

ANNUAL REPORT 2015/16



FROM THE CHAIRMAN



As the 2015/16 year came to a close, there were welcome signs of increasing resilience and growing confidence in the deer industry. Several factors have been at play.

This was the first full year of our Passion2Profit Primary Growth Partnership and it's been great to see the industry – the exporters and the on-farm sector – starting to take real ownership of the opportunities that are emerging. In the markets, a successful trial of out-of-season chilled Cervena sales in Benelux countries has shown that this type of market diversification is starting to get some traction. The success of the “proof of concept” trial in The Netherlands the previous year was no fluke.

Continued growth in chilled sales at the premium end of the US market have also been encouraging, with the value of sales up 20% for the year. It just shows what can be achieved in a large, complex market when you

set up a good distribution chain with the help of the right in-market partners – and of course a brilliant product to back up the promotion. Doing all of this in the face of a shrinking supply base hasn't been easy. Overall production volume was down 13% on the previous year, so expanding and diversifying into high-value markets in these conditions has been challenging – and a tribute to all involved.

The dynamics affecting velvet have been very different, with production continuing to increase. Prices remained stable during 2015/16, although there were signs these could soften in 2016/17. The benefits from the Korea–New Zealand FTA showed up with a 70% increase in the amount of dried velvet exported to that market. But the velvet market can be volatile and we need to constantly watch the horizon. There are factors beyond our control and one prime example was the impending changes in regulations affecting Traditional Chinese Medicine products. This caused understandable anxiety among producers but I'm confident we have the relationships and expertise to help the industry negotiate any required changes to the way we handle and present our product.

The Advance Party programme has gone from strength to strength, with 20 groups up and running by September 2016. The success stories that came out during the Advance Party conference in Methven and the buzz of enthusiasm there showed this is a winning formula. The first P2P Regional Workshop, trialled in Hawke's Bay in August, showed these could be one effective way of spreading the messages further.

There was one change on the DINZ Board, with Dr Ian Walker being appointed from 1 July 2016 to replace the outgoing Collier Isaacs. My thanks to Collier for his long and productive contribution to the governance of DINZ. Ian is a highly qualified successor, whose animal health and science credentials are a welcome addition to the skills around the board table. My own tenure on the board will end in mid-2017.

My thanks also to Dan Coup and the DINZ team, whose continued unwavering focus on delivery of a programme to execute the industry strategy is showing the reward it deserves.

Andy Macfarlane
Chairman

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FROM THE CHIEF EXECUTIVE OFFICER



The momentum that was started over the previous 12 months with the launch of the Passion2Profit (P2P) programme picked up another notch in the 2015/16 year.

As shown in the summary financial statements on page 18 of this report, P2P now accounts for a significant part of our activity, but despite this, our ongoing work programme continues unaffected.

In the initial stages, our reserves are being used to fund much of the P2P work, as planned. It is an ambitious programme to implement, but it has clear and measurable objectives (see page 9), which makes it easier to focus efforts in the right places.

On the market side, it was pleasing to see efforts to create markets for chilled venison in the European spring and summer starting to pay off. The volumes so far have been small, but the strong commitment of our exporters and their partners should see this initiative develop further.

Much of the know-how and technology needed to improve on-farm productivity is already in place, so an important theme for us has been communication. On-line and paper-based tools for monitoring liveweight gains, further expansion of the *Deer Facts* catalogue, launching the *Breeding, Feeding Healthy Deer* newsletter and refining the Deer Hub are just a few of the ways we have been extending the reach of the programme to the wider farming community.

The level of engagement within the deer industry has also been increasing. New initiatives such as Southland's Technology Expo as well as the NZDFA Next Generation programme, the Advance Party conference, P2P regional workshops, Focused Farms and of course the annual deer industry conference are all helping with the spread of ideas, enthusiasm and knowledge.

The decline in the national breeding herd in recent years is showing signs of ending and, although it is too early to say for certain, there are signs of herd rebuilding with others showing more interest in entering the industry. Deer are once again attracting attention as a valuable part of a mixed enterprise, which is good to see.

Outside the P2P programme, there has been plenty of activity. Our venison exporters are juggling limited quantities of product to keep supporting loyal customers, while also developing new markets. Efforts have remained unashamedly at the premium end of the market. Velvet markets are evolving, with a greater proportion being used in the healthy food sector and an increasing volume of product – now about 50% – being exported to China.

All businesses have risks and ours is no exception. We have continued to devote time and resources to managing animal welfare around transport and velvet removal, while also working with local NZDFA branches as they make submissions on regional plans affecting water quality. Issues of food safety and hygiene around velvet handling are also receiving greater attention.

Once again, it has been an exciting and very busy year. My thanks to the whole DINZ team for their loyalty and hard work.

Dan Coup

Dan Coup
Chief Executive Officer

VENISON

MARKET OVERVIEW

- Overall market demand was firm with prices for New Zealand venison steadily climbing throughout the year due to a combination of higher market pricing and short supply.
- The average FOB value per kg of venison exports was up 9% on 2014/15 at \$12.74.
- The volume of venison exports was down 13% year on year to 12,905 tonnes, reflecting hind and stag retention.
- The New Zealand dollar steadily strengthened against the US dollar and euro. At the close of the financial year the New Zealand dollar was up 13% year on year. The strengthening of the New Zealand dollar limited the increases seen in the farmgate venison schedule.
- The impact of Brexit was felt sharply, with 15% knocked off the value of the GBP, reducing returns from the valuable UK market.

Figure 1: Exports to main venison markets for years ending September (tonnes)

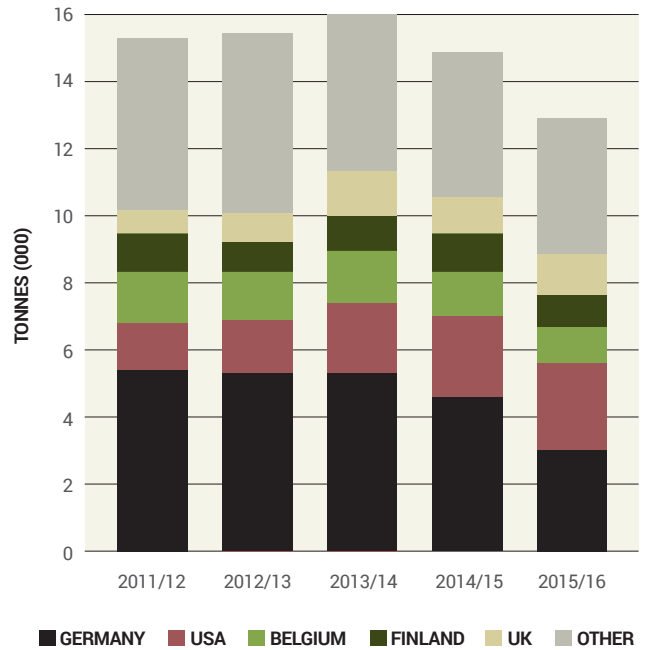


Figure 2: Value of New Zealand dollar against US dollar and euro, October 2015 – September 2016

