013, a 17 percent increase in export value (Figure 2). China imported more velvet over this period, while South Korea decreased its direct imports.

Figure 2: Velvet export destination split (by value) as a percentage from 2010 to 2014 (years ending September)

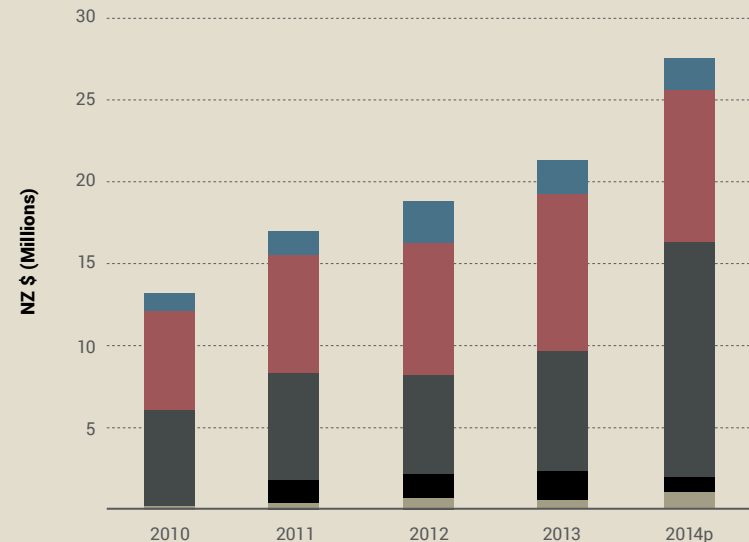


Source: Statistics New Zealand

Co-products

New Zealand exported NZ\$28.1m of co-products for the year ending September 2014 compared with NZ\$21.5m for the year ending September 2013, a 30 percent increase in export value and similar to the previous year's growth (Figure 3). Exports to Hong Kong nearly doubled during this period, from \$8.7m to 15.4m. Hong Kong accounts for the majority of tails, sinews and pizzles, although exports to China are predicted to grow with the listing of more New Zealand venison plants.

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

REPRESENTATION AND COMMUNICATION

The DINZ Board continues to engage with New Zealand Deer Farmers Association (DFA) branch chairs at their annual October two-day meeting, presenting an excellent opportunity for deer farmers and board members to interact openly and frankly. DINZ and DFA 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 Panel 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 Passion 2 Profit (P2P) programme and potential funding mechanisms within industry reserves and other funding avenues. Concerns related to potential significant levy increases were aired. While the initial Primary Growth Partnership application did not progress as submitted, the funding model for the second application has taken these considerations into account and was strongly supported by the meeting.

The October 2013 meeting with DFA leaders also involved a platform for the DEEResearch Board and leading scientists from AgResearch, plus DEERselect management to present a formal review of current work in the "Hitting Targets" work stream and Q&A with the DEEResearch board and participants.

The meeting also gave AgResearch CEO, Dr Tom Richardson an opportunity to explain the concept around the "Future Footprint" relocation and hub development proposed for Lincoln University and AgResearch for 2016/17 and field the strong concerns around this from DFA, while also discussing the challenges in staff and skills succession within relevant science areas particularly genomics, farming systems and environmental management.

While there was a clear divergence between the views of DFA and DINZ in this area, constructive dialogue with all continued throughout the year, culminating with an AgResearch commitment to retain and expand the Invermay facilities, not to relocate the deer research staff positions and to extend further relevant work in environmental management, water quality and nutrient loss control. Irrespective of these commitments, the issue of succession in science and advisory work and the continued loss of current staff with deer knowledge remains a widespread concern.



DEER HUB

Discussion at the branch chairs' meeting revealed that the **Deer Hub** was not widely known or used by attendees, largely because of a lack of awareness of its extent, value and expression of the information, ease of access and target audience. Following this there has been a widespread awareness campaign, which in turn initiated a wider review on communication channels and relevance (See Motivate Group report below). The Deer Hub is now a key source of information for recently reintroduced Primary ITO qualifications and part of the Next Generation programme.

“ **The Deer Hub is now a key source of information for recently reintroduced Primary ITO qualifications and part of the Next Generation programme.** ”

NEXT GENERATION

The second Next Generation programme was initiated by the DFA, but coordinated via DINZ and funded jointly with generous sponsors and the Leadership development fund. The theme involved family farm succession planning, banking relationships and finer points of deer nutrition. A field trip, arranged as a “demonstration” Advance Party discussion group, was held at Fairlight Station. The event attracted 60 attendees and is fast developing a network of new industry advocates, successful farmers and skilled farm staff, exceeding both DINZ and DFA expectations.





PROJECTS AND INDUSTRY WORKING GROUP REPRESENTATION

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

The **TBFree New Zealand Working Group** meets annually in association with support of the National Pest Management Strategy, more equitable sector funding and implementation of the closed herds testing programme allowing voluntary reduction of testing from annual to three-yearly for herds meeting agreed criteria. About 140 herds have registered for these criteria with TBFree New Zealand and about 70 have so far been approved to shift from annual to three-yearly whole-herd testing. This option should continue to be more attractive because the NAIT ID scheme allows movement verification by animal age and individual ID. The Working Group is continuing to seek further inclusion of herds and regularly meets with national and regional representatives of the programme. Currently only two deer herds are reported as being infected; both are in Vector Risk Areas in the South Island. The proof of concept Tb eradication programme in the Hokonui and Hauhungaroa Ranges is reportedly progressing well.

Productivity strategy development via the **Productivity Leadership Group** now includes major involvement in the Advance Parties and P2P programme. Producer Coordinator Amy Wills coordinates the programme (eight Advance Parties by September 2014). Most of these are making excellent progress and achieving gains for members and starting to lead to wider involvement in the deer farming community in which they are based.

Genetic progress, especially in venison-based estimated breeding values, continue to evolve with the DEERSelect genetics manager portfolio and the consolidation of the Deer Progeny Test programme into its final and third year of slaughter data. DEERSelect Manager, Sharon McIntyre, has added strength to the delivery of the genetics programme at Focus Farms and DFA branch field days. The Stakeholders' Reference Group now operates successfully and deals with increasingly complex issues and opportunities. 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 **Johne's Management Ltd (JML)** at the invitation of its Board. That has also allowed connection to the Johne's 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 series of high-risk selected herds



- 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
- develop producer case studies through documenting reports of the management and control of Johne's disease on deer farms using current practices recommended by the deer industry.

This initiative has taken an additional 12 months to gain traction but is in its final stages of field work and diagnostic testing. Reporting is due in March 2015. Given the importance of work in this area and its potential value, the Johne's disease risk management working group will consider this in the next year. Reports from JML indicate that case management of the approximately 60 properties more seriously affected by Johne's disease is proceeding well via the Johne's Consultancy Network. Serious outbreaks of Johne's disease in young stock and severe losses and deaths are now rare, with most farmers generally testing and culling or managing low-incidence Johne's disease threats well.

THIRTY-NINTH ANNUAL DEER INDUSTRY CONFERENCE:

Grass Roots – Green Shoots 2014

The industry conference was held in the rural setting of Methven, Canterbury, this year with a "Grass Roots – Green Shoots" Theme. The host Canterbury Branch was keen to promote a return to the simple basics of deer farming done well and attract as high a proportion of local farmers as possible. This was achieved with the largest conference attendance for some years and record support from industry companies, servicing businesses, deer studs and product suppliers.

