

CHANGES TO GRADING GUIDELINES FOR THE 2004/05 SEASON

Reported by the Velvet Grading Guideline Review Committee (VGRC). The VGRC comprises representatives from producers, velvet processor/exporters, pools, road buyers and a researcher. The group annually considers submissions from industry on proposed changes to the grading guidelines.

IN BRIEF (MORE DETAILS OVERLEAF):

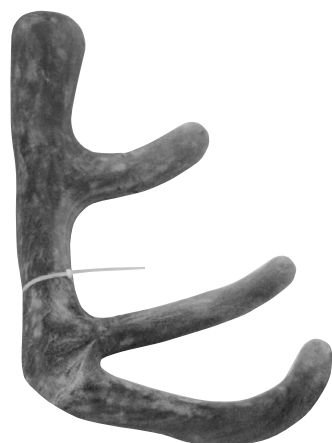
The Velvet Grading Guideline Review Committee (VGRC) met on 12 July 2004 and agreed the following clarification of the Super A grade:

GRADE	COMMENT
SA Premium	SA specifications; 2 basal tyne, good conformation (see below)
SA 1	SA specifications; 1 basal tyne
SA 2	SA specifications; 2 basal tyne; conformation does not meet SA Premium (see below)
SA LT	Existing SA LT specifications

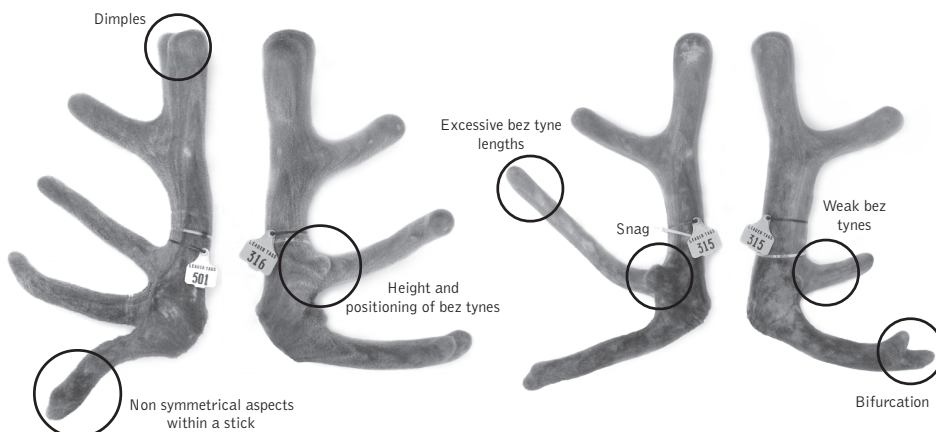
- SA specifications are:
 - Minimum weight 1.8 kgs
 - Circumference > 18cm
 - Maximum top length equivalent to circumference
- Good conformation means NO:
 - Bifurcation (splitting or dividing) of tyne
 - Dimples
 - Excessive bez tyne lengths
 - Weak bez or trez tyne
 - Snags and basal hangers
 - Non symmetrical aspects within a stick
 - Height and positioning of bez tyne
- The SA Premium name relates specifically to a specific style of velvet required by the Taiwanese market. Other markets value other grades and styles of velvet, eg A,B,C Korean Mix for Korean pharmaceutical use, or well cut regrowth (RG) for the Chinese market.
- SA1 LT and SA2 LT have been combined into a single grade simply called SA LT.
- The VGRC decided against making wholesale changes to the grading guidelines. In their combined view, the guidelines continue to serve the specific purpose of combining velvet styles and dimensions (like with like) based on market needs.
- The VGRC recommended that a new grading guidelines poster be produced during the 2004/05 velvet season.
- The VGRC recommended a communication programme for producers that shows the effective yield differences following processing between S, M and LT velvet be developed. This will be produced during the 2004/05 velvet season and consist of explanations and photographs of frozen and processed product.