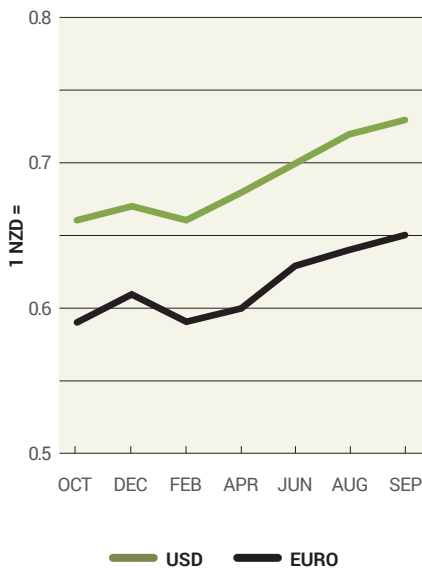
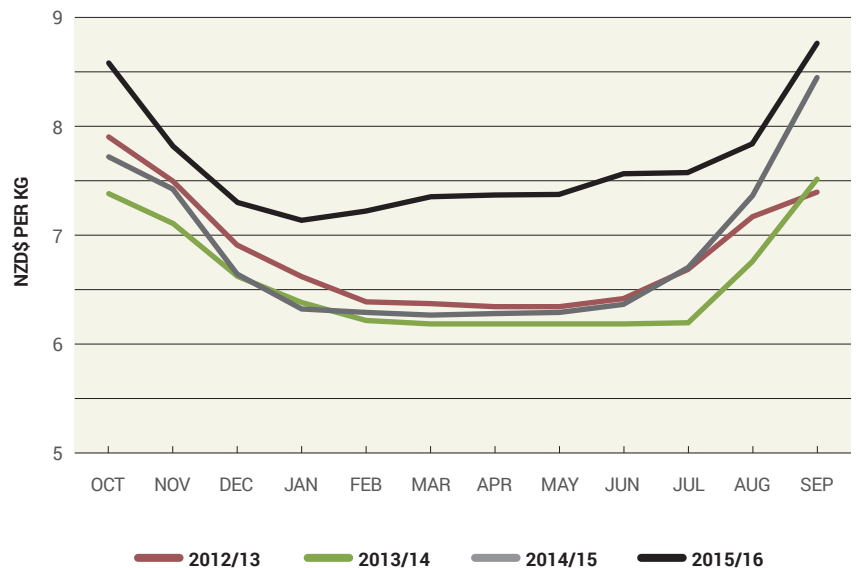


Figure 3: Average schedule price (NZ\$) 2012/13 – 2015/16



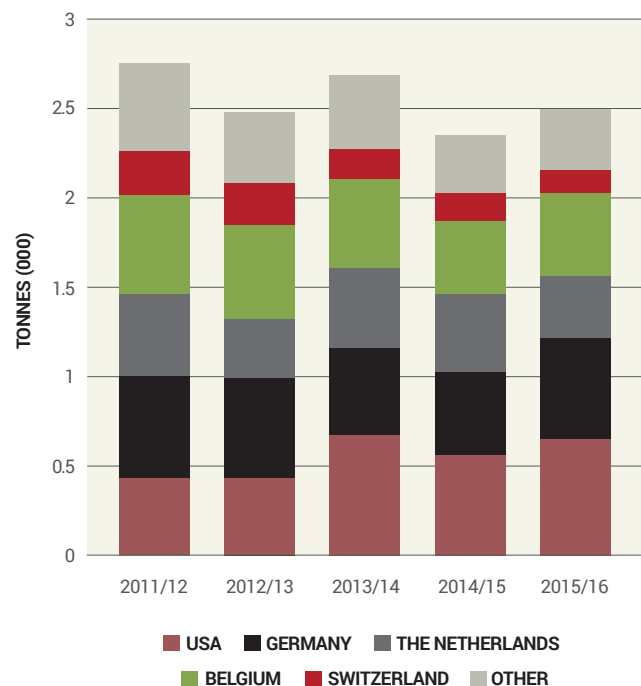
CHILLED MARKET DEVELOPMENT AND DIVERSIFICATION

- Despite the constrained supply environment, the total volume of chilled exports increased by 6% and value increased by 10%.
- Overall chilled exports made up 19% by volume and 33% by value of total venison exports in the 12 months ending September 2016.
- Chilled exports into the United States grew, with volume up 15% and value up 20%. The growth in US exports is attributed to the rise in demand due to chefs and consumers seeking out premium grass-fed meat, the growth of premium casual dining establishments and continued demand from manufacturing categories such as snacking protein bars. A business development contractor is now employed full time by DINZ in the United States, working alongside in-market partners, enabling the industry to support this growth.
- Increases in chilled volumes were also recorded for Germany, Belgium and France, indicating the establishment of market demand for the attributes of chilled New Zealand venison for the traditional game season and beyond.
- European activity focused on supporting exporters' key accounts, assisting with promotional activities through the provision of expert chef resources. This reflected the move to a retain-and-grow key account strategy, with less emphasis on public relations.

NEW ZEALAND VENISON PRODUCTION

- New Zealand venison production for the year ending September 2016 was 17,687 tonnes (carcass weight equivalent), down 17% year on year. The national kill was 317,940, down 19% year on year.
- The significant decrease in production brought about by farmers retaining deer is a key factor in the improved prices seen throughout the past 12 months.
- The total number of hinds killed in the 12 months to September 2016 was 159,945, equating to 50% of the total kill and down 24% year on year.
- Customers holding inventory of venison from previous seasons or earlier in the season had cleared their stocks. Demand is expected to be firm in the year ahead, with customers motivated to secure frozen and chilled venison.

Figure 4: Chilled exports to main venison markets for years ending September (tonnes)





PREMIUM POSITIONING OF NEW ZEALAND VENISON TO CHEFS

Four young German chefs won a recipe competition in Germany to work across leading New Zealand restaurants in 2016, learning about the New Zealand deer industry and how to make the most from New Zealand venison. They are pictured here with Depot's Executive Chef Kyle Street (centre).

INCREASE DEMAND FOR NEW ZEALAND VENISON

Efforts focused on the following priorities

- Maintain premium positioning of New Zealand venison in Germany through appropriate events and media coverage.

DINZ supported key accounts with their market development activities, for example supporting trade stands at events such as ANUGA and INTERORGA, in-store tastings at supermarkets and chef workshops with foodservice wholesalers.

- Support market development and diversification through supporting importer-led promotional activities beyond Germany.

Chef resources were provided to support markets in, Sweden, the Benelux, the UAE, United States and China.

- Increase sales in the United States through supporting in-market partners with promotional and sales activities.

Key accounts can now access a dedicated US resource. This has been pivotal in developing and growing the product ranges of accounts, as well as allowing more time to research potential areas for growth.

- Ensure farm-raised venison appears at appropriate events and in the media in New Zealand.

In the New Zealand market, DINZ worked alongside high-profile chefs Tom Hishon and Neil Brazier to develop and promote a range of venison recipes for the home cook.