Emphasising the "Green Shoots" aspect of the theme, this was also the first pastoral industry conference to engage the services of Rural TV, featuring live streaming, Q&A and post-event interviews with keynote speakers and Platinum and Gold sponsors. Keynote presentations were followed online throughout New Zealand, Australia and Southeast Asia. Rural TV provided a series of interviews and the conference speakers and awards evening as discrete clips on You Tube linked via the DINZ website which has attracted many views and wider interest. Rural TV was also able to add considerably to exposure for conference sponsors. Coverage can be viewed on <http://tinyurl.com/p32yxdq>

A pre-conference Next Generation session allowed about 40 new faces to attend the conference and take part in discussions, presenting their own perceptions and industry expectations. These contributions were complemented with outstanding guest presentations including the Southland-based Gardyne family who discussed a new concept in farm business management built on family goals and a new business model, also introducing the potential of working drone technology as a farm management tool.

Conference closer was high-profile CEO of Swanndri®, Mark Levin with the Swanndri story and lessons in marketing that in many ways mirror the path of deer from feral product to modern retail cuisine outlets for farm-raised venison. The conference was also treated to a powerful marketing address from the London School of Business Emeritus Professor, David Hughes, world-renowned expert in international food and beverages marketing. This set the scene for the now-traditional and wide-ranging company perspectives on venison marketing and outlooks. In addition, the conference was pleased to host the Minister for Primary Industries, Hon Nathan Guy, for the Awards evening.

Grass Roots – *Green Shoots* was thought by many as one of the most successful conferences on all fronts for many years, attracting record sponsorship support with 260 delegates, partners and sponsor representatives. It was a truly integrated industry partnership event with an international flavour provided through its speakers and the venison prepared in numerous ways, typical of some of the in-market joint ventures and promotion programmes.

The conference reporting was exceptional this year, both in Deer Industry News and rural media, and was supported also by the ongoing invitation to young new reporters who contributed articles from their perspectives. The Canterbury Branch of DFA, in association hosted a very well-attended field day at the iconic Hood family farm, Mount Hutt Station. That event was featured on National Radio and was hosted by rural radio host personality, Richard Loe. Pulling no punches, Loe led the crowd through a conference message review and encouraged a free and frank exchange of thoughts, gripes and concerns. At the same time he reflected on the extraordinary story and success of Mount Hutt Station's commitment to the deer industry and their own strong belief in deer farming – velvet and venison.

“ The host Canterbury Branch was keen to promote a return to the simple basics of deer farming done well and attract as high a proportion of local farmers as possible. ”



ON FARM PRODUCTIVITY IMPROVEMENT AND PROFITABILITY:

Making the DIFFerence – the Deer Industry Focus Farms project

In the 2013/14 year the current focus farms round concluded with final days at Te Awamutu Station (the Wellingtons) and at North Canterbury's Zino brothers. Both businesses have made significant improvements in profitability over the period, which included challenging climatic extremes. They achieved most goals and this has been well reported. The SCNO farm final day at Clayton Station was to be held in November 2014.

A new round of three or four farms has been endorsed by DINZ and AgResearch. This third series, **Focused Farming**, will feature greater emphasis on profitability and link with the P2P productivity initiatives. Ongoing, determining uptake and technology transformation continues to be an increasing priority. Feedback from attendees is being sought, along with more community involvement in themes and programme planning, with greater emphasis on reducing operational costs and improving profitability. The project has planned linkages with local Advance Parties and still relies heavily on the partnership and support of the DFA branches for effective management and community support.



NAIT

www.nait.org

Since the mandatory introduction of NAIT and the problems deer farmers continue to have with apparent lost tags between farm and reading at slaughter, the deer industry has demonstrated a high level of compliance in animals going direct to slaughter, along with commitment (albeit reluctantly) to the programme. Many farmers have adapted recording systems to take advantage of RFID's speed and accuracy and the relative ease of herd group performance analysis. Consistent reports have been received of dramatic improvements in growth rates and being able to stream and select groups, particularly those on various winter and fodder crops. A number of operators have suggested that their investment in equipment and ID has been repaid for several times over within a couple of seasons.

When the industry moves past its three-year transitional phase in, the added advantages of precise ageing of animals as part of the NAIT system are encouraging. The industry also receives regular reporting and interaction with OSPRI and NAIT via TBfree Working Group meetings. These continue to allow specific NAIT and TBfree issues, and deer farmer views, to be kept in front of both organisations.

“ A new round of three or four farms has been endorsed by DINZ and AgResearch ”



MINISTRY FOR PRIMARY INDUSTRIES SUSTAINABLE FARMING FUND PROJECTS

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

The largest project, “**After the field day**” is now in its third and final year and seeks to capture the science and technology presented at Focus Farms field days. It has developed a website www.deerfarming.co.nz, linked via www.deernz.org. The information is repackaged into short, sharp topic-based information sheets. The project, in another first, has developed a smart phone app (<http://www.deerfeed.co.nz>) that allows farmers to calculate likely seasonal growth rates in various stock classes from a number of variable inputs. The site is also linked to the recently completely made over Productivity Information Hub. The project team is developing further tools and resources, particularly around feeding levels, target weights and a new planned feed budgeting app.

Following the release of the industry’s updated **New Zealand 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 also co-funded by land management officers from the major regional councils, Beef + Lamb NZ has generously provided its 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. During the year the first of a number of land environment planning (LEP) workshops have been held as part of this project.

An application to the Sustainable farming Fund (SFF) to further the role of UHF technology in supply chain integrity for velvet antler used in branded healthy foods has been developed in conjunction with the Pathfinder group and Provelco. This is also backed with the potential of forensic isotope verification of New Zealand origin (via Oritain), but will now proceed with or without SFF support in 2014/15.

MOTIVATE GROUP

A DINZ/DFA initiative drove a three-fold programme to increase the deer industry’s profile. A communications strategy has been developed with additional funding and the establishment of a communications group. WHAM Group principal, Trevor Walton, has been contracted to coordinate the programme through electronic media, news media releases and a concerted effort to increase awareness of the Deer Information Hub.

Key areas of activity have been led by a valuable re-connection with the Primary ITO and a relaunch of the Level 3 and 4 national qualifications in sheep, beef and specialist deer husbandry. Along with course tutors Agribusiness Training and DINZ input in a block course format, and well supported by key industry organisations by way of part course fee sponsorships, three courses with nine-to-12 students per course have enrolled for this qualification and are well on the way to completion. The block course provides a measure of ongoing networking and links to the Next Generation programme. DINZ has also spent time at higher levels with the farming polytechnics, Taratahi and Telford, Smedley Station and Waikato and Lincoln Universities.

“ A DINZ/DFA initiative drove a three-fold programme to increase the deer industry’s profile ”

DINZ also has representation on the Primary ITO sheep, beef and deer industry partnership group. It is pleasing to note that the 20 learners seen so far are a confident and competent group of young deer farmers and feedback indicates they find good value in the course material and the initiative. This has in turn attracted media interest.

