



DEER INDUSTRY
NEW ZEALAND
CLICK HERE TO
START

ANNUAL REPORT

2010/11



DEER INDUSTRY
NEW ZEALAND



About this annual report

Welcome to Deer Industry New Zealand Annual Report for 2010/11.

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

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

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MISSION

TO PROMOTE AND ASSIST THE DEVELOPMENT OF THE NEW ZEALAND DEER INDUSTRY. A STRONG, STABLE, PROFITABLE INDUSTRY FOR ALL PARTICIPANTS.

VISION FOR VENISON

INSPIRE THE NEW ZEALAND DEER INDUSTRY TO PROFITABLY GROW AND MARKET THE WORLD'S BEST RED MEAT.

VISION FOR VELVET

NEW ZEALAND DEER VELVET IS RECOGNISED, VALUED AND SOLD AS THE BEST IN ITS CLASS IN ASIAN MARKETS.

INTRODUCTION



WHAT WE SAID WE'D DO

More venison on New Zealand TV.

More New Zealand venison on German TV.

Continuation of German retail tastings and food service promotion.

Cervena getting big ups from US chefs.

More New Zealand venison promotions in the UK.

Provide New Zealand Korea Free Trade Agreement negotiating team with necessary support to encourage a favourable outcome for the New Zealand deer industry.

Complete and distribute a new suite of velvet marketing collateral to assist in promotion of New Zealand deer velvet.

Increase awareness of New Zealand velvet and its quality aspects through appropriate seminars.

Investigate feasibility for New Zealand velvet to get registered as a Healthy Functional Food in Korea and/or China.

36th Annual deer industry conference *"Who Deers Wins"*, with a new-style format and emphasis on the next generation's aspirations and products in the markets.

On-farm field days for the 2010/11 environmental awards.

WHAT WE DID

New Zealand venison featured on three cooking shows on New Zealand television as a result of DINZ activities.

12 minute story about NZ Venison screened on the prime time German TV show Galileo was watched by 2.3 million viewers.

DINZ funded and organised ongoing instore tastings and retail promotions when requested to by European importing companies.

Cervena featured at chef events throughout the year, receiving endorsement.

DINZ staff and contractors presented venison to UK Chef groups, media and supermarket buyers, in conjunction with their New Zealand suppliers.

Despite official negotiations being largely on hold, Deer Industry New Zealand continued to work with key negotiating personnel in New Zealand and Korea.

Completion of new promotional DVDs in four key languages. Continued distribution of new marketing collateral.

Represented at leading TCM seminar in Bozhou with a stand promoting New Zealand velvet. This stand was also displayed at ASPT3 in China.

Work continued with progress being made with New Zealand government, Chinese industry associations and Korean food marketers.

Well attended conference with strong acceptance of new format and keynote speakers. Youth forum was a highlight for many. There were 220 attendees at associated field day at Raincliff Station.

Premier award field day at Landcorp's Mararoa station in February featured Landcorp and QE2 Trust senior management and board members. Very good field days also held in association with local DFA branches for merit award winners in Hawke's Bay and Kaipara.

WHAT WE SAID WE'D DO

Conclusion of Round 1 and development of the next 3-year round of the industry's productivity strategy and its extension through the Focus Farms programme.

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

Development and first steps in an extensive industry Central Progeny Test programme for venison production and development of yield-based traits and measurement systems.

Development of a risk management plan for Johne's disease encompassing JGR2's work, linking with JML and developing a QA and auditable approach to on-farm testing and JD elimination.

WHAT WE DID

New Focus Farms in North Canterbury (Zino brothers), Te Awamutu (Brian and Jacqui Wellington), South Canterbury (Downlands Deer/Clayton Station). Ongoing relationship in Southland with Landcorp Farming in Fiordland basin and David and Pam Nind at Five Rivers.

Bi-annual gross margins enterprise reviews published in *Deer Industry News*.

Whiterock Station and Invermay selected for AI programme (400 hinds each 70% conception success rate). Eight leading properties within DEERSelect have offered 16 stags (including elk/wapiti) selected to strengthen herd linkages. Alliance Group Ltd and Landcorp Farming have backed the scheme financially and initial trait selection will include yield-based measurements along with maternal traits and terminal carcass traits.

SFF JGR2 project extension granted to increase scope of risk management plans across the supply chain. Emphasis on "know your (JD) status" programmes on farms developed. Combination with JML, on farm assistance in diagnosis and disease management on the 60 most at-risk properties. Awareness at an all time high; cost benefit of intervention and control programmes demonstrated.



REPORT FROM THE CHAIRMAN



“What a great year to be deer farming!”



ANDY MACFARLANE, CHAIRMAN

What a great year to be deer farming!

- A weather pattern from heaven for most parts of New Zealand
- Good product prices
- Low interest rates in absolute terms
- Achieving such gains in the midst of a global economic crisis that not only affected buying power in our key markets but which re-rated our currency against those less stable economies we sell to.

The global trend towards higher protein prices was (and continues to be) led by milk and grain protein with meat protein influenced by the same factors, but in a lagged fashion.

The drivers to beef, lamb, and venison prices are different, but the trends are all positive. Lamb prices are responding to a significant global reduction in traded lamb.

Beef prices, as a commodity, are responding positively to supply-demand patterns in the key supply nations of the United States and South America.

As a high end meat with a very seasonal traditional demand pattern, venison has slightly different price drivers, but is influenced by beef, lamb and exotic meat prices.

Supply and demand were generally well balanced during the period. The negative of a heavy exposure to the European economy was offset by the dominant market being Europe's strongest economy. Traditions die hard, and the European taste for venison in the hunting season continues, supplemented now by a growing taste to consume in the manner demonstrated by a wide range of chefs, led by Graham Brown which is the way New Zealanders also prefer to eat venison!

Ironically, the factors that historically made venison a more volatile-priced product than beef and lamb have made it more stable and a valuable part of a restaurant or home menu.

I do not expect major price spikes as seen with lamb over the past 12 months. Equally, we do expect to consolidate realistic price gains.

On the production side, deer farming is now consolidated as a key part of a balanced farming portfolio for many farmers.

I do not see beef and lamb as competition meats, but companion products to integrate alongside venison and velvet according to the characteristics of each property.

From a profitability perspective, venison and velvet production sit comfortably ahead of other land uses on hill and high country. Venison finishing systems compete with any finishing system on lowland farms and, when integrated with other classes of livestock, provide very high per-hectare earnings.

OUR CHALLENGES FOR 2012

Clarity of message

- We at Deer Industry New Zealand aim to give you clear messages on our views so as to enable you to make good farming decisions.

The race to increase productivity without compromising environmental and social outcomes has started!