US MARKET GROWTH

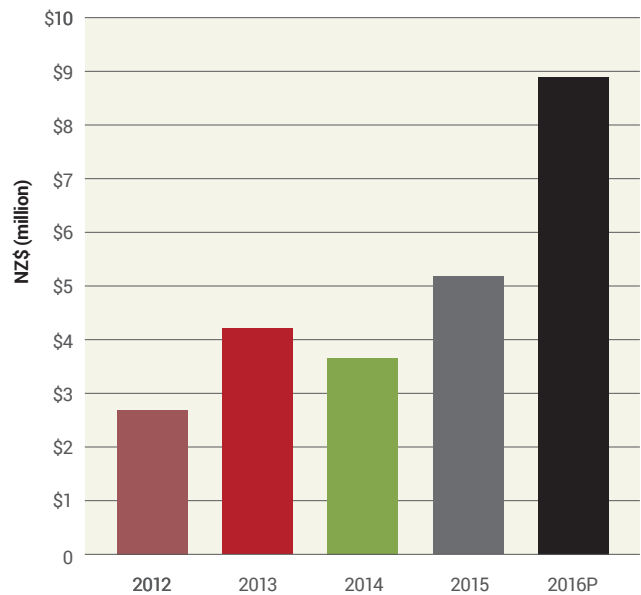
The rise of premium casual dining restaurants has opened new opportunities for venison to reach larger audiences. Secondary cuts such as the short ribs pictured here are proving popular.

VELVET

CHALLENGES AND ACHIEVEMENTS

- Exports of dried velvet to Korea increased significantly for the year ending September 2016 compared with previous years. This is as a result of the Korea–New Zealand Free Trade Agreement and increase in velvet consumed as a healthy food.
- Two regulatory hurdles were raised in 2016 for New Zealand velvet’s main markets of South Korea and China, posing some risk to business as usual:
 - Korea’s Ministry for Food and Drug Safety required all velvet exporters to be listed and approved on its database. The industry complied and no issues were reported.
 - Chinese regulators confirmed that velvet can only be imported as a Traditional Chinese Medicine, and no longer as an agricultural by-product or food. This confirmation came late in the 2016 season.
- More food companies started to use New Zealand velvet in their healthy food preparations and advertised its country of origin.
- The weighted average velvet price paid to producers increased again slightly to around \$125/kg (gross). This provided a seventh year of stable or firming prices.
- Based on levy collected, New Zealand velvet production increased by 5% from 572 tonnes to 603 tonnes.

Figure 1: Dried velvet export values (FOB NZ\$) to Korea for the years ending September



Source: Statistics New Zealand

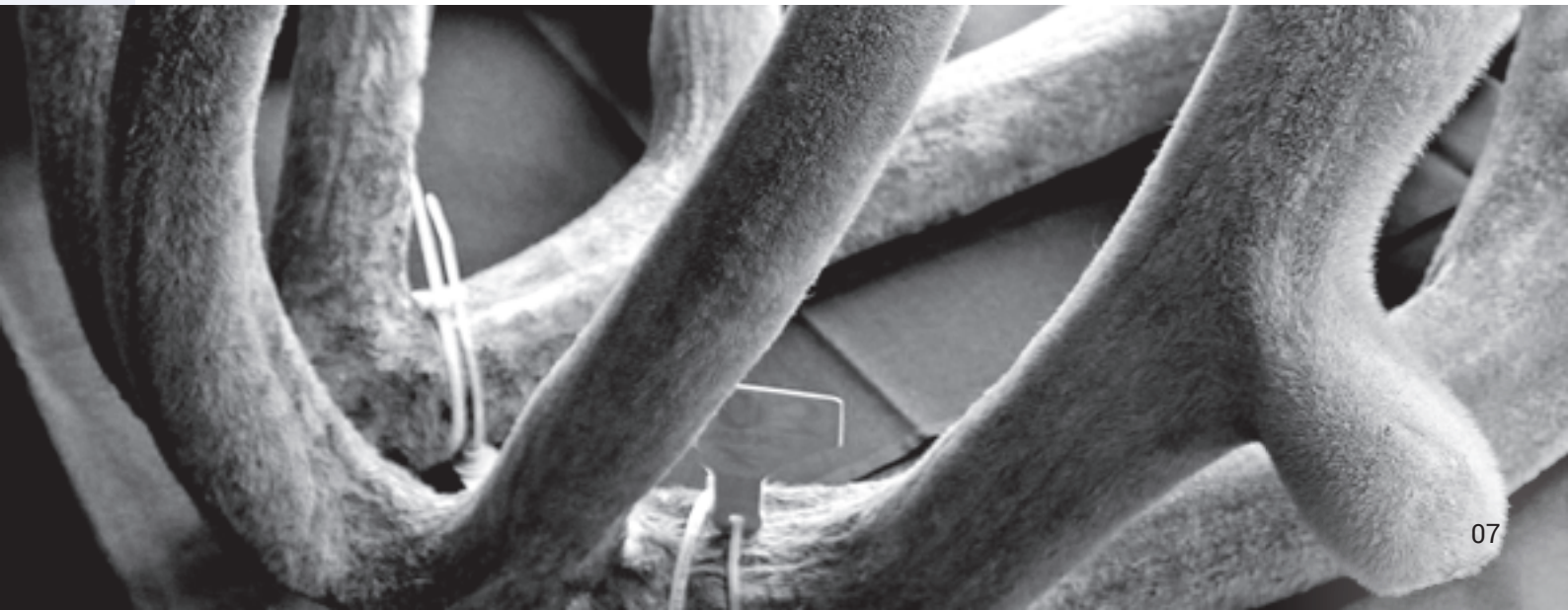
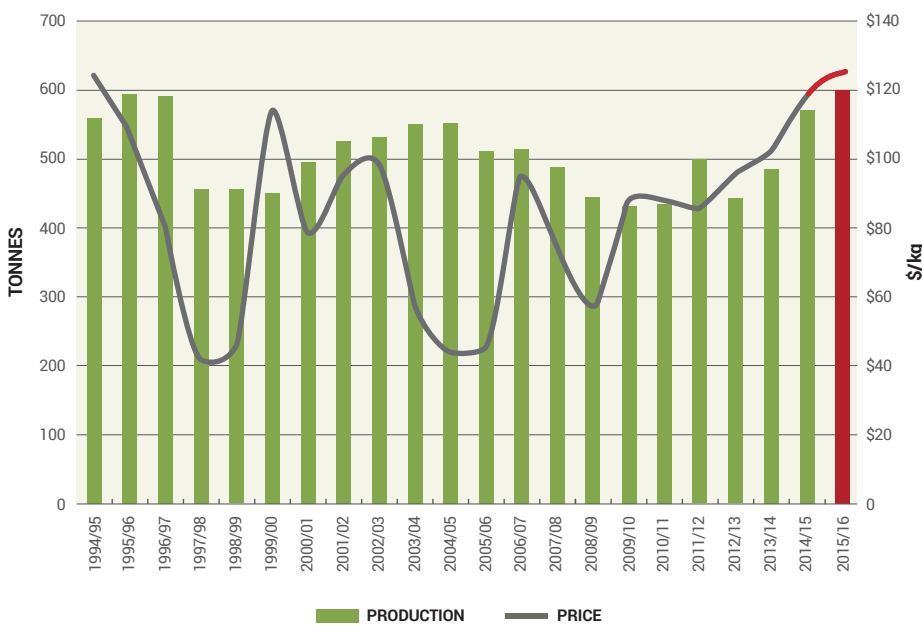