Additional communications work is to increase the industry profile in the rural press through the communications group and this has certainly been a substantial step up.

Under an initiative from the DINZ Board, in 2014/15 there will be a launch of a series of two-page Deer Fact information sheets on deer management, deer health and general deer farming topics, similar to the style of the former MAF’s AgLink bulletins of the 1980s and 1990s. These will be available through the Deer Hub and also made widely available to levy payers and others in hard copy form.

Improving communications in as many ways as possible is an important aspect of industry and stakeholder liaison across all fields, and will link with the results and commentary from the Advance Party project.



DEERSelect

This past year has been one of education, improvement and promotion.

EDUCATION

Two breeder workshops were convened, one each in the North and South Islands, in conjunction with AgResearch deer personnel. The aim was to improve the understanding of the underlying breeding structures that result in more reliable estimates of genetic merit, in particular the importance of year and age group links, mob coding and date of birth estimates. Later in the year a DEERSelect manual and a shortened guide were published and distributed to breeders, managers, staff and interested people.

Education was also the focus of four other presentations: Zoetis Vet Consultancy Training, two Primary ITO training courses for young deer farmers and staff and a presentation to the Cervetec conference (DEER Branch of the New Zealand Veterinary Association). The importance of having a clear breeding objective was stressed to the Primary ITO students, along with how to access and interpret DEERSelect breeding values and indexes. Examples of the value improved genetics could add to a commercial venison production system were also given.

IMPROVEMENT

There has been a noticeable increase in the amount of data going onto DEERSelect, with more frequent weight records and more velvet records added in 2014. In response to commercial farmers wanting a greater focus on maternal traits, a number of breeders are starting to record pregnancy scanning information for hinds. We need science knowledge and a good dataset to progress maternal traits for the deer industry. Some maternal trait information has been captured through the Deer Progeny Test (DPT) programme, but more will be needed.

The quality of the records has improved through the correct use of mob codes and more date of birth and fetal age information. A new tool within DEERSelect to estimate date of birth and conception date was commissioned and implemented. Along with the improvements has been a greater focus on the numbers. This has enabled problem solving and historical data correction, leading to more reliable estimates of genetic merit.

We had one new deer velvet-focused herd and three elk/wapiti herds join DEERSelect this year.



PROMOTION

Field days, articles and presentations have been made to promote clarity of breeding objectives and encourage the use of information available from DEERSelect and the information hub. The DEERSelect sire summaries on the website have been updated with the addition of weaning weight and autumn weight information and an explanation of breeding values and units.

THE FUTURE

We are at an exciting time as the three year DPT programme has just concluded with the final birth cohort processed through the Alliance Makarewa plant. On-farm weights, ultrasound eye muscle scan and conception date information have been included in analyses as they were recorded and AgResearch will begin to analyse the carcass, meat quality and by-product information over the coming year. This is a unique and valuable dataset, combining information on the variability of carcass traits with the ability to estimate how much of that variability is genetic. We look forward to seeing the outcomes and implementing any improvements to the system that may result.

Another focus for the coming year is to improve the elk/wapiti evaluation. The strengthening of links due to the DPT and DEERLink – an abbreviated form of the DPT – and the inclusion of three new herds means this is a priority.



ACKNOWLEDGEMENTS

DINZ appreciates the co-operation of breeders, the industry-good focus of the DEERSelect reference group in guiding new developments and policies and for providing a forum to discuss issues, and the input and expertise of the AgResearch deer team to help improve DEERSelect and its value to commercial producers.

The DPT has been a huge exercise that has resulted in improvements to DEERSelect and will continue to do so as more information is analysed and becomes available. It could not have been achieved without the co-operation of the partner herds, the farmers and staff who managed and reared the stock, the AgResearch team, the Alliance management and the co-operative and patient staff at the Makarewa plant.





Science & Policy

Science

DEERRESEARCH

As usual, DEERResearch carried out a full research programme into all venison-related aspects of deer farming and processing. At the same time, its Board commissioned a review of the management and outcomes of its most significant investment in recent years, the Venison Supply Systems Programme (VSSP) led by AgResearch at Invermay. This was DEERResearch's main investment between 2009 and 2013. The VSSP was structured and managed in a similar way to DEERResearch's current principal project, Hitting Targets for Deer Industry Profitability, (Hitting Targets). A review was thought to be instructive in fine-tuning content and management of Hitting Targets.

The major outcomes of the review were that:

- more and better stakeholder engagement by DEERResearch would better align research outputs with industry needs
- while the VSSP has increased management options available to producers to optimise venison supply, adoption of them by deer farmers was low
- the deer industry needs to invest in the development of vehicles to deliver research outputs and therefore obtain enhancements in productivity and/or profitability
- DINZ and AgResearch should develop a 10–15 year capability plan to maintain an effective pool of skilled deer researchers and delivery partners.

There were no major surprises in the outcome of the review; DEERResearch had itself already identified some of the recommendations for improvement and started addressing them, for example, the need for research proposals to clearly identify adoption pathways. DEERResearch is fully committed to focusing future investments on outcomes meeting industry needs and has the support of AgResearch on this.

The last three rounds of artificial insemination and progeny slaughter on the Deer Progeny Test project, the flagship project collecting data on which the heritability of industry-valuable traits can be assessed, was completed. This was a major achievement dependent on the hard work of many industry participants. While recording of maternal traits will continue for some time, the key phase of data analysis is now underway. DEERResearch hopes the project will identify new heritable traits of commercial importance from which, using DEERSelect, farmers can select breeding animals and thereby facilitate achievement of the genetics component of Passion2Profit.



VARNZ

RepaiRx

Trial commencement was on hold pending the regulatory authority's lengthy consideration of a manufacturing licence application relating to the trial batch of RepaiRx, making 2013/14 a frustrating year for the Executive. Approval was finally obtained in October 2014. In the meantime, background preparation on various processes and personnel relating to the trial (such as contractual negotiations with management at the hospital, database build and outcome assessment) continued. The Executive also undertook a major re-budget and, to support additional funding applications from the VARNZ shareholders, revised its business case. Market prospects continue to look good but only ten years' patent protection remains, so time remains of the essence to optimise the industry's investment to date.

“ VARNZ commissioned a review of the human toxicology of velvetting drugs. ”

Other projects

In view of velvet's increasing market use as a food ingredient, VARNZ commissioned a review of the human toxicology of velvetting drugs. There are no new concerns that warrant any changes to current NVSB practices or the regulatory treatment of drug residues.

VARNZ undertook a snapshot survey of velvetting drug residues for risk assessment purposes. No major concerns were raised. VARNZ plans to conduct a follow-up survey in 2015/16.

Pursuant to the velvet industry's strategic intent to carry out efficacy research, VARNZ commissioned AgResearch to investigate the differences in velvet extracts (produced by a large Korean healthy food retailer) having differential in vivo immune activity. The study produced interesting outcomes in that it identified candidate immunoactive molecules, or at least molecules that are markers for immune activity. Since more efficacy research in this sphere may support more commercial applications for registration of velvet-containing healthy functional foods based on immune activity, VARNZ is commissioning further work in this area in 2014/15.