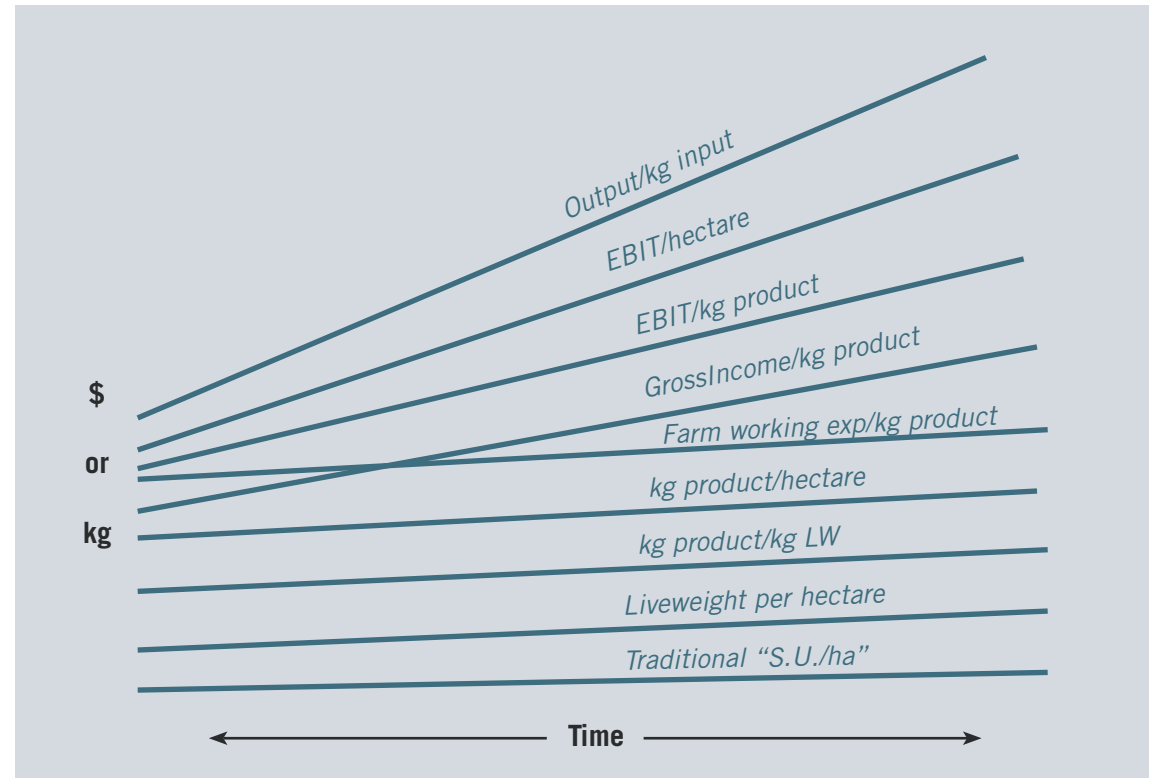
In order to focus on the key drivers to a successful outcome, clarity of message is critical.

Clarity of message typically involves simple, easy-to-understand, believable, consistent messages with readily understood measures of success. That is a key reason why the dairy industry, with its measures of production and genetic gain (kg/MS/cow, kg/MS/ha, BW, PW) has made faster production gains over the past decade.

We can do better and the graph on the right illustrates the way we can target and measure progress:

If on-farm productivity improves, as measured by more productive feed, supporting more liveweight per hectare, producing more product per kg liveweight run, and the value chain produces more income per kg product at a lower proportional cost, then a greater earnings before interest and tax (EBIT) per kg output and hence greater profit per hectare results.

"Success", as measured by improving productivity, profitability, and resource use efficiency.



To protect New Zealand's natural resources, that additional output must be produced at a lower proportional input level. Key inputs include, but are not limited to, labour, capital, water, carbon, phosphate and nitrogen.

Enhancing profitability

- Our driver has to be earnings per kg of product and earnings per hectare.

EBIT is gross income less the costs of production and reflects not only market realisation, but productivity and the cost to achieve that production.

- Our industry structure, with all parts of the value chain represented at the board table, enables us to look at profitability from the farm to the market.
- We are, as you know, undertaking a major review of productivity potential and opportunities to generate more improvements while spending industry funds in a smart manner.

The Productivity Leadership Group, led by Mandy Bell, with great input from Gavin Sheath, Paddy Boyd and Glenn Tyrrell, along with me, has been highly encouraged by the time input and commitment by the teams allocated to each productivity theme. Those themes are: animal health, physiology and genetics, feed and nutrition, freedom to operate and processing.

Those themes are informed by an industry marketing team, teased out by a value chain group wanting to extract profit, and systemised by a farm business management group.

If we wish to have competitive profitability for venison and velvet production systems for our children, we must attack this initiative with vigour!

We will report to you at our May conference in Wanaka – be there.

Communication with our public:

Building the **brand** of New Zealand Agriculture and New Zealand farmers.

Brand is not the smart logo, it is our reputation, what people think about us, what we stand for, our integrity, our credibility.

Several initiatives have, or have shown promise of, building the farming brand with the New Zealand public. Obvious examples include the Ballance Farm Environment Awards, The “Farmy Army” and the newly announced Fonterra “Milk in Schools” initiative.

With 86 percent of New Zealanders now living in an urban environment, we in the rural sector not only need to earn their respect, we require some of those people to train and make a living in the rural sector. Along with our overseas consumers, they have a large say in our “licence to operate”.

We have huge untapped potential to take our brand management to a new level.

Our challenge is to not only encourage farmers to see deer products as part of their product portfolio, but to encourage bankers to lend to deer farmers, young people to see deer farming as a career path and consumers to experience greater awareness of the benefits of venison and velvet.

With clear direction, stability of product pricing at enhanced levels and increasing production per unit of deer live weight farmed, we as an industry can steadily increase our confidence to invest in capital-intensive deer farming ventures.

DINZ

I lead a board and an executive that is highly motivated to attack those challenges.

During the year, Andrew Duncan, Grant Cuff, Graham Carr and John McDonald retired, being replaced by Danny Hailes, Commercial Manager for Alliance, Andrew West, scientist and former CEO of AgResearch, Tim Aitken, farmer of Hawke's Bay, and Colin Stevenson, deer velvet marketer.

Grant has provided cool-headed, sound advice to our board in a very collaborative manner and we welcome his ongoing commitment to the deer industry. His replacement, Danny Hailes, has attacked his role with great enthusiasm and input.

Graham Carr, an icon of New Zealand deer farming, made a huge contribution to the board and only left on the condition a young successor was found. Tim Aitken is that man.

John McDonald has proven to be the “wise old man” of the deer velvet industry. His sage advice will be missed. His replacement, Colin Stevenson, loses nothing in his

commercial acumen; his understanding of our key Asian markets and clients is critical to the balance of our board.

Late in 2010, Andrew Duncan resigned to put more hands-on time into his venison marketing business. As a foundation member of the Deer Industry New Zealand board, Andrew's commitment to our industry is credible and ongoing. Andrew has never backed away from challenges and his pioneering, dogged spirit epitomises this industry.

His successor, Andrew West, offers a different skill set. He is one of New Zealand's top scientists, with an inherent understanding of biological systems, a challenging mind like Andrew's and is a great asset to the deer industry.