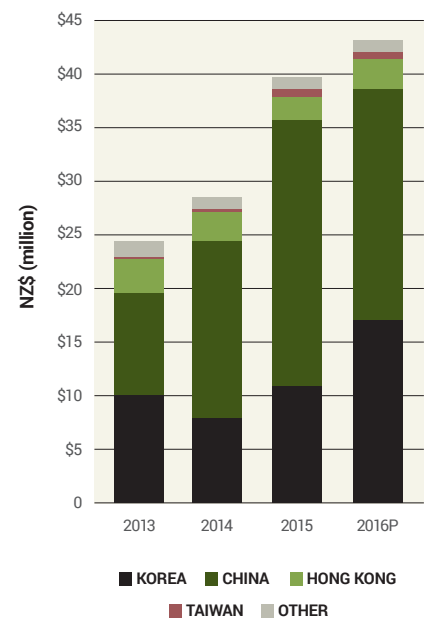
Figure 2: A new consumer-ready healthy food product displaying the New Zealand velvet “tick” mark

Figure 3: Farmgate price (per kg) and production (tonnes) for years ending 30 September 1995–2016



Source: DINZ internal estimated figures

Figure 4: Velvet exports by destination and value (NZ\$ FOB) for year to 30 September 2013–2016



Source: Statistics New Zealand

PASSION2PROFIT PROGRAMME

STRATEGIC OBJECTIVES

- Increase non-seasonal venison sales
- Increase sales to new markets
- Increase average carcass weight by 4kg
- Increase fawn survival by 5%
- Increase industry revenue by \$56 million

CHALLENGES AND ACHIEVEMENTS

- The first full year of the P2P programme saw exciting advancements for the industry as the collaborative marketing model and opportunities for increasing deer farming productivity took hold.
- The focus on productivity opportunities was bolstered by improvements in market returns for venison and velvet.
- Highlights for the year included:
 - Year two of the Benelux Cervena® trial, with three companies marketing Cervena venison.
 - Agreement and introduction of a single standard for deer farming quality assurance.
 - 20 Advance Parties operating.
 - 80 participants enjoying the Advance Party conference in Methven.

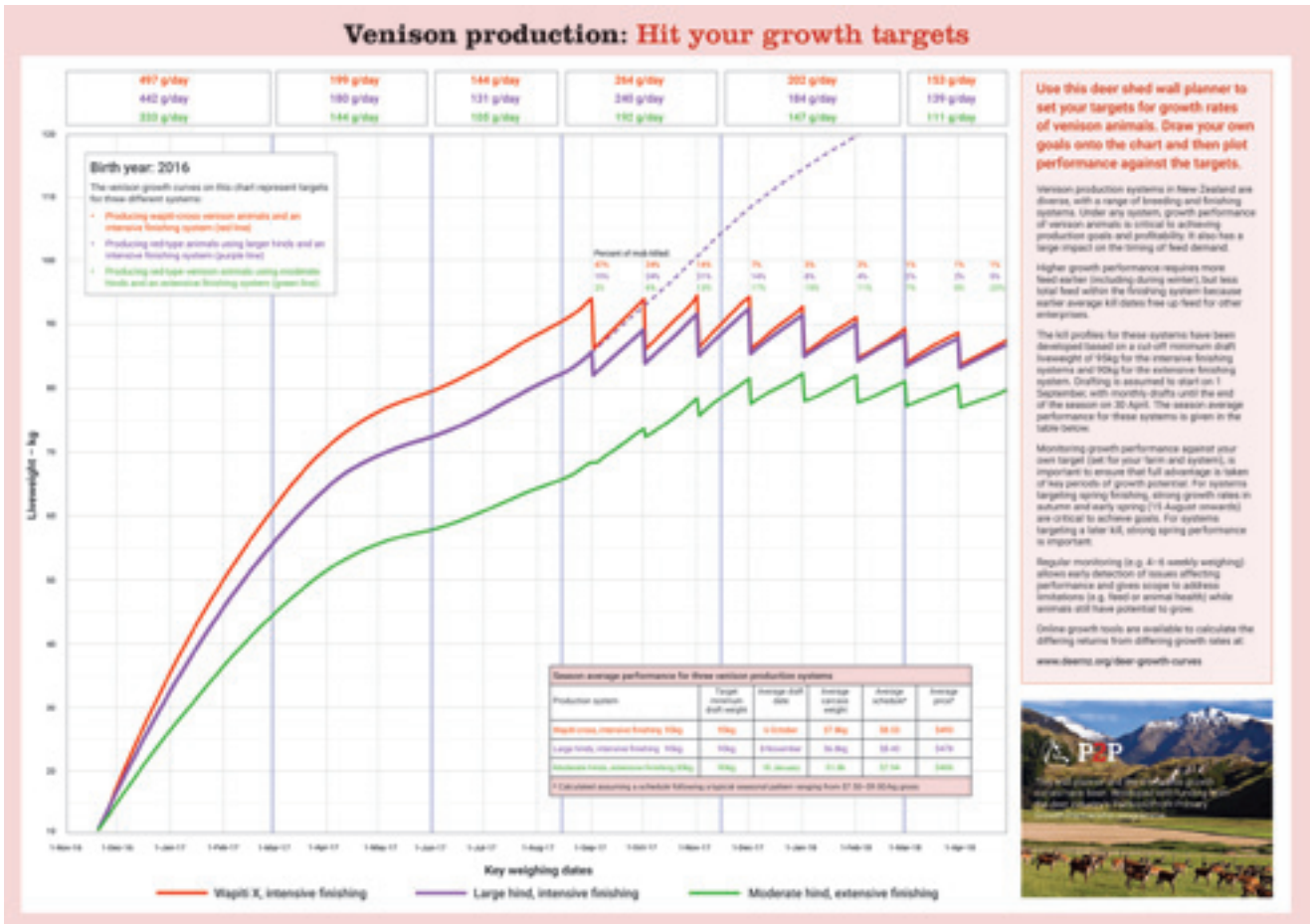
MARKETING PREMIUM VENISON: \$8.2 MILLION OVER SEVEN YEARS

Project	Work in 2015/16
1. Confirming market requirements: \$1m over years one and two	Five venison marketing companies directed research into new markets for venison. Consumer and chef interviews in China identified impediments to general consumer acceptance and identified opportunities for niche development.
2. Collaborative marketing – trialling and establishing distribution: \$5.1m over seven years	Three companies jointly promoted Cervena venison in Belgium and The Netherlands between March and August 2016. Their importing and distributing partners were pleased with the impact of the promotion and committed to continuing in 2017, aiming for higher volumes.
3. Developing and applying industry standards: \$1.6m over seven years	Quality assurance standards for deer farming and for quality venison were agreed by industry working groups. Deer farming standards were incorporated into the red meat sector's farm assurance programme alongside sheep and beef. The new standards were introduced on 1 October 2016 and will be compulsory for the supply of Cervena.