Policy

The main policy strands of the previous year – foot and mouth disease preparedness and water quality – continued in 2013/14, although towards the end of the year increasing effort was expended on TB matters. While the Animal Welfare Amendment Bill has been under parliamentary scrutiny, there has been a moratorium on ministerial animal welfare policy initiatives, hence this area has warranted less DINZ attention from a policy development perspective than hitherto.

FOOT AND MOUTH DISEASE (FMD) PREPAREDNESS

As previously reported, last year MPI established an FMD Preparedness Programme to address Auditor-General criticisms of New Zealand's state of readiness for dealing with an FMD incursion. After planning last year, actual work on the programme was undertaken this year in the form of 13 discrete projects. DINZ had input into most of them, either working directly with MPI or closely with other industry-good bodies. While many gaps in readiness remain to be addressed, DINZ feels that MPI is making good progress on developing robust plans and processes – and procuring appropriate resources – to deal effectively with an incursion. DINZ is currently involved in MPI consultation on which gaps should be prioritised for attention this year.

OSPRI

Policy work around National Animal Identification and Tracing (NAIT) has included exploring options for dealing with animals arriving untagged at works and lack of oversight of untagged animals transported between farms. The policy issues involve consideration of how to deal fairly with producers whose animals lost tags in transit, producers who are unable to tag animals through legitimate safety concerns and producers who fail to tag animals – to the detriment of the system as a whole – for no legitimate reason. Options for dealing with these scenarios equitably will be consulted on in 2015.

DINZ has continued to have input into the technical direction and progress of TBfree New Zealand's implementation of the National Pest Management Strategy for bovine tuberculosis by being a member of the Stakeholder Technical Advisory Group. This group started discussing strategy funding and revision issues, which are continuing in earnest in 2015.

WATER QUALITY

DINZ maintained its input into national level pan-primary sector negotiations on how the sector could workably meet regulatory requirements by attendance at the policy and governance levels of the Land and Water Partnership.

At the regional level, DINZ's efforts were concentrated on working with Environment Canterbury on its "Matrix of Good Management" project, particularly since its output of defining "good management practice" for deer farming will be of industry value and transferable to other regions. As part of this project, 13 deer farms in Canterbury participated in FARMAX® surveying and OVERSEER® modelling, to indicate the spread of estimated nutrient and drainage losses under current deer farming systems. Eventually these data will be compared with losses modelled for deer farming under good management practices to help us understand the type and extent of any improvements needed. DINZ is grateful to the farmers involved for the time and effort provided.



Animal Welfare

TRANSPORT

Driver training courses have been ongoing during the past year. With high turnovers of drivers there is always a demand for this service. In the current environment it is even more important to ensure that all those involved with the handling of deer are adequately trained to carry out their roles, whether it is on farm, transporting, at the saleyards or in processing plants. All these positions fall under the requirements of various codes of welfare.

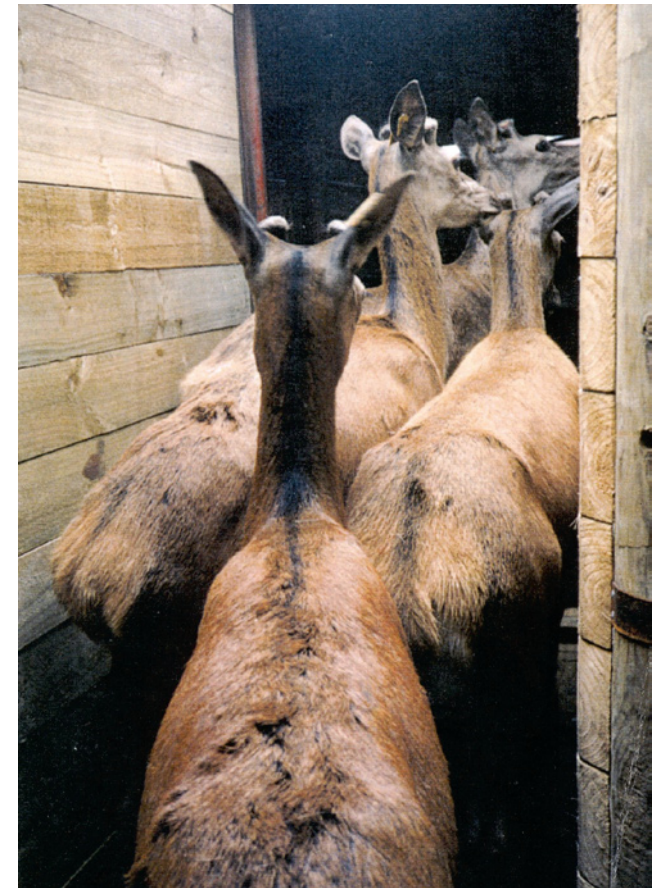
Livestock drivers, in particular, must be aware that deer are totally different animals to transport compared with other species such as sheep and cattle. Therefore it is essential that all those transporting deer possess the skills needed to avert any potential animal welfare problems that may arise, especially during loading but right through the transport journey and at unloading. It is important also that drivers are able to judge whether an animal is fit to transport, recognising specific aspects such as body condition scores and velvet antler measurements. From a health and safety perspective it is important that drivers are skilled in the proper handling and care of the deer they are transporting.

From a farmer's perspective, if there is any doubt whether deer are fit for transport, they should seek advice from their veterinarian and obtain a Fitness for Transport Declaration.

There is concern at losses of particularly low body condition hinds being sent either post weaning or following winter. Figures 1 and 2 illustrate this, showing an increase in deaths compared with the previous season. Farmers should cull early and not carry these animals through winter.

A pleasing aspect noted during the past year has been the decline in the numbers of deer recorded with broken tails. The Ministry for Primary Industries Verification Service (MPIVS) continues to monitor all animals at all venison processing plants.

“ Livestock drivers, in particular, must be aware that deer are totally different animals to transport compared with other species such as sheep and cattle. ”



Figures 1 and 2 summarise data collected from deer export slaughter plants for the period 1 July 2013 to 30 June 2014.

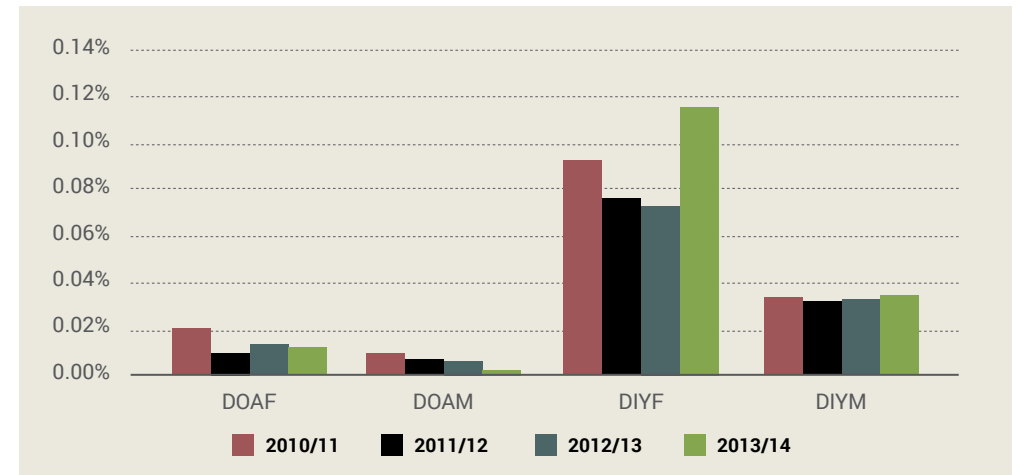
Data is collected on:

- animals dying during transport to slaughter
- animals dying or condemned in the yards prior to slaughter
- deer put up for emergency slaughter.