2 Key Grading Guideline Principles Re-endorsed:

- Matching like velvet with like velvet
- Grading velvet according to market requirements



SA PREMIUM



SA2

IN MORE DETAIL:

- An amended remit was passed at the NZDFA AGM that read, 'That this meeting directs the Velvet Grading Review Committee to review the grading system for Deer Velvet Antler'.

The original remit had expressed concern relating to the application and understanding of SA grades and wanted all long top grades abolished. The overriding sentiment was to simplify and reduce the number of grades and address concerns with SA and SA2 grades.

Issue discussed: Whether it would be beneficial to decrease and simplify the number of velvet grades.

- Possible grade reductions were discussed and the VGRC agreed as follows:

POSSIBLE REDUCTION	ADVANTAGES	DISADVANTAGES	DECISION
Merge M and LT grades	Decreases number of grades.	Producers with Medium grade velvet would be motivated to grow M velvet to LT for the extra weight going into the same grade. This would result in lower quality national production (more LT) and higher production volumes.	On balance, the NZ velvet industry would be better served by retaining LT and M grades separation.
	Given returns to producers have been similar for M and LT over the past two seasons, merging the grades may not decrease prices for producers significantly.	M and LT are fundamentally different products. M is still cut short (same top length), but is longer in the beam (Overall length) where as LT is actually grown out longer. So merging LT and M does not put "like with like".	
Merge 1 and 2 tyne grades	This would significantly decrease the number of grades.	There are buyers who have a clear preference for 1 tyne velvet (slicing yield), and their purchase patterns reflect that.	The VGRC agreed that the net effect of merging 1 and 2 tynes would not benefit the NZ velvet industry.
		Merging of 1 or 2 tynes would be inconsistent with the principles of grouping "like with like" according to market requirements.	
		The VGRC also noted that the lot sizes for AS grades are already large and often require separate lines being sold. Merging A1S with A2S would make the situation worse.	
Merge 1 and 2 tyne grades other than for Short grades (M and LT etc)	Given that lot sizes for batches other than Short grades are not too large, 1 and 2 could be combined.	Having some grades separated into 1 and 2 tynes and others not, would be more confusing.	The VGRC agreed that the consequences of merging 1 and 2 tynes other than Short grades would not benefit the NZ velvet industry.
Delete TW2 and TW4 grades	These grades are little used and there is little buyer demand for them.	The only other place for the TW2 and TW4 would be Manufacturing. The VGRC did not believe this would be equitable to producers.	The VGRC agreed that it is preferable to retain TW2 and TW4.

- The VGRC concluded that the grading guidelines are not too confusing to producers who graded their own velvet and made the effort to understand the system. The issue that would require urgent attention and action would be if the number of grades were directly leading to lower returns for producers. The VGRC does not believe this is the case.

Issue discussed: Whether the new (2003) SA grade has had a negative impact on producer returns

- The VGRC discussed the introduction and impact of the new SA grade last season. Key issues were:
 - Interpretation of 'good conformation'
 - The name SA was confusing
 - Communication of the change was inadequate
 - Buying specifications themselves differed between buyers and within the season

The VGRC agreed that the introduction of the grade was appropriate to cater to a specific market and that the grade should continue.

The VGRC agreed that a new name and clarification of the grades was appropriate as follows:

GRADE	COMMENT	LAST SEASON	BEFORE LAST SEASON
SA Premium	SA specifications; 2 basal tynes, good conformation (see below)	SA2	SA2
SA 1	SA specifications; 1 basal tyne;	SA1	SA1
SA 2	SA specifications; 2 basal tynes; conformation does not meet SA Premium	SA	SA2
SA LT	Existing SA LT specifications	SA1 LT & SA2 LT	SA1 LT & SA2 LT

- The VGRC agreed that SA1 LT and SA2 LT could usefully be combined.
- The VGRC discussed whether SA1 and SA2 could be combined into one grade. It was agreed that this could have a negative impact on SA1 prices and should not proceed.
- The VGRC also agreed that a new grading guideline poster should be produced to communicate the changes in SA and also in the lower grades, but that as new images would be needed, the poster would need to be produced for next velvet season.