MARKET-LED PRODUCTION: \$7.8 MILLION OVER SEVEN YEARS

Project	Work in 2015/16
<p>4. Project management and governance:</p> <p>\$0.8m over seven years</p>	<p>Systems set up to manage Primary Growth Partnership funding and reporting.</p> <p>Presentation of the Deer Industry P2P programme at government and industry events. These included the national Primary Growth Partnership conference and the 2016 Hill Country Symposium.</p>
<p>5. Accelerating industry change through the development and deployment of new farmer engagement strategies such as Advance Parties:</p> <p>\$4.1m over seven years</p>	<p>By the end of 2016, 20 Advance Parties were operating with nearly 200 deer farming properties engaged.</p> <p>The deer hub was upgraded and content improved to ensure relevance and consistency.</p> <p>Delivery of first <i>Breeding, Feeding Healthy Deer</i> newsletters with seasonally relevant information for deer farmers.</p> <p>The first Regional Workshop was trialled to encourage sharing of information from Advance Parties with a wider deer farming audience.</p> <p>More than 20 articles appeared in rural media on changes deer farmers had made, encouraging others to take up the opportunities provided by new ways of doing things.</p> <p>Twelve <i>Deer Facts</i> had been produced and distributed to all known deer farms and associated industry advisers.</p> <p>Agreement was reached on the need for, and delivery of, training for rural professionals.</p>
<p>6. Packaging of the best information on genetics, feeding and deer health technology to help farm deer better:</p> <p>\$2.9m over seven years.</p>	<p>The growth curves for venison animals and for replacement hinds were produced, trialled and distributed. It has been great to see these being used.</p> <p>The hind growth calculator has been picked up and used to calculate necessary hind weights.</p> <p>Development of annual health reviews, a useful and usable component of farm management, was accepted by farmers and vets.</p> <p>Genetics workshops in North and South Islands and Deer Select EBV tables launched on www.deernz.org</p>





WHAT IS TO COME?

Project 1

Expansion of the collaborative summer marketing programme in the Netherlands and Belgium to increase sales outside the traditional European game season. Identify other markets that can benefit from collaborative development. Aim to have three or four new non-seasonal markets taking 1,200 tonnes (CWE) of venison by year seven.

Project 2

Implement a collaborative marketing programme in China, if commercially feasible. Aim to have new markets able to demand up to 2,500 tonnes (CWE) of venison by year seven.

Project 3

Implement national on-farm quality assurance programmes via venison processors, in step with the red meat farm assurance programme. Aim to have national adoption of the QA Standards by year seven across all venison processing companies.

Project 4

The programme is well managed in accordance with the contracted obligations of the Primary Growth Partnership.

Project 5

Create systems that provide the right information to deer farmers to allow them to make confident, informed decisions. This includes Advance Parties, more knowledgeable agricultural service providers and the provision of productivity information to individual producers to help them see opportunities for improved profit.

Project 6

Packaging deer health, feeding and genetics information in ways that can allow farmers to apply it easily. Examples of this will include guides for feeding deer to hit optimum slaughter dates, animal health plans to reduce the cost of health issues and increasing the use of breeding values.

POLICY

CHALLENGES AND ACHIEVEMENTS

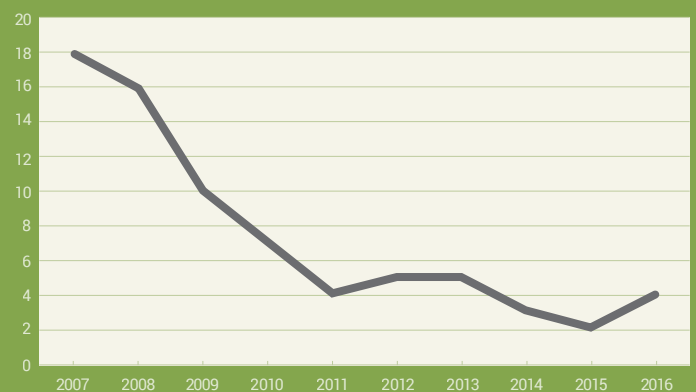
- We concluded negotiations with other sectors on the TB National Management Plan, which was approved by the Minister for Primary Industries. Disease eradication is achievable and is now the main strategy. Deer farmers will be subject to much less testing (provided they are NAIT compliant). Testing costs will be covered by the TB levy paid by DINZ (without a DINZ levy increase) and compensation provisions for slaughtered reactors will become aligned with other sectors.
- Discussions with the Government continued on its proposal for industry to bear a specific share of biosecurity readiness and response costs in exchange for formal participation in biosecurity decision-making powers.
- The OSPRI shareholders agreed to review whether the NAIT scheme was meeting its objectives. This review is now underway and is examining all aspects of NAIT. DINZ and the NZDFA are participating at the technical and steering committee levels.
- Regional councils now have to give effect to obligations in The National Policy Statement for Freshwater Management. This is adding pressure to pastoral farming activities through restrictions on land use and nitrogen leaching, and stock exclusion from water bodies. DINZ helped NZDFA branches prepare submissions on regional plans and seek dialogue with councils to provide an understanding of good management practices (GMP) for deer farming. DINZ also co-funded environmental GMP projects facilitated by NZ Landcare Trust through the Producer Manager budget as part of a three-year MPI Sustainable Farming Fund Project that also included regional councils.
- DINZ participated in national level working groups facilitated by the Ministry for Primary Industries and Ministry for the Environment on stock exclusion from water bodies, GMP and agricultural greenhouse gas emissions.

DINZ'S STATUTORY FUNCTION INCLUDES PROMOTING AND ASSISTING IN THE DEVELOPMENT OF THE DEER INDUSTRY.

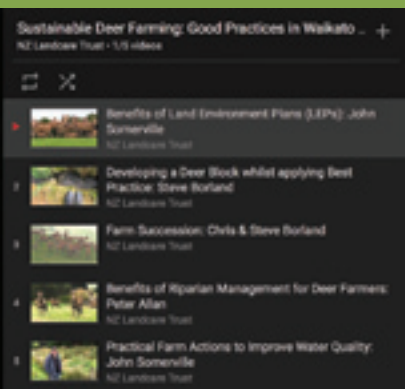
We do this by:

- advocating on the deer industry's behalf on policy development and implementation at a national and regional level
- having a stake in bodies such as OSPRI that are integral to the deer industry's operations.

Figure 1: Number of TB-infected deer herds in New Zealand at 30 June, 2007–2016.



Source: OSPRI



NZ Landcare Trust has prepared a series of 15 videos on deer farming and environmental good management. www.landcare.org.nz/Regional-Focus/Gore-Office/Deer-Industry-BMPs/Sustainable-Deer-Farming

SCIENCE

CHALLENGES AND ACHIEVEMENTS

- The Deer Progeny Test (DPT) has been a major investment for the deer industry. The project spanned the birth years 2010 to 2013 and DeerLink 2013 to 2014. Many improvements to Deer Select stemmed from the DPT (see also page 14). Results were obtained by analysing the mountain of field and slaughter plant data. Crucial discoveries were made, such as the link between a high breeding value for eye muscle area and higher loin yield as well as greater tenderness.
 - We reviewed the OVERSEER® nutrient management tool to learn how suitable it is for:
 - deer farmers when assessing nutrient needs; and
 - regional councils in setting and assessing compliance with regulatory limits on deer farm losses of nutrient, sediment and *E. coli*.
- The review also identified areas in which OVERSEER can be improved to better deal with real deer farming systems. Some of these fixes are already underway.
- A challenge was insufficient recruitment to the RepaiRx clinical trial at Middlemore Hospital, after a year of being open for business. VARNZ closed the trial and shifted its attention away from the extract's potential as a wound-healing pharmaceutical to alternative routes to market. VARNZ's strategy is to encourage commercialisation of the extract as a natural wound-healing product.
 - DEEResearch embarked on an ambitious programme exploring the potential of genomic technologies to produce naturally robust and resilient deer. DEEResearch can benefit from recent technological advances that make genomic technologies affordable.