This information provides a measure of the welfare of deer in the transport/pre-slaughter period at export slaughter plants.



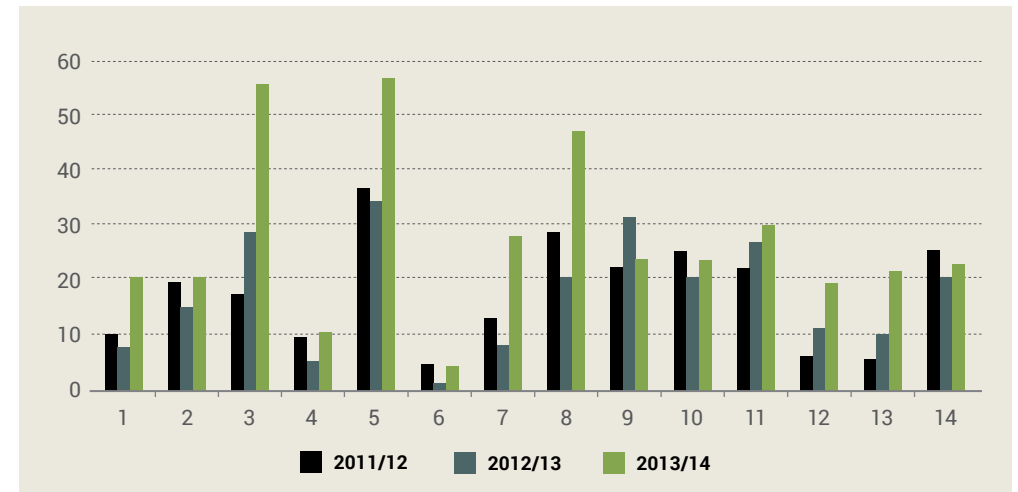
Figure 1: Deer mortality in transit to slaughter plants or in yards of plants 2010/11–2013/14 (%)



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 by premises, 2011/12–2013/14



Source: Ministry for Primary Industries (MPI) Verification Service





VELVET

Velvet Audits 2013/2014

Of the 124 allocated audits, 102 were conducted. Twenty-two audits were unable to be conducted. Reasons included difficulties with coordination and distances travelled and some farmers not having enough stags to velvet at a particular time. Where this happens those names are automatically added to the following season's audit list.

At the beginning of the 2013/14 velvet season 1,078 certified velvetters were in the NVSB programme. Six hundred and fifty of these were eligible to be audited, it being five years or more since their last audit. Two-thirds of those velvetters were in the South Island.

Two velvetters failed their respective audits but each underwent additional supervision with their veterinarian and both were able to recommence velvetting during the season. This was a similar result to the previous season.

One hundred and forty-one active velvetters were in abeyance and 14 others were suspended, mainly through not paying their annual fees or not returning their drugs and drug book from the previous season.

Five veterinary practices were audited during the 2013/2014 season. This was to ensure that the delivery of the NVSB programme is consistent and that the calibration for velvetting and record keeping, drug reconciliation and so forth remains at a consistently high level right across the country. It is pleasing to note that the calibration and level of competency remain high throughout all the audits carried out during the season. Audits of veterinary practices will continue.

Once again the NVSB auditors have been complimentary of velvetters over this past season, commenting on the excellent procedures carried out by most farmer/velvetters/farm workers and the general overall competence of those audited.

Table 1: Highlights of audit findings 2013/2014

Of the 102 audits carried out:

55 were accredited for mechanical block only
 32 were accredited for local only
 49 were accredited for chemical restraint which includes local
 34 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 their audits.

Performance:

Deer recorded as being settled at time of velvetting: 100%.
 Velvetters demonstrating satisfactory knowledge of antler nerves and blood supply: 98%
 Effective analgesia recorded (slightly down on last season): 95.6%
 Effective removal of antler recorded: 95.6%
 Tourniquets applied before administration of local anaesthetic: 99%
 Effective procedures for tourniquet use and haemostasis following velvet removal: 98%
 facilities* met requirements of the programme: 94.45%
 *Pens, gates, walls, flooring, lighting, ventilation and hygiene – figure slightly down on previous season.

Table 2: Number of velvetters scoring one or more failings 2009/10–2013/14

Number of failings	2009/10		2010/11		2011/12		2012/13		2013/14	
	Minor	Major	Minor	Major	Minor	Major	Minor	Major	Minor	Major
1	25	34	41	43	22	20	46	92	37	74
2	16	9	36	16	14	8	25	20	35	21
3	12	1	26	1	5	4	5	27	9	6
4	10	1	9	4	8	0	0	18	10	0
5	10	2	0	0	10	0	1	5	7	1



Following on from previous years, key performance indicators were selected across seven areas of the audit (Table 3).

Table 3: Audit key performance indicators 2008/09–2013/14

Velvet season	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Audits completed (% of velvetters)	10.65%	9.5%	10.8%	8.2%	11%	9.46%
Stags settled	99.1%	97.5%	98%	96.5%	99.2%	100%
Analgesia at first test	99.1%	97.3%	96%	91.6%	100%	95.6%
Compliant facilities	95.2%	94.3%	96%	97.4%	96.6%	94.4%
Number of forms filled correctly	97%	97%	97%	98%	97%	97%
Appropriate level of sedation	97.3%	99%	97%	99%	95.1%	97.1%
Tourniquet before local anaesthetic	99.1%	99%	99%	99%	99.1%	99%

VELVET SURVEILLANCE PROGRAMME

The surveillance programme continued throughout the 2013/2014 velvet season and remained largely the same as that conducted during the 2012/2013 season.

DINZ (NVSB) compliments MPIVS veterinarians for their ongoing commitment and work in making the partnership such a success. The MPIVS/DINZ programme has led to a major improvement in compliance levels with the requirements of deer velvetting defined under the Animal Welfare Act 1999 and the NVSB programme over the past few years.

DINZ has requested that MPIVS continues with the current procedure for one further season after which there will be a joint MPIVS/DINZ review.

There have been issues with data collection and completion of the premises spreadsheet during the past season, however. The spreadsheet, which is an appendix to the procedure, has been reviewed to provide more detailed information and more guidance to veterinarians completing the form. It is critical that the information provided on the spreadsheet is accurate.

MPI developed an excellent e-learning module on deer velvetting for Verification Service veterinarians and all new personnel were asked to complete this module before the start of the velvet season.

Additionally, the DINZ (NVSB) executive visited all MPIVS personnel at venison processing plants to ensure calibration and consistency of reporting.

Follow-up for the 2013/14 season was completed with 126 suppliers (velvetters) and 45 veterinary practices across the North and South Islands contacted to ascertain which individual, veterinarian or practice undertook the velvetting of the herd in question.