As you can see, the Deer Industry New Zealand board has diversity of skill set and huge commitment from already busy people.

I have great pleasure and delight in leading such a committed, cohesive team representing the entire value chain.

With a large board turnover and a number of new projects, Mark O'Connor and his team of Innes Moffat, Rhys Griffiths, Tony Pearse, John Tacon, Catharine Byrne, Amy Wills and Pam MacLeman have had a very busy year.

The May conference in Timaru was a highlight of the year, for which I thank not only Mark, Tony and the Deer Industry New Zealand team, but also the South Canterbury Committee led by Murray Coutts, David Morgan and others, for such outstanding organisation and initiative, particularly in bringing in so many young people.

Deer Industry New Zealand is in a sound financial position, but is guarding closely the wisdom of our spend on the industry's behalf. You can be confident that whatever is spent, will be value for money!

I have a huge enthusiasm for the future of this industry as an integral part of New Zealand agriculture.

While it may never rival other land uses in scale, its inherent compatibility with our grass curve, high value output and the enthusiasm of its human resource ensure a growing fit.

Your challenge, and mine, is to enthuse and commit your successors as much as you have been.

Good luck for 2012.



Andy Macfarlane
Chairman, Deer Industry New Zealand



REPORT FROM THE CEO



“Just as the deer industry has benefited from stable prices at reasonable levels, so has Deer Industry New Zealand.”

MARK O'CONNOR, CHIEF EXECUTIVE

Deer Industry New Zealand's work during the period ending 30 September 2011 focused on its roles in executing the Venison and Velvet Industry Strategic Intents. These five-year intents set industry-good direction to support commercially led plans in the New Zealand deer industry.

Just as the deer industry has benefited from stable prices at reasonable levels, so has Deer Industry New Zealand. The organisation has been busy in the past year with initiatives to improve industry productivity and effectively position New Zealand's deer products in markets, as well as other core services.

The industry discussed and affirmed visions for New Zealand venison and velvet during the period. These are useful to communicate some of Deer Industry New Zealand's work to support the Five Year Strategic Intents over the past year.

A VISION FOR NEW ZEALAND VENISON

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

Inspiring the New Zealand deer industry:

- An excellent industry conference in Timaru focused on the younger members of the deer industry debating what is important to them and what their deer industry means to them. Attendance of more than 250 and very positive feedback from attendees.
- Bi-monthly editions of *Deer Industry News* brought the latest information relevant to the deer industry from all parts of the value chains.
- **Focus farms** led by local communities attracted large numbers of people to field days, which build a sense of community and identity in the deer industry.

- Support for the **New Zealand Deer Farmers' Association** was given to maintain strong local branches and communities of deer farmers.

...to profitably grow...

- A comprehensive programme to improve productivity was initiated in the New Zealand deer industry involving some 40 farmers, veterinarians, scientists, farm consultants and industry personnel.
- Levy funds were invested in the Venison Supply Systems programme to efficiently and sustainably produce venison according to customers' needs.
- A Deer Progeny Test was launched in May 2011 to capture and lock in genetic gain for traits such as meat yield that are important to the deer industry and its customers.

... and market the world's best red meat...

- Foundation consumer research was coordinated in Germany to review and deepen the industry's understanding of the current and future consumers of New Zealand venison.
- Twenty-two joint promotional projects took place with 19 companies in New Zealand and offshore levy funds invested of \$314,944, leveraged more than \$330,000 in investment from industry.
- Promotion targeting German chefs was undertaken to remind, encourage and support the use of New Zealand venison in the German food service sector.
- Focus on establishing the reputation of New Zealand venison as a premium red meat among select supermarket shoppers in Germany continued despite retail volumes being lower because of lower supply.
- Promotions were supported and undertaken in a wide range of European markets including The Netherlands, Switzerland, United Kingdom and Belgium.
- The benefits of Cervena® were communicated in the United States by undertaking promotion at the chef level through the story of New Zealand Cervena Venison.

A VISION FOR NEW ZEALAND VELVET

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

New Zealand velvet is recognised...

- Work was completed to the proof of concept stage on a tool to prove New Zealand velvet's origin.
- Deer Industry New Zealand participated in a leading Chinese traditional medicine trade show in Bozhou, China; there were more than 400 display booths, attracting thousands in the traditional oriental medicine industry.
- Relationships were developed with three Chinese trade associations to begin to establish New Zealand velvet's credentials in China.

...valued...

- Key staff from the Association of Korean Oriental Medicine were welcomed to New Zealand to deepen their understanding of the quality and benefits of New Zealand velvet.
- A major group of officials was in New Zealand, including five mayors and magistrates, to communicate the strengths of New Zealand velvet to important buyers.

...and sold as the best in its class in Asian markets.

- The use of New Zealand velvet in products marketed by a major South Korean consumer brand that currently uses about 8% of New Zealand's velvet production was supported and encouraged.
- The production of marketing material by a major marketer and distributor of New Zealand velvet showing the benefits of New Zealand velvet over alternative suppliers was coordinated.

FINANCIAL POSITION

Deer Industry New Zealand remained in a healthy financial position with reserves of approximately \$4.8 million at the end of the period, including funds granted to the Deer Industry New Zealand Research Trust for industry-good research activity. The Board has noted that it will move toward a reserve position of approximately \$2 million over the next five years to ensure that funds are available for contingent needs of industry. Deer Industry New Zealand maintains conservative hedging and investment policies appropriate to the nature and purpose of the organisation.

INDUSTRY RETURNS AND POSITION

Producer returns were reasonably strong during the period with an average schedule of \$7.94 per kg

(AP stag) and a weighted average velvet price of approximately \$88 per frozen kg across all velvet grades (approximately \$105 for Korean grades). Of particular note, the year ended 30 September 2011 was the fourth year of consistent venison prices to producers with only a 7% variance in the average schedule over the four years. This consistency, despite significant economic challenges in US and European markets, has underpinned increasing general confidence in the New Zealand deer industry. This consistency is not caused by low supply. Total venison supply is actually fairly close to the 10-year average annual supply of animals. It is due to strong commercial commitment by companies and good, committed supply partnerships in the market. It is also due to industry market development and commitment to New Zealand venison.

While returns to velvet's producers were better for the second year in a row, its position remains more challenging with fragmented supply arrangements. However, opportunities abound in China with more velvet being traded by well-capitalised buyers and more often consumed in China. Also, South Korea continues to mature as a market for New Zealand velvet with more sophisticated healthy products benefitting from the quality specifications that New Zealand can meet.

New Zealand's good biosecurity status is increasingly a competitive advantage that must be well protected and managed.