*Stephen Haines of AgResearch working on a study assessing the shelf life of RepaiRx gel.
Photo credit: AgResearch*

DEEResearch PURPOSE

Coordinate and invest in research and innovation to enable a more profitable and sustainable New Zealand deer industry

VARNZ PURPOSE

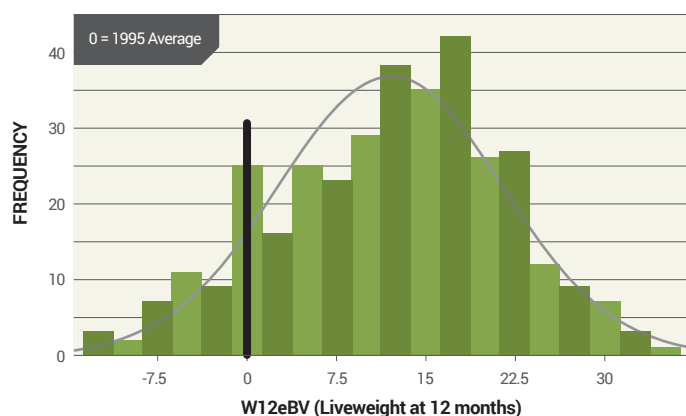
Commission research and development in respect of deer velvet antler and deer co-products ...aimed ultimately at being of benefit to the deer industry

DEER SELECT

ACHIEVEMENTS

- A robust across-herd evaluation for wapiti was achieved before the 2016/17 selling season. Deer Progeny Test (DPT) information was used to verify values.
- Date of birth will become compulsory for across-herd published values from the 2017 birth year onwards. Breeders have responded voluntarily, with 75% of all 2016-born weaners having an estimated birth date. This enhances the accuracy of breeding values as we can remove the effect of birth date from the assessment of genetic merit for growth, particularly weaning weight.
- Breeders who supplied sires to the DPT were asked to eye-muscle scan young stags. Most have continued to do so and we are now seeing gains in this trait, which is favourably associated with increased primal cuts and improved tenderness.
- With cooperation from breeders, genetic connectedness has been maintained so far following the DPT. This requires cooperation to share genetics across breeders to be able to accurately correct for between-herd environment effects.
- In conjunction with AgResearch, farmer and breeder workshops outlining the results of the DPT were run in Southland, Canterbury and Hawke's Bay.
- AgResearch/Genomnz have invested in new DNA technology, Genotyping by Sequencing (GBS), which provides more accurate parentage and breed testing, and the future possibility of DNA information for estimating genetic merit for some traits. DNA for trait estimation still relies heavily on well-recorded animals to calibrate DNA markers.

Figure 1: Range of red sire values for liveweight at 12 months (all red herds including velvet herds). The vertical black line indicates the average merit of animals in 1995



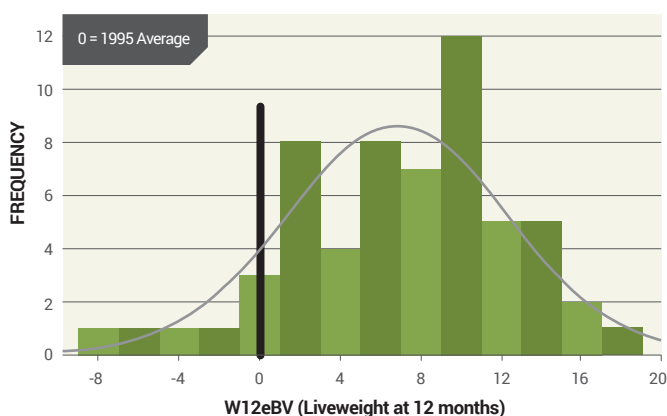
CHALLENGES

- Like the commercial sector, we are seeing generational turnover in the Deer Select herds. In some cases, herds are ceasing to record and the genetics are dispersed to industry.
- Herds are also joining Deer Select – some are stud herds (particularly wapiti) and some are commercial velvet herds.
- The biggest challenge is to encourage commercial deer farmers to use the opportunity improved genetics can offer to productivity and profitability, particularly for venison production, be it through heavier weaners, earlier-born weaners or faster-growing/heavier venison animals. There are sires of both breeds with various degrees of merit for traits such as growth, meat and earlier conceiving (see Figures 1 and 2).
- A new challenge for Deer Select breeders will be recording more maternal trait information as we develop new reproduction breeding values – particularly for young hinds.

THE FUTURE

- In autumn/winter 2017 the meat module will be updated with improved parameters from the DPT.
- New maternal reproduction breeding values, particularly for young hinds, will be developed.
- Research breeding values for CARLA (indicates an immune response to internal parasites) are being generated by AgResearch. If proven to add value, CARLA will be integrated into Deer Select.

Figure 2: Range of wapiti sire values for liveweight at 12 months (Note: wapiti BVs cannot be directly compared with red values as yet). The vertical black line indicates the estimated average merit of animals in 1995



PRODUCER ENGAGEMENT

CHALLENGES AND ACHIEVEMENTS

- The annual deer industry conference in its modern format was held at Dunedin's Town Hall, this year hosted by the Otago Branch of DFA and attracting strong support from deer farmers and the industry servicing and export/processor sectors. The event also hosted delegates to the associated field day at AgResearch's Invermay campus, featuring a farm tour emphasising environmental management. In an interactive session, AgResearch science staff and farmers explored better ways to engage and communicate science needs and research results.
- In spite of firming returns for both venison and velvet antler production, natural attrition and pressure from alternative land-uses still put downward pressure on producer numbers in most areas. However, there are strong trends for improving productivity and increasing numbers of larger, well-integrated deer and multispecies farms.
- Producers, particularly from the Next Generation and the DFA branch leadership, have shown increasing interest and participation in Advance Parties and the P2P programme as the vision and potential for better productivity begin to be seen and discussed.
- Industry communications continue to advance with the regular monthly production of a DINZ e-Zine, monthly upmarket *Stagline-online* for DFA members and continual improvement to the DeerHub at www.deernz.org/deerhub
- In general terms, the impact of Johne's disease (JD) on most deer farms appears to be under good control through the work of Johne's Management Limited and wider education. The majority of the small number of problem herds remain under active JD management plans.
- A new \$140,000 research programme from Otago University's Disease Research Laboratory, jointly funded by the DFA along with AGMARDT, is searching for a set of biomarkers that will be linked to resilience and susceptibility to gastrointestinal and lung parasites. This will parallel the field-testing of JD deer phenotypes using the resistance and susceptibility biomarkers identified in 2014/15.