The supplier is contacted and this is usually followed by a second phone call to a nominated practice or practice veterinarian or a person registered with the NVSB. The outcome of the discussions is reported back to DINZ with a recommendation for follow-up by that body or referral to the MPI Compliance and Response Group.

Of the 126 suppliers contacted, a small proportion require follow-up by DINZ and one supplier has been recommended for referral to the Animal Welfare Compliance and Response group. This compares with eight referrals from the 2012/13 season and 10 referrals from 2011/12.



CONCLUSIONS

1. As with previous seasons, most “compliance” issues relate to accredited NVSB individuals velveting stags from different herds and whether they have dispensation to do so, or using NaturO™ rings when registered for chemical restraint or vice versa. This is investigated and managed by DINZ. Of the 126 suppliers contacted, only a small number have been found to be non-compliant.
2. There is a strong awareness among deer farmers of requirements for velveting and acceptance that the surveillance work undertaken jointly by DINZ and MPI underpins the integrity of the programme. Most farmers spoken to fully supported the work undertaken.
3. Considerable improvement has been noted regarding MPIVS veterinarian knowledge of velveting techniques and velvet physiology, which has greatly reduced the number of erroneous entries. This in part is due to the earlier work undertaken by DINZ/NVSB and changes to the information collected at the plant level, e.g. “O” rings visible versus “O” rings used.
4. Some issues around the variability of data collected from individual deer slaughter premises (DSPs) remain. Some DSP veterinarians provide a wealth of information in relation to a line of deer; others provide the absolute minimum. Further emphasis needs to be placed on collecting all of the information required for each entry.



Financials

Independent Auditor's Report

TO THE READERS OF DEER INDUSTRY NEW ZEALAND AND GROUP'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

Deloitte.

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

We have audited the financial statements of DINZ and Group on pages 42 to 56, that comprise the Statement of Financial Position as at 30 September 2014, 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

Financial statements

In our opinion the financial statements of DINZ and Group on pages 42 to 56:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect DINZ and Group's:
 - financial position as at 30 September 2014; and
 - financial performance and cash flows for the year ended on that date.

Our audit was completed on 20 November 2014. 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 of Directors and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, 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, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial



statements whether due to fraud or error. In making those risk assessments. We consider internal control relevant to DINZ and Group's preparation of the financial statements that fairly reflect the matters to which they relate. 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 DINZ and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- 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. Also, we did not evaluate the security and controls over the electronic publication 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 OF DIRECTORS

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect DINZ 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 is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board's responsibilities arise from the Primary Products Marketing Act 1953 and the Deer Industry New Zealand Regulations 2004.

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 the Primary Products Marketing Act 1953.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit and the provision of taxation advice, we have no relationship with or interests in DINZ or any of its subsidiaries. These services have not impaired our independence as auditor of DINZ and Group.



Trevor Deed
Deloitte

On behalf of the Auditor-General
Wellington, New Zealand

This audit report relates to the financial statements of DINZ and Group for the year ended 30 September 2014 included on DINZ's website. The Board of Directors is responsible for the maintenance and integrity of DINZ's website. We have not been engaged to report on the integrity of the DINZ's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 20 November 2014 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 2014

	Notes	Consolidated 2014 \$	Consolidated 2013 \$	Parent 2014 \$	Parent 2013 \$
INCOME					
Levy Income Venison	1	3,225,313	3,325,550	3,225,313	3,325,550
Levy Income Velvet	1	1,302,157	1,217,574	1,302,157	1,217,574
Project Management Fees		-	-	88,468	89,155
Interest Received	1	223,020	217,473	108,719	96,104
Foreign Currency Gain		-	15,877	-	15,877
Other Income		177,377	168,269	166,578	168,269
TBfree Levy Received	2	1,389,648	1,410,019	1,389,648	1,410,019
Processor Voluntary Contribution for Johne's Management Limited		336,242	344,791	336,242	344,791
NAIT Levy Received	3	-	73,992	-	73,992
Total Income		6,653,757	6,773,545	6,617,125	6,741,331
EXPENDITURE					
Research Investment					
Research Expenditure	13	883,585	707,764	605,801	651,256
Johne's Management Limited Operating Expenses		316,371	346,003	-	-
Total Research Investment		1,199,956	1,053,767	605,801	651,256
Venison Promotion					
Generic Promotion		1,210,691	1,197,002	1,210,691	1,197,002
Joint Promotion		456,999	704,666	456,999	704,666
Total Venison Promotion		1,667,690	1,901,668	1,667,690	1,901,668
Velvet					
Promotion		372,266	367,399	372,266	367,399
Velvet Removal		274,450	202,394	274,450	202,394
Total Velvet Expenditure		646,716	569,793	646,716	569,793



	Notes	Consolidated 2014 \$	Consolidated 2013 \$	Parent 2014 \$	Parent 2013 \$
TBfree Levy	2	1,389,648	1,410,019	1,389,648	1,410,019
Johne's Management Limited Levy		-	-	336,242	344,791
NAIT Levy		-	73,992	-	73,992
Communications		323,870	300,695	323,870	300,695
Quality Assurance		294,190	244,316	294,190	244,316
Producer Management		247,616	304,293	247,616	304,293
Productivity Improvement		387,625	188,858	387,625	188,858
DEERSelect		68,857	79,907	68,857	79,907
Operating Expenditure					
Audit Fees	4	34,500	34,000	29,000	28,500
Amortisation of Software		680	461	-	-
Depreciation	8	42,548	44,757	41,007	43,392
Board and Directors' Fees and Expenses	10	227,894	223,797	204,019	204,327
Foreign Currency Loss		1,958	-	1,958	-
Insurance		43,272	43,513	43,272	43,513
Accounting and Advisory Fees		22,730	20,167	21,200	15,700
Other Operating Expenses		215,093	259,101	199,597	256,340
Grant To Cervena Trust Limited		-	-	15,281	2,636
Premises Rental and Costs		69,861	64,826	61,213	61,041
Total Operating Expenditure		658,536	690,622	616,547	655,449
Total Expenditure		6,884,704	6,817,930	6,584,802	6,725,037
Movement in Equity in Investment in Associate	6	(26,326)	110,896	-	-
Surplus/(Deficit) Before Taxation		(257,273)	66,511	32,323	16,294
Taxation Expense	5	-	-	-	-
Surplus/(Deficit) After Taxation		(257,273)	66,511	32,323	16,294
Surplus/(Deficit) Attributable to:					
Deer Industry New Zealand Members		32,323	16,294	32,323	16,294
DEERResearch Limited		(26,326)	110,896	-	-
Deer Industry New Zealand Research Trust		(262,170)	(36,604)	-	-
Johne's Management Limited		(1,100)	(24,075)	-	-
		(257,273)	66,511	32,323	16,294



Statement of Movements in Accumulated Funds

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	Consolidated 2014 \$	Consolidated 2013 \$	Parent 2014 \$	Parent 2013 \$
Opening Accumulated Funds		5,172,996	5,106,485	1,905,056	1,888,762
Net Surplus/(Deficit)		(257,273)	66,511	32,323	16,294
Total Recognised Revenue and Expenses		(257,273)	66,511	32,323	16,294
Closing Accumulated Funds		4,915,723	5,172,996	1,937,379	1,905,056
Closing Accumulated Funds relate to:					
Deer Industry New Zealand	11	2,024,355	2,018,358	1,937,379	1,905,056
Deer Industry New Zealand Research Trust	11	2,673,126	2,935,296	-	-
Johne's Management Limited	11	218,242	219,342	-	-
		4,915,723	5,172,996	1,937,379	1,905,056