OPERATIONAL POSITION

Deer Industry New Zealand continued to operate efficiently during the period with a small, dedicated team. Following the departure of two staff, Deer Industry New Zealand created two new roles. Catharine Byrne was appointed Science and Policy Manager. She has contributed strongly in both areas and Deer Industry New Zealand's capacity to provide well-researched, evidence-based policy positions has improved significantly by her addition. Amy Wills was appointed Producer Coordinator to support the Producer Manager. She has quickly made the position her own and established a wide network of contacts in the industry by demonstrating capacity for getting plenty of work done. As well as the two new additions, I am very fortunate to work with an experienced Executive dedicated to the New Zealand deer industry and its development. Deer Industry New Zealand's operations are greatly assisted by support from Beef + Lamb New Zealand, particularly Sandra Windley and Cros Spooner.

I thank the Board for its sound guidance and support.



Mark O'Connor
Chief Executive Officer



WHAT TO LOOK OUT FOR IN 2012

- Refreshed promotion messages to German chefs.
- Constant improvement in measuring impact of promotion activities.
- Forge working partnerships with European Chef's associations.
- Improve market access with China including a transparent market channel for New Zealand velvet.
- Conduct application process to get a commercial New Zealand velvet product registered in China.
- Establish a commercial link between large Korean food marketer and New Zealand company.
- Improve trade conditions with Korea, particularly around a possible FTA and/or Consumption Tax areas.
- Undertake further promotion in Korea to strengthen the New Zealand velvet brand.
- Continue to seek ways to improve trade conditions with Taiwan.
- The 37th annual deer industry conference Naturally deer Naturally better, will be held at the Lake Wanaka Centre in Wanaka, Central Otago on 15–16 May. The new-style format features inspirational speakers, productivity review results from the Productivity Leadership Group and an emphasis on the mix between urban expectations and the realities of rural life.
- A major field day associated with the conference featuring deer farming in parallel with sheep production in the high country.
- The 2012/13 biennial Deer Industry Environment Awards.
- Year 2 of the second round of the Focus Farms programme with improved running and planning on Focus Farm field days based on feedback from farmers.
- Sustainable Farming Fund-funded “after the field day” initiative to improve Focus Farm reporting, practical take home messages and advice.
- Greater emphasis on land use and relative profitability analyses for deer farming and other livestock options.
- DINZ website development in keeping with strategy for productivity and information availability.
- Growth of Producer Coordinator role growth with stronger DFA and productivity programme support.
- Productivity improvement programme presented to industry along with cost benefit analysis and priorities in research, extension and application.
- Year 2 of an extensive Deer Progeny Test programme for venison production and development of yield-based traits and measurement systems with a major emphasis of DEERSelect.
- Conclusion of the major SFF-funded JRG2 project risk management plan for Johne's disease encompassing JGR2's work, linking with Johne's Management Ltd and developing a QA and auditable approach to on-farm testing and JD elimination.
- Formal acceptance by AHB of a new reduced Tb skin testing requirement for all closed deer herds based on individual risk assessment, allowing herds currently annual testing to extend to three-yearly testing.

DEER INDUSTRY NEW ZEALAND BOARD MEMBERS

APPOINTED BY THE NEW ZEALAND DEER FARMERS' ASSOCIATION



Tim Aitken

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

Shareholder of Firstlight Venison (NZ) Ltd and Farmlands

Owner of The Steyning (a deer farm)



Jeremy Bell

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

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



Collier Isaacs

Officer of FarmIQ
Chairman of DEEResearch, Deer Industry Genetic Evaluation Steering Committee

Shareholder of Farmlands



Andrew Macfarlane

Director of ANZCO Foods and AgResearch Ltd

Shareholder of Windwhistle Pastoral Ltd and Macfarlane Rural Business Ltd

Councillor, Lincoln University



Danny Hailes

Officer of Alliance Group Limited



Glenn Tyrrell

Officer of Silver Fern Farms Ltd



Andrew West

Consultant of Seales Winslow Ltd

Adjunct Professor of Agribusiness, Waikato University

Chair of Herd Homes Systems Ltd and Te Arawa Geothermal Ltd

Director of (amongst others) DairySolutioNZ Ltd, BeefSolutioNZ Ltd and Innovation Waikato Ltd

ELECTED BY VENISON MARKETERS AND PROCESSORS



Colin Stevenson

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

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

VENISON



VENISON REPORT

THE NEW ZEALAND VENISON MARKET

Throughout the year ending 30 September 2011, steadily improving international food prices underpinned historically high European venison prices. While the strength of the NZ dollar (driven by these highly valued commodities) eroded some of these gains for venison producers, the venison schedule over the year averaged \$7.94/kg (AP Stag), the third highest on record.

Venison producers experienced a fourth season of higher than average returns, with a flatter schedule and a longer chilled peak than has been the historical norm.

However, as the year progressed the spectre of a growing European recession and currency crisis began to cloud the otherwise positive picture for New Zealand venison.

The story that dominated the year for New Zealand venison was the threat of governments in Europe not being able to repay sovereign debt built up during the years of easy credit and economic expansion funded by low interest rates. First Greece, then Ireland, then Portugal and finally Italy had to seek assistance from countries of the European Union and the International Monetary fund to avoid default.

About 80% of New Zealand's venison is consumed in Europe and 70% is paid for in Euros, but while the main markets of Germany, the Netherlands, Sweden and Switzerland remained robust the year finished with declining restaurant sales and concerns that the high prices paid for venison through the year might not be recouped on falling demand from the restaurant sector.

Other markets continued to be positive for New Zealand venison, with demand recovering in North America, increased sales to UK supermarkets and continued sales in New Zealand supermarkets.



ACTIONS TO ACHIEVE THE OBJECTIVES OF THE VENISON INDUSTRY STRATEGIC INTENT

The work of Deer Industry New Zealand is guided by the *Venison Industry Strategic Intent – 2010-2014* which pursues the vision of profitably growing and marketing the World's Best Red Meat. This plan sets out the five strategic objectives for the venison industry, with recommended actions required for their attainment. They are:

1. **Achieve demand-led premium positioning for 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, and**
5. **Ensure the industry has freedom to operate.**

All participants in the industry have roles to play in achieving these goals. Deer Industry New Zealand, acting in partnership with processing and marketing companies has been working to ensure success in these areas.

DEMAND-LED PREMIUM POSITIONING

Deer Industry New Zealand had three main workstreams in 2010–11 to achieve this goal by targeting three customer groups:

1. **Young European Chefs;**
2. **German supermarket customers; and**
3. **North American white table cloth restaurant chefs.**

New Zealand venison sales remain reliant on the traditional European game season and within this market the mid-level traditional German style restaurant are especially important customers. While sales to this sector were steady through the year Deer Industry New Zealand and venison marketers aim to spread demand across other segments of the restaurant sector. International style restaurant, run by young outward looking and innovative chefs are an ideal target for New Zealand venison. Deer Industry New Zealand has been positioning New Zealand venison as a premium red meat by associating the brand with successful chefs, chef events and competitions.