ENVIRONMENTAL PROJECTS

Deer farmers are particularly pleased to have the professional assistance of DINZ environmental policy manager Lindsay Fung to help them in establishing fair and equitable environmental regulations for deer farmers. Major projects with Environment Southland and Environment Waikato are among others that have been progressing for some time. Deer farmers have been encouraged to complete a Land and Environment Plan or Farm Environment Plan (LEP or FEP) as an entry level environmental measure. Beef + LambNZ has been strongly supportive in this.

Workshop during Next Generation conference at Hanmer Springs, August 2016.

**DINZ STRATEGIC GOAL:
A COHESIVE, RESPECTED
INDUSTRY THAT IS
PROFITABLE AND
CONFIDENT**

Producer management support for this goal included the following:

- Wider deer farmer engagement and evolution of Advance Parties within the P2P programme.
- Further development and extension of the Next Generation programme at both introductory and higher levels and further development of the Next Generation annual conference and communication network.
- Programme manage the annual New Zealand deer industry conference and redefine the Focused Farming programme through development of the DFA-hosted regional workshops and one-off Focused Farming themed field days.
- Strengthen DINZ engagement with service sector and key people.
- Actively participate in the communication strategy to ensure external awareness and internal confidence.
- Continue to engage in environmental advocacy and support through DINZ.
- Initiate activities relating to benchmarking, target setting, performance monitoring and analysis and reporting financial returns.

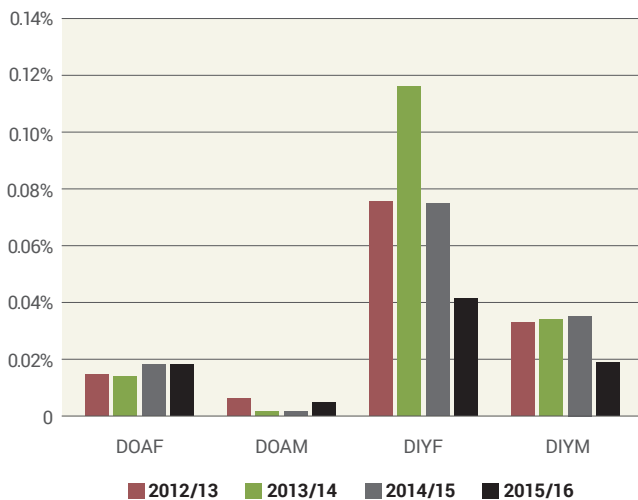


ANIMAL WELFARE AND DEERQA

CHALLENGES AND ACHIEVEMENTS: TRANSPORT

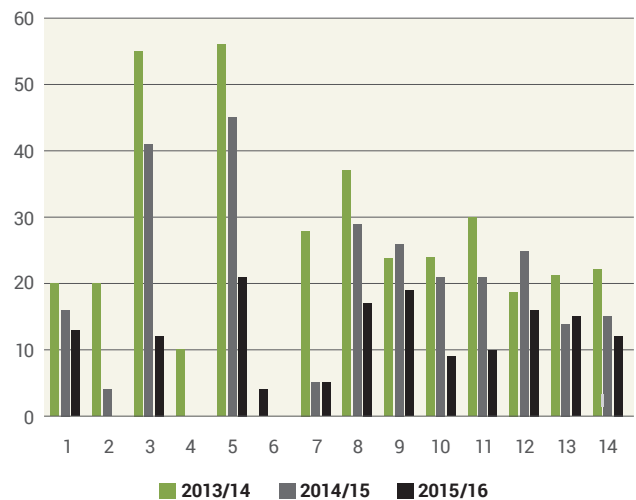
- While animal welfare remains the key driver of the DeerQA Transport Programme, so too does continual improvement in the way the animals are handled, transported and cared for. Statistics gathered by the Ministry for Primary Industries Verification Services (MPI VS) show the continued downward trends in deaths during transport and lairage year on year.
- One component that adds to the continued improvement is undoubtedly the training course that all drivers carrying deer must attend. They learn not only about the transport standards but also about animal welfare and handling of the different species of deer we farm, transport and process. They need to also understand their legal responsibilities under the Animal Welfare Act and, most importantly, know what to do if they notice anything going wrong during transport.
- DeerQA driver training courses are held on demand throughout the country. Over the 25 years the programme has been running, more than 2,000 drivers have participated and been certified to transport deer.
- In the early days of deer transport, many crates were simply made of plywood and 30 deer was considered a big load. Today, deer are transported on big rigs. From the outside, these look like normal stock rigs, but the interior environment for the deer is different. The stocking density – number of deer per pen – is clearly defined and ventilation within the deer crate is a vital component.
- Still of concern is the number of cull hinds that die during transport or in the yards at processing plants after transport. While the number of deaths is falling, further improvement is needed.
- Stress is the biggest killer of deer across the board. The most stressful time in an animal's life is at weaning (dams and fawns). The second most stressful time is during transport. Combining these two events, especially if body condition is poor, is a recipe for problems. To avoid this, hinds should be stood for the required 10 days before transport to the processing plant and unwanted hinds should be culled before winter, not after.

Figure 1: Deer mortality in transit to or in lairage at processing plants 2012/13 – 2015/16 (%)



DEAD ON ARRIVAL (DOA); DEAD IN YARDS (DIY); MALE (M); FEMALE (F).

Figure 2: Total annual deaths (hinds and stags, dead on arrival and dead in yards) by premises 2013/14 – 2015/16



Source: MPI VS

Source: MPI VS

CHALLENGES AND ACHIEVEMENTS: VELVET

Audits

- Auditing of the 2015/2016 velvet season has once again shown excellent results and consistency with previous seasons.
- One hundred and eight audits were carried out, representing 10.58% of certified velvetters.
- National Velvetting Standards Body (NVSBS) auditors carried out their work in all regions during the past season. Auditors were generally complimentary on the way velvetting was done and on the professionalism shown by the majority of velvetters.
- Negative comments included the state of cleanliness in some areas where velvet was being removed, the storage of velvet when removed, the state of repair of some restraints and the hygiene of saws.
- Some deer sheds require new emergency response procedures and/or drug information sheets to be displayed. These items will be sent to those farms before the next velvet season.
- One velvetter failed his audit due to non-compliance. His veterinarian was advised to carry out a follow-up supervisory visit to ascertain compliance and evaluate his ability to continue in the programme.
- While the objective of auditing 10% of velvetters was achieved, some farmer/velvetters that were due for audits declined. Those names will go onto the audit lists for the coming velvet season and will receive a letter from the NVSB pointing out the seriousness and possible consequences of not having an audit.