Statement of Financial Position

AS AT 30 SEPTEMBER 2014

	Notes	Consolidated 2014 \$	Consolidated 2013 \$	Parent 2014 \$	Parent 2013 \$
Accumulated Funds	11	4,915,723	5,172,996	1,937,379	1,905,056
Represented By :					
Current Assets					
Short Term Bank Deposits		5,279,630	5,679,177	2,354,826	2,361,542
Trade Receivables		474,308	580,031	456,434	566,343
Related Party Receivables	7	5,000	-	5,000	-
Accrued Interest		50,431	51,803	27,631	19,067
Prepayments		11,443	6,969	11,443	6,969
Taxation Receivable		3,090	2,716	-	-
Total Current Assets		5,823,902	6,320,696	2,855,334	2,953,921
Less Current Liabilities					
Accounts Payable		425,892	598,644	339,816	372,124
Related Party Payables	7	60	60	21,711	22,809
Accruals		472,862	608,023	472,862	608,023
Employee Entitlements		109,418	97,638	96,923	87,331
Total Current Liabilities		1,008,232	1,304,365	931,312	1,090,287
Non Current Assets					
Fixed Assets	8	40,279	80,075	38,669	76,924
Intangible Assets	8	616	1,296	-	-
Investment in Subsidiaries	6	1	1	101	101
Investment in Associates	6	84,630	110,956	60	60
Total Non Current Assets		125,526	192,328	38,830	77,085
Non Current Liabilities					
Accrued Lease Liabilities		25,473	35,663	25,473	35,663
Total Non Current Liabilities		25,473	35,663	25,473	35,663
Net Assets		4,915,723	5,172,996	1,937,379	1,905,056

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


Chairman of the Board
 20 November 2014


Chairman of Audit Committee
 20 November 2014

Statement of Cashflows

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Notes	Consolidated 2014 \$	Consolidated 2013 \$	Parent 2014 \$	Parent 2013 \$
Cashflows from Operating Activities				
Cash was provided from:				
Venison, Velvet, TBfree Levies & Johne's Mgmt Contributions	6,359,083	6,359,775	6,363,269	6,356,522
Interest Received	224,392	219,177	100,155	105,491
Other Operating Income	177,377	168,269	255,046	257,424
Taxation Refund	-	-	-	-
	6,760,852	6,747,221	6,718,470	6,719,437
Cash was applied to :				
Payments to Suppliers and Employees	7,157,272	6,863,319	6,722,433	6,706,154
Taxation Paid	374	2,716	-	-
	7,157,646	6,866,035	6,722,433	6,706,154
Net Cashflows from Operating Activities	(396,794)	(118,814)	(3,963)	13,283
Cashflows from Investing Activities				
Cash was applied to :				
Purchase of Fixed Assets	2,752	19,500	2,753	17,649
Net Cashflows from Investing Activities	(2,752)	(19,500)	(2,753)	(17,649)



Notes	Consolidated 2014 \$	Consolidated 2013 \$	Parent 2014 \$	Parent 2013 \$
Net Increase in Cash Held	(399,546)	(138,314)	(6,716)	(4,366)
Opening Cash Balance	5,679,176	5,817,490	2,361,542	2,365,908
Effect of exchange rate change on foreign currency balances	-	-	-	-
Closing Cash Balance	5,279,630	5,679,176	2,354,826	2,361,542
Reconciliation of Net (Deficit)/Surplus After Tax with Operating Activities				
Reported (Deficit)/Surplus	(257,273)	66,511	32,323	16,294
Add:				
Non Cash Items				
Amortisation of Software	680	461	-	-
Depreciation	42,548	44,757	41,007	43,392
Movement in Equity in Investment in Associate	26,326	(110,896)	-	-
Amortisation of Lease Expense	(1,353)	(1,353)	(1,353)	(1,353)
Foreign Currency Loss/(Gain)	-	-	-	-
	68,201	(67,031)	39,654	42,039
Movement in working capital				
Accounts Receivable	107,095	(10,447)	101,345	(6,018)
Prepayments	(4,474)	64,242	(4,474)	64,242
Tax Refund Due	(374)	(2,716)	-	-
Accounts Payable	(172,752)	(135,936)	(32,247)	(63,396)
Accruals	(123,380)	(27,600)	(125,569)	(37,906)
Subsidiary and Associates Receivables / Payables	(5,000)	3,000	(6,158)	6,865
Lease Liabilities	(8,837)	(8,837)	(8,837)	(8,837)
	(207,722)	(118,294)	(75,940)	(45,050)
Net Cashflows from Operating Activities	(396,794)	(118,814)	(3,963)	13,283



Notes To and Forming Part of The Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2014

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 2014. 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; and
- (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 Deer Industry New Zealand. Deer Industry New Zealand 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 2014:

- **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:

- **DEERResearch Limited**

DEERResearch Limited is a joint venture company, whose shareholders are AgResearch Limited (50%) and Deer Industry New Zealand (50%). The objectives of the company are to research non-velvet related deer products. Payments by the Group to DEERResearch Limited are accounted for as research expenditure.

Equity in DEERResearch Limited represents its share of assets in the research consortium of John's Disease Research (12%), Pastoral Greenhouse Gas (1.4%) and Pastoral Genomics (1.0%).

DEERResearch 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 DEERResearch Limited. DEERResearch Ltd's audited financial statements as at 30 June 2014 have been equity accounted.

- **Velvet Antler Research New Zealand Limited (VARNZ)**

VARNZ is a joint venture company between Deer Industry New Zealand (50%) and AgResearch Limited (50%), 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 VARNZ and OSPRI 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 recognised only 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. TBFREE LEVY

Deer Industry New Zealand collects the TBfree ('TBF') levy at a rate set annually from 1 October, and makes minimum monthly payments based on the annual contribution agreed with OSPRI. During the 2006 financial year, Deer Industry New Zealand executed a Deed of Amendment and Restatement with TBF requiring all excess of TBF levy funds over the monthly minimum payment collected by Deer Industry New Zealand to be remitted to TBF.

These funds are managed by OSPRI and accounted for by Deer Industry New Zealand. Where these levies are surplus to the annual requirement of TBF's deer programmes, the funds are carried forward by TBF and interest is accrued at commercial rates for the benefit of Deer Industry New Zealand members. The TBF levy is reviewed annually by Deer Industry New Zealand. As at 30 June 2014 OSPRI reported TBF levies held on behalf of the deer industry of \$0.5 million (2013: \$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.

In 2013/14, the deer industry was provided a 'holiday' from regular NAIT levies while surpluses that had been accumulated from regular levies and 'Impractical to Tag' levies were utilised. The accumulated surpluses are forecast to be exhausted within the 2014/15 year and regular levies will therefore need to be resumed.



2. AUDIT FEES

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

	2014 \$	2013 \$
Audit of Deer Industry New Zealand	29,000	28,500
Audit of other Group entities	5,500	5,500
	34,500	34,000

During the year ended 30 September 2014 tax advisory fees of \$21,200 (2013: \$15,700) were paid to the auditors.