New Zealand venison was prominently displayed at a gathering of Germany's top chefs in Cologne, Germany, at **ChefSache**. New Zealand venison was a prominent sponsor of the national Chef of the Year (**Koch des Jahres**) competition in Germany in 2011, which culminated in a live cooking final at the **ANUGA trade**

fair. Deer Industry New Zealand signed an agreement to undertake a range of education and promotion activities with the **Young Restaurateurs of Europe in Belgium**. A list of around 80 of the best young chefs in Germany was identified and each was individually approached with information on New Zealand venison and each was offered free samples to use. And finally, in collaboration with Beef + Lamb NZ, a series of culinary demonstrations across 12 cooking schools in Germany allowed masters students to work with New Zealand beef, lamb and venison and learn about the reason why farm-raised venison is tender and delicious.



Kiwi chef Shannon Campbell (9th from left) with the group of senior chef students and staff following Pure New Zealand Cuisine presentation in Koblenz, Germany.



Contestants of the German Koch Des Jahres (Chef of the Year) competition, sponsored by Deer Industry New Zealand.

Retail support

Retail is an important sales sector for chilled venison, and one that holds promise for increasing out-of-season exports. While the volume of venison available for sale in German supermarkets has declined in recent years, marketing companies remain focused on establishing the reputation of New Zealand Venison as a premium red meat among select supermarket shoppers.

In-store tastings using large format mobile kitchens and professional chefs to maximise visibility and consumer interaction were run at importers' request across stores in many cities across Germany over the year.



Deer Industry New Zealand co-ordinated the production of a **12 minute television feature** following New Zealand Venison from the farm, through a processing plant, by ship to Germany, and finally cooked by a chef for some happy diners. This was broadcast to an estimated audience of 2.3 million in October 2010 on the current affairs programme *Galileo*.

Cervena® programme

In North America the Cervena licensees continued to work in collaboration to maintain the reputation of Cervena venison as a premium red meat. Chef Brad Farmerie was again active in promoting Cervena at his **Michelin starred restaurant**, and at a variety of events over the course of the year.

Cervena was served at a series of chef award galas organised by **StarChefs.com**. Chefs and food writers in New York, Houston, Washington DC and Chicago were served Cervena cooked by chefs recognised as the “rising stars” of their city.

Cervena was also demonstrated to chefs at the **International Chefs Congress in New York in October 2010**. This gathering of 1,500 chefs from across the United States gathered to learn about the best ingredients and learn from industry leaders.



Cervena was a sponsor of a **conference in Washington DC** dedicated to discussing sustainable food production systems. The keynote speaker at the conference was HRH Prince Charles and while his message that food production needs to become less industrial and more carefully balanced with environmental capacity may not have gone down well with the American Feedlot industry, his support for grass-raised extensive animal husbandry had plenty of parallels with the New Zealand venison story.

Understanding consumer needs

Importantly, the industry strategy recognises that premium positioning must be demand led – that means ensuring that the attributes promoted meet the target customers needs and expectations. Marketing companies initiated a substantial research project in 2011 to better understand venison consumer requirements. A survey of 2,000 Germans provided the most comprehensive view yet achieved of who eats venison and why they eat it. It confirmed the strong seasonal nature of consumption, but highlighted the even spread throughout geographic income and age groups across Germany.

Small groups of consumers and chefs were interviewed to get more a more in-depth assessment of use and attitude toward venison and this exposed the very planned nature of venison shopping, the lack of confidence among consumers about cooking

venison, and a strong suspicion of frozen meat in the supermarkets. Consumers expressed reservations about buying frozen meat – assuming it had reached the end of its chilled shelf-life before needing to be frozen.

The research confirmed the strong positive associations that consumers would have to a story about free-range farming to produce natural healthy meat. Careful positioning of New Zealand venison is required to assuage the contradiction in German consumers' desire for venison for use as a traditional special occasion meal and their acceptance of imported farm raised venison.

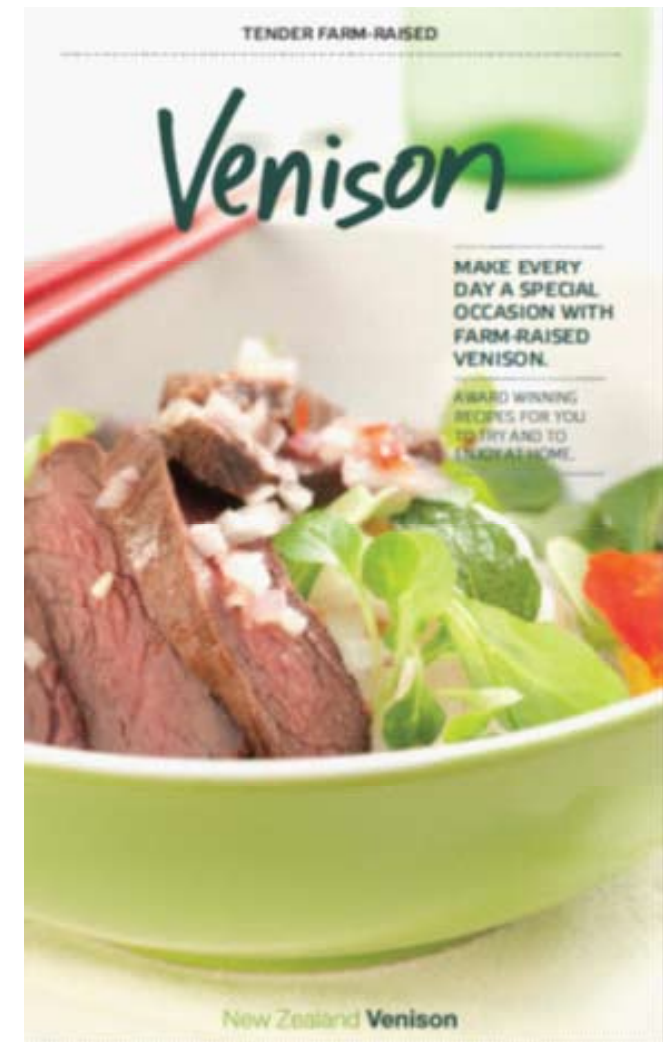
FULLY SUPPORT LONG-TERM MARKET AND PRODUCT DEVELOPMENT:

Deer Industry New Zealand funded several market development initiatives in conjunction with exporting companies over the year. Venison marketers agreed it is beneficial to undertake generic activity in markets where most companies will share the benefit, but that in individual markets served by only one exporter, promotion is best undertaken on an individual company basis. Supermarket promotions were supported in the Netherlands, Switzerland, and the UK with Deer Industry New Zealand funding, and staff, assisting individual company initiatives to establish better demand for New Zealand venison.

Supporting demand for venison in New Zealand

With two companies supplying venison to supermarkets nationwide there is no longer any excuse for New Zealand shoppers not to be able to find it. Deer Industry New Zealand undertook a number of initiatives over the year to highlight the quality and availability of venison in New Zealand. A recipe competition was organised with the New Zealand Guild of Food Writers and the winning recipes published in a recipe booklet. Venison was a star in episodes of two new cooking programmes over the year due to Deer Industry New Zealand funding.

Deer Industry New Zealand also placed adverts in *Healthy Food Guide* which is the most popular food magazine in New Zealand, and continued to encourage the recipe writers to use venison more often.



Joint Promotion

Deer Industry New Zealand part-funds company specific promotion activities. This funding has assisted companies to do the following:

- Attend consumer food shows in New Zealand to promote venison;
- Conduct education sessions with chefs in Germany, Italy, Belgium and the Netherlands;
- Conduct national consumer advertising of further processed venison items in Scandinavia;
- Advertise the availability and quality of New Zealand venison via a major retailer in the Benelux;
- Feature New Zealand venison in distributors' catalogues; and
- Provide samples of new cuts or new products to potential customers, in the expectation of developing demand for new, higher priced venison items.

ENCOURAGE FARMERS, PROCESSORS AND CUSTOMERS TOWARDS LONG-TERM SUPPLY COMMITMENTS

From better supply commitments comes improved certainty and reduced volatility. The New Zealand venison industry cannot control many factors influencing supply and demand affecting the price producers receive, but one factor they should be able to influence is supply certainty. Where customers have some certainty of supply, better marketing programmes can be developed which reduce the risks associated with buying New Zealand venison, the benefits of this risk reduction will flow back to producers through more stable pricing.

Deer Industry New Zealand encouraged producers to examine the marketing efforts of companies before supplying deer to them. Deer Industry New Zealand invited marketing companies to contribute articles to industry publications over the year, explaining their commitment to the industry and describing what steps they were taking to promote the stable profitability of the deer industry. Deer Industry New Zealand continued to encourage producers to commit to a company for a set period.

IMPROVE ON-FARM PRODUCTIVITY

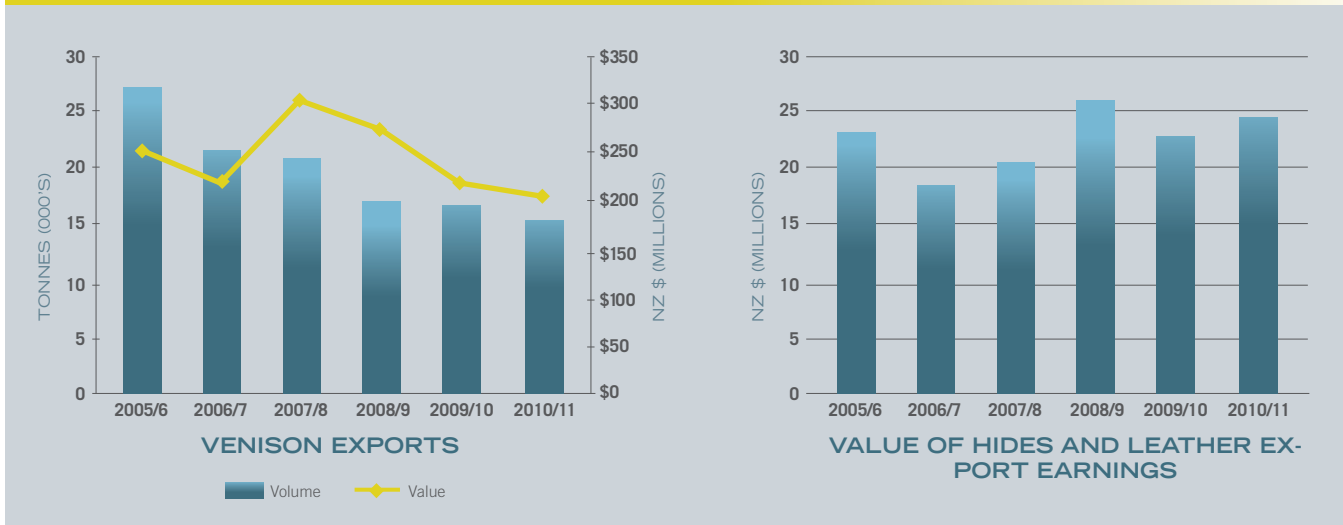
Key to the ability of the industry to provide the desired returns is the ability to improve on-farm productivity.

ENSURE FREEDOM TO OPERATE

Issues dealt with included submissions opposing the inclusion of the agricultural industry in the Emissions Trading Scheme (ETS). The ETS regulations as they are currently written provide no mechanism for the recognition of improvements in emissions efficiency among individual producers, so the scheme therefore fails in its intention to drive efficiency improvements to lower the intensity of New Zealand's greenhouse gas emissions. The inclusion of agriculture in the New Zealand regulations places New Zealand at a serious competitive disadvantage compared with competing countries that have universally excluded agricultural greenhouse gases from their proposed emissions reduction schemes owing to the fundamental necessity of producing food.

VENISON STATISTICS

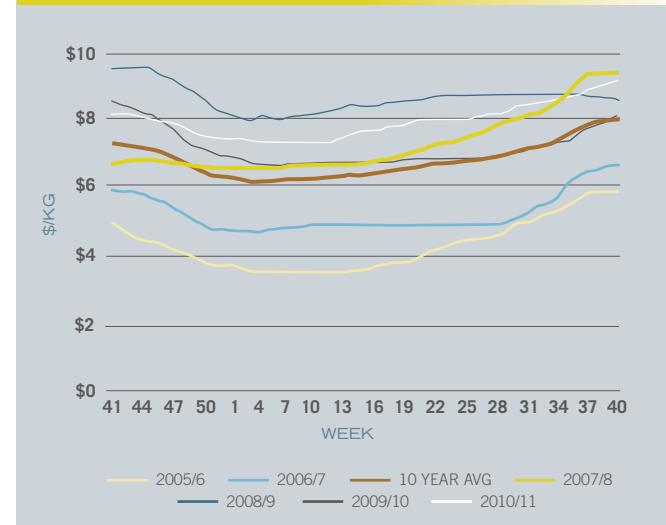
PRODUCT EXPORTS



Exports in 2010/11 eased slightly on 2009/10. Volumes are down even though total kill is slightly up. This is largely due to 2009/10 exports being higher than the total kill due to a carry over of frozen stocks from 2008. Exporting companies entered 2010/11 with very low inventories.

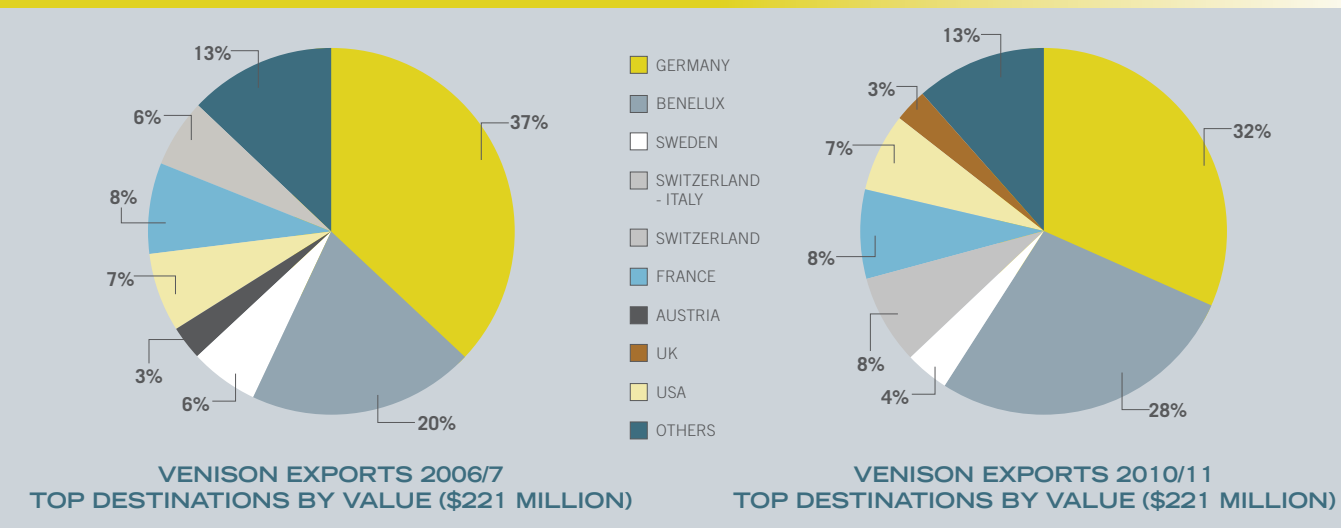
While market prices improved through the year this was not reflected in FOB values, which were eroded by the strength of the NZ dollar versus both major trading currencies. The NZ dollar was up about 10% versus the Euro and the US dollar over the past year, and up 20% on two years earlier.

AVERAGE PUBLISHED SCHEDULE 55-60KG AP STAG

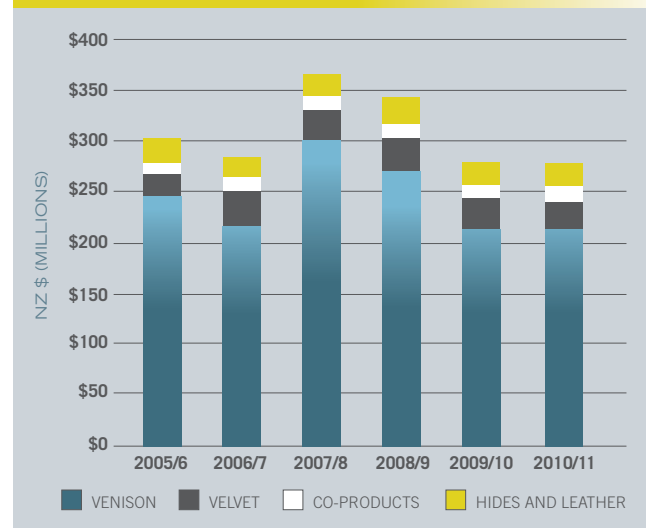


Despite the very high value of the New Zealand dollar, demand for venison has seen the schedule push close to multi-year highs in 2010/11. Strong demand for chilled venison in Europe, and competition among processors for livestock, plus the re-emergence of the market for replacement hinds has the Venison schedule peaking at over 8 dollars for the 4th year in a row.

EXPORT DESTINATIONS BY VOLUME

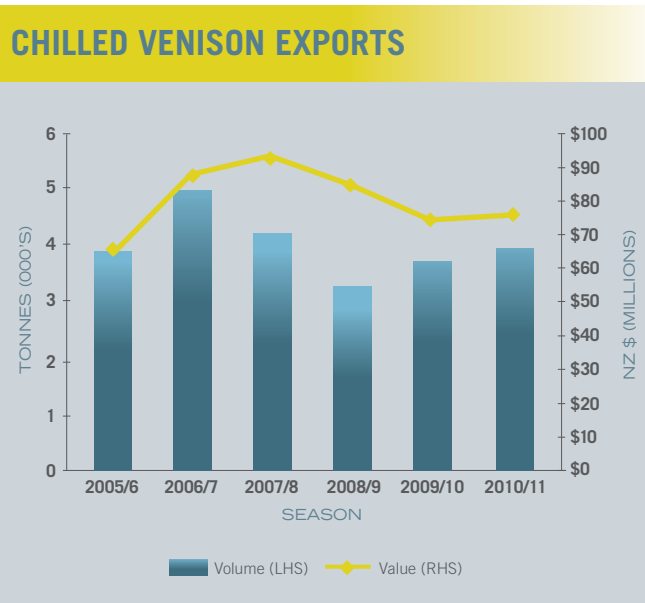


TOTAL EXPORT EARNINGS

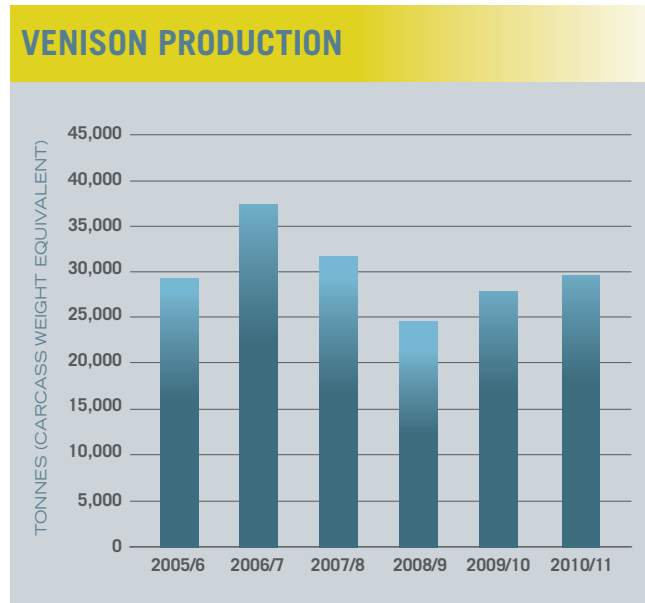


Earnings for the industry stayed reasonably stable in comparison to the previous year. A stronger NZ dollar offsets improved market prices for most products.

VENISON STATISTICS



Chilled exports volumes increased in the last two years, and improved prices overcame a weaker Euro. Chilled exports accounted for 26% of volume and 36% of export value.



Total venison production of 22,920 tonnes in the 2010/11 season (carcass weight equivalent) up 7% on the previous year. Increases in the number of stags and hinds indicated an increase in the number of animals available for slaughter.



A close-up photograph of a deer's antler, showing the dense, fuzzy texture of the velvet. The antler is light brown and grey, with a central ridge. The background is a soft, out-of-focus green and yellow, suggesting a natural outdoor setting.

VELVET

VELVET REPORT

Prices to producers held firm on the previous season's (2009/10) lift, resulting in improved confidence throughout the industry. Strong selling by key exporters along with static global production supported these consistent pricing levels. China continued to grow in importance, both as a consumer and trader of New Zealand velvet. Marketing programmes and relationships deepened as more ranking delegations visited the New Zealand deer industry.

STRATEGIC OBJECTIVES

In the second year of the **2009-14 Velvet Industry Strategic Intent**, there were mixed developments with improving market access during the season. Progress on the **Korea New Zealand Free Trade Agreement (FTA) negotiations** remained static due to:

- an impasse over the treatment of agricultural items and
- a focus by the Korean Government on the ratification of the Free Trade Agreements with the European Union and the United States. Progress on the US and EU FTAs will result in focus turning to the next tranche of agreements, in which New Zealand is reportedly included.

The tariff on New Zealand velvet exported to China continued to reduce as part of the **China Free Trade Agreement** with New Zealand. The 2010/11 season saw a reduction from 4.4% to 2.2% on velvet, and will be tariff-free during next season. Deer Industry

New Zealand continued its work with New Zealand Government officials and Chinese organisations on improved access for New Zealand velvet.

After years of work, approval by the **Australian Therapeutic Goods Administration (TGA)** for New Zealand velvet to be listed as a permissible ingredient was achieved. This allows New Zealand velvet marketers to apply for registration of their velvet products as long as they meet the TGA's requirements.

AROUND THE MARKETS

South Korea: New Zealand's Key Market

Consumption in South Korea's oriental medicine market remained at similar levels to recent years. Deer Industry New Zealand welcomed senior representatives the Association of Korean Oriental Medicine (**AKOM**) to New Zealand. AKOM represents the main customer group for New Zealand's velvet. The Director and Head of Department of Pharmaceutical Affairs visited New



Two from the series of articles written by Director Kim for AKOM News

Zealand farms and velvet processors to get a better understanding of the natural, free-range environment velvet is produced in, as well as the industry's quality control systems. The winter visit gave the representatives a better understanding of New Zealand's cold climate, traditionally considered by Koreans as producing better velvet. The representatives produced a series of articles for their membership publication, **AKOM News**, about their travel to New Zealand and the benefits of New Zealand velvet.

Opportunities continued to emerge in new markets closer to the Korean consumer with an estimated 10% of New Zealand velvet production now being used in more consumer-ready preparations. Large health food marketing companies remain keen to establish direct

links with New Zealand producer/companies, achieving an improved, more transparent supply channel. Establishing a closer link to the market will enable improved communication of New Zealand velvet's brand attributes to consumers.

Positive Prospects in China

Chinese demand continued to grow for New Zealand velvet, both for consumption in China itself and also as a trading hub for velvet, including velvet from New Zealand. Increasingly, participants in the velvet industry in China are recognising New Zealand as an efficient producer of quality deer velvet.

High-ranking Chinese delegations continued to visit New Zealand; one in particular included five Mayors and Magistrates within their group of 20. The delegation was from **an area in northern China** that aims to establish itself as a global deer products trading hub. The sole purpose of their brief visit to New Zealand was to get a better understanding of the New Zealand velvet industry. Deer Industry New Zealand arranged a Mayoral Reception and farm visits to promote New Zealand's quality velvet production environment.

Deer Industry New Zealand's new relationship with the **World Federation of Chinese Medicine Societies** (WFCMS) resulted in New Zealand deer velvet being promoted at a leading Traditional Chinese Medicine (TCM) exhibition in Bozhou, Anhui Province, China.

The expo was held the week before the Third Antler Science and Product Technology Symposium, Changchun, China and provided Deer Industry New Zealand positive interaction with China's leading TCM association and its valuable industry stakeholders. Deer Industry New Zealand's investment was small, given the generous hosting by WFCMS; however it did take the opportunity to promote New Zealand velvet by producing stands to display, and providing brochures to distribute at the expo. The stand attracted attention, with various newspaper and television interviews reported. Many pharmaceutical and health companies take part in this expo each year.



Local government delegates from China visited Shane McManaway's deer farm at Matarawa on a tour to understand the New Zealand deer velvet industry. From left Shane McManaway; Wenke Li, Mayor of Tieling; Carterton Mayor Ron Mark; Tieling Deputy Mayor Sun Delan, Wairarapa MP John Hayes, and Xifeng County Magistrate Yan Li Feng. Picture courtesy of the Wairarapa Times-Age.



NZ Velvet stand promoting clean green, natural and professional farming systems

CREATING A PREMIUM POSITION FOR NEW ZEALAND VELVET

Increasing prices from competing countries, strong selling by key New Zealand exporters and continued market promotion helped to keep farm gate prices at similar levels to the previous season's significant lift, despite negative exchange rate pressures. One joint promotion undertaken between Deer Industry New Zealand and a committed, progressive marketer of New Zealand velvet, was to create a **documentary styled promotional video clip**. The video is viewed by patients in clinic waiting rooms before their consultation with an Oriental Medicine Doctor. The company reports good uptake of the promotion by Oriental Medicine

Doctors as they work at ways to promote New Zealand over Russian velvet, considered by many older OMDs more superior.

Deer Industry New Zealand created and released a new generic promotional DVD onto the market, highlighting New Zealand velvet's quality attributes including the expansive, free-range farming systems and quality removal and processing of velvet. In line with the 2009 – 2014 Velvet Industry Strategic Intent, Deer Industry New Zealand translated the promotional DVD into Korean, Traditional Chinese (for the Hong Kong and Taiwan markets) and Simplified Chinese (for Mainland China).

Further printing and provision of brochures and marketing material continued, with some companies putting their brand onto the various industry brochures.



Filming of the promotional documentary video.



Filming of the promotional documentary video.



Filming of the promotional documentary video.

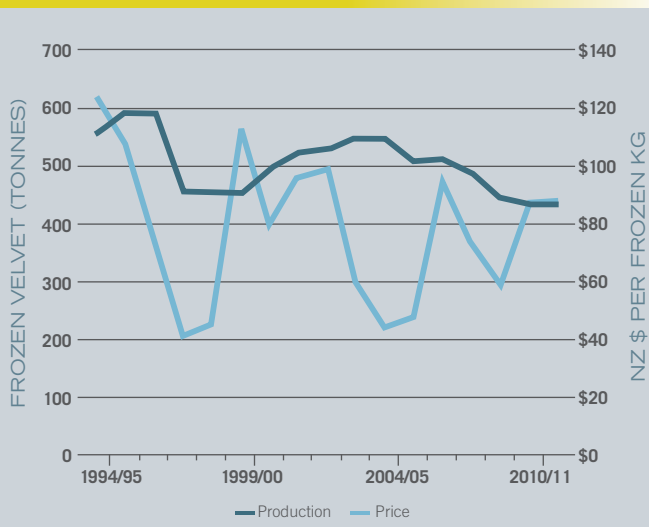
VELVET SCIENCE

Research activities around velvet were quiet during the 2010/11 period. The Isotopic signature project to verify “country of origin” was completed to proof-of-concept stage but velvet processors did not support its further development. Focus was given to the wound healing product, RepaiRx. However continuous delays by the Perth Royal Hospital Ethics Committee to review VARNZ’s submission led to a withdrawal of the application. A more suitable research provider has been identified and formal contracts agreed. The next step is for the approval of the Ethics Committee before embarking on formal trials.

VELVET STATISTICS