Surveillance

- In conjunction with the NVSB, the MPI VS Deer Antler Animal Welfare Procedure incorporates a “surveillance approach” in examining lines of velvetted stags presented for slaughter. This is based on strategic weekly surveillance at individual deer slaughter premises (DSP) in accordance with an agreed sampling plan. Monthly velvetting data for the 2015/16 season collected by DSP veterinarians are collated by MPI VS and DINZ personnel. The monthly spreadsheets are then forwarded to MPI for follow-up of individual suppliers where required.
- From September 2015 to the end of January 2016, 298 suppliers across the North and South Islands were captured on spreadsheets. Of these, 92 suppliers were contacted and 32 veterinary practices also contacted to confirm the supplier in question is a client of the practice, and that velvetting services had been provided during the season.
- Of the 92 suppliers contacted, nine required follow-up by DINZ. Four suppliers have been recommended for targeted surveillance (names entered on the “watch list”) in the 2016/17 season. There are no referrals to the Compliance and Response group in the 2015/16 season. This compares with one referral in each of the 2014/15 and 2013/14 seasons, eight referrals in 2012/13 and ten referrals in 2011/12.
- As in previous seasons, most compliance issues relate to accredited NVSB individuals velvetting stags from different herds and whether they have dispensation to do so, or using “NaturO rings” when registered for chemical restraint or local or vice versa. This is followed up and managed by DINZ.
- There is a strong awareness among deer farmers of the requirements for velvetting and acceptance that the surveillance undertaken jointly by DINZ–NVSBS and MPI underpins the integrity of the programme. Most farmers spoken to fully supported the work undertaken.
- Considerable improvement has been noted regarding MPI VS veterinarian knowledge of velvetting techniques and velvet physiology, which has greatly reduced the number of erroneous entries. It is recommended that MPI VS manages calibration across all staff on venison processing plants.

Recommendations

- The continuation of a successful primary sector partnership between MPI, DINZ and NVSB, which delivers meaningful outcomes for the industry. The proposal is to continue with the surveillance approach into the 2016/2017 season.

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Consolidated 2016 \$000	Consolidated 2015 \$000
Revenue income		
Levy income	5,631	6,283
Grant income	798	230
Other revenue	469	443
Total revenue	6,898	6,956
Expenditure		
Research expenditure	1,158	1,295
Venison and velvet promotion expenditure	1,954	2,111
P2P expenditure	1,870	801
Tbfree and NAIT expenditure	1,403	1,405
Other expenditure	1,835	1,944
Total expenditure	8,220	7,556
Movement in investment in associate	(49)	(24)
Total comprehensive revenue and expenditure before taxation	(1,371)	(624)
Taxation expense	-	-
Total comprehensive revenue and expenditure after taxation	(1,371)	(624)

SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	Consolidated 2016 \$000	Consolidated 2015 \$000
CURRENT ASSETS		
Cash at bank	1,085	926
Investments	2,470	4,031
Accounts receivable	658	689
	4,213	5,646
NON CURRENT ASSETS		
Property, plant & equipment	32	24
Intangible assets	-	1
Investments in subsidiaries and associates	12	61
	44	86
Total assets	4,257	5,732
CURRENT LIABILITIES		
Accounts payable and accruals	1,223	1,294
Employee entitlements	111	131
	1,334	1,425
NON-CURRENT LIABILITIES		
Accrued lease liabilities	2	15
Total liabilities	1,336	1,440
Net Assets	2,921	4,292

SUMMARY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Consolidated 2016 \$000	Consolidated 2015 \$000
Opening equity	4,292	4,916
Total comprehensive revenue and expenditure after taxation	(1,371)	(624)
Closing equity	2,921	4,292

SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Consolidated 2016 \$000	Consolidated 2015 \$000
Net cashflows from operating activities	(1,368)	(303)
Net cashflows from investing activities	1,542	946
Net increase in cash held	174	643

NOTES TO SUMMARY FINANCIAL STATEMENTS

The specific disclosures included in this summary financial report have been extracted from the full financial report which was authorised for issue on 30 November 2016.

The full financial statements have been prepared in accordance with Public Benefit Entity Accountancy Standards. The full financial statements have been audited and an unmodified audit opinion has been issued. These summary financial statements comply with PBE FRS 43. Figures are in New Zealand dollars,

which is the Deer Industry New Zealand Consolidated Group's presentation currency. All summary financial information has been rounded to the nearest thousand.

The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report of the Group.

If you require a set of accounts, please email Rob Aloe on rob.aloe@deernz.org and we will forward a copy to you.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF THE DEER INDUSTRY NEW ZEALAND GROUP'S SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

The accompanying summary financial statements of Deer Industry New Zealand on pages 18 to 19, which comprise the summary statement of financial position as at 30 September 2016, and the summary statement of comprehensive revenue and expenditure, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Deer Industry New Zealand Group for the year ended 30 September 2016. We expressed an unmodified audit opinion on those financial statements in our report dated 30 November 2016.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Deer Industry New Zealand Group for the year ended 30 September 2016 are consistent, in all material respects, with those financial statements, in accordance with PBE FRS 43: *Summary Financial Statements*.

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).

The summary financial statements do not contain all the disclosures required for full financial statements under Tier 2 Public Benefit Entity Accounting Standard

(PBE). Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Deer Industry New Zealand Group.

Directors' Responsibility for the Summary Financial Statements

The Directors are responsible on behalf of the Deer Industry New Zealand Group for the preparation of a summary of the audited financial statements, in accordance with PBE FRS 43: *Summary Financial Statements*.

Responsibilities of the Auditor

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810: *Engagements to Report on Summary Financial Statements*.

In addition to the audit, we have carried out assignments in the area of income tax compliance, which are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the Deer Industry New Zealand Group.



Trevor Deed
Deloitte Limited

On behalf of the Auditor-General
Wellington, New Zealand

BOARD MEMBERS

APPOINTED BY THE NEW ZEALAND DEER FARMERS' ASSOCIATION



Clive Jermy, ONZM

Chairman of Deer Industry
New Zealand Research Trust.
Director of Deer and Game
Services Ltd



Collier Isaacs
(Until 30 June 2016)

Officer of FarmIQ Systems Ltd,
Chairman of DEERresearch
Shareholder of Farmlands

ELECTED BY VENISON MARKETERS AND PROCESSORS



Danny Hailes

Officer of Alliance Group Limited
Director of DEERresearch Ltd



Dean Hamilton

Officer of Silver Fern Farms Ltd.
Director of Armadale Partners
Limited, Hamilton & Co Ltd



William Oliver

Trustee of Oliver Whalan Trust
Director of Waerenga Holdings
Ltd, Three Rivers Ag Ltd,
Rangitoto Pines Ltd and Great
Oak Forests Ltd
Shareholder of Silver Fern Farms
Ltd and Provelco



Dr Ian Walker
(From 1 July 2016)

Owner, Kilgaren Farm Partnership
Director of Centralines Ltd,
DEERresearch Ltd
Director and shareholder,
Marama Farming Company



Glenn Tyrrell

Officer of Duncan New Zealand
Ltd. Shareholder of Duncan New
Zealand Ltd

ELECTED BY VELVET MARKETERS AND PROCESSORS



Andrew Macfarlane

Director of ANZCO Foods,
AgResearch Ltd, Ngai Tahu
Farming Ltd, Windwhistle
Pastoral Ltd and Macfarlane
Rural Business Ltd
Councillor, Lincoln University

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 and dereliction of health and safety duties. To manage this risk, the Group has directors' and officers' insurance.



Colin Stevenson

CK Import Export Ltd

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