5. TAXATION

	Consolidated 2014 \$	Consolidated 2013 \$	Parent 2014 \$	Parent 2013 \$
Net (Deficit)/Surplus Before Tax	(257,273)	65,010	32,323	16,294
Permanent Differences	304,620	(31,831)	(17,531)	6,201
	47,347	(33,179)	49,854	22,495
Tax @ 28%	13,257	(9,290)	13,959	6,299
Deferred Tax Asset not Previously Recognised	(13,257)	9,290	(13,959)	(6,299)
Income Tax Charge as per Statement of Financial Performance	-	-	-	-

The Group has income tax losses of \$36,967 (2013: \$184,848) available to be carried forward to be offset against taxable income in future periods. The parent has income tax losses of \$7,801 (2013: \$166,693) 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 2014 \$	Consolidated 2013 \$	Parent 2014 \$	Parent 2013 \$
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		Parent	
	2014 \$	2013 \$	2014 \$	2013 \$
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	110,956	60	60	60
Share of current year revenue and expenditure	(26,326)	49,021	-	-
Share of historic revenue and expenditure	-	61,875	-	-
Closing Investment in Associate	(84,630)	110,956	60	60

Equity in DEEResearch Limited represents its share of assets in the research consortium of Johnes Disease Research (12%), Pastoral Greenhouse Gas (1.4%) and Pastoral Genomics (1.0%) as at 30 June 2014 the most recent set of audited financial statements.



7. RELATED PARTIES RECEIVABLES AND PAYABLES

	Consolidated 2014 \$	Consolidated 2013 \$	Parent 2014 \$	Parent 2013 \$
DEEResearch Ltd	5,000	-	5,000	-
Total Related Parties Receivables	5,000	0	5,000	0
DEEResearch Ltd	60	60	60	60
Johne's Management Ltd	-	-	21,651	22,749
Total Related Parties Payables	60	60	21,711	22,809

8. FIXED AND INTANGIBLE ASSETS

FIXED ASSETS PARENT	Cost \$	Accumulated Depreciation \$	NBV 2014 \$	NBV 2013 \$	Depreciation 2014 \$	Depreciation 2013 \$
Furniture & Fittings	49,044	45,254	3,790	2,682	474	377
Computer Equipment & Software	171,331	146,225	25,106	49,226	25,288	28,121
Office Equipment	10,171	7,926	2,245	3,291	1,048	695
Leasehold Improvement	70,987	63,459	7,528	21,725	14,197	14,198
FIXED ASSETS CONSOLIDATED	301,533	262,864	38,669	76,924	41,007	43,392
Furniture & Fittings	49,044	45,254	3,790	2,682	474	377
Computer Equipment & Software	179,751	153,481	26,270	51,581	26,479	28,842
Office Equipment	16,442	13,751	2,691	4,087	1,398	1,339
Leasehold Improvement	70,987	63,459	7,528	21,725	14,197	14,198
INTANGIBLE ASSETS CONSOLIDATED	316,224	275,945	40,279	80,075	42,548	44,757
Software	17,180	16,564	616	1,296	680	461
	17,180	16,564	616	1,296	680	461

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 17% were denominated in foreign currency.

At balance date, foreign currency deposits totalled \$34,748 (2013: \$71,704). The notional or principal contract amounts of foreign exchange instruments at balance date for the parent and group for forward exchange contracts was nil (2013: \$nil). The unrealised gain/loss on these contracts at balance date is \$nil (2013: \$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 2014 year Directors' fees and expenses totalled \$204,019 (2013: \$204,327). This comprises \$162,500 in Director fees (2013: \$162,500), and \$41,519 in travel and accommodation expenses (2013: \$41,827), and discretionary expenses nil (2013: nil).

From the 1 July 2014 Mr Clive Jermy replaced Mr Tim Aitken as a director.

Cervena Trust Limited

No Directors' fees were paid for meetings for the year ending 30 September 2014. Travel expenses were nil (2013: nil).

Johne's Management Limited

Directors' fees were paid to Mr GW Neilson \$16,875, (Chairman), (2013: \$15,000), Mr M Coutts \$2,900 (2013: \$1,739), Mr ID Stewart \$1,800 (2013: \$1,231) and Mr R Hilson \$2,300 (2013: \$1,500).

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

11. ACCUMULATED FUNDS

The accumulated funds of the Group are \$4,915,723 (2013: \$5,172,996), of which \$2,673,126 (2013: \$2,935,296) is held by the Deer Industry New Zealand Research Trust and \$218,242 is held by Johne's Management Ltd (2013: \$219,342).

Deer Industry New Zealand

	2014 \$	2013 \$
Opening Balance	1,905,056	1,888,762
Surplus attributable to Deer Industry New Zealand	32,323	16,294
Closing Balance	1,937,379	1,905,056

Deer Industry New Zealand Research Trust

	2014 \$	2013 \$
Opening Balance	2,935,296	2,971,900
(Deficit) attributable to Deer Industry New Zealand Research Trust	(262,170)	(36,604)
Closing Balance	2,673,126	2,935,296

Johne's Management Ltd

	2014 \$	2013 \$
Opening Balance	219,342	243,417
(Deficit) attributable to JML	(1,100)	(24,075)
Closing Balance	218,242	219,342



12. EMPLOYEE REMUNERATION

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

Remuneration Range	Number of Employees
\$100,000 - \$119,999	2
\$120,000 - \$139,999	2
\$210,000 - \$229,999	1

13. RELATED PARTIES

During the year Deer Industry New Zealand provided research administration grants to associated entities: VARNZ \$388 (2013: \$11,446) and DEERResearch Limited \$24,110 (2013: \$25,100). 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 DEERResearch of \$53,878 (2013: \$54,450), to VARNZ of \$23,913 (2013: \$23,980) and to the Deer Industry New Zealand Research Trust of \$10,677 (2013: \$10,725).

The Deer Industry Research Trust provides the research funding to VARNZ of \$105,097 (2013: \$39,361) and DEERResearch Limited of \$611,676 (2013: \$517,147). Deer Industry New Zealand provided a research grant to the Deer Industry New Zealand Research Trust of \$450,000 (2013: \$500,000).

An operational grant of \$15,281 (2013: \$2,636) 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 2014 \$	Parent & Consolidated 2013 \$
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	49,018	98,036

TBfree

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

	2014 \$	2013 \$
Annually	\$1,400,000	\$1,400,000

This agreement has been renegotiated, but a funding agreement has yet to be signed. The annual funding of \$1.4 million is reflected in Tbfree'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	2014 \$	2013 \$
Not later than 1 year	662,950	794,000

DEEResearch Limited

Contracted	2014 \$	2013 \$
Not later than one year	541,653	120,000
Later than 1 year and not later than 2 years	408,000	35,000
Later than 2 years and not later than 5 years	-	-

DEEResearch Limited

Approved but not contracted	2014 \$	2013 \$
Not later than one year	34,000	548,000
Later than 1 year and not later than 2 years	34,000	488,000
Later than 2 years and not later than 5 years	102,000	1,224,000
Later than 5 years	34,000	-



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 Johne's 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 (2013: nil).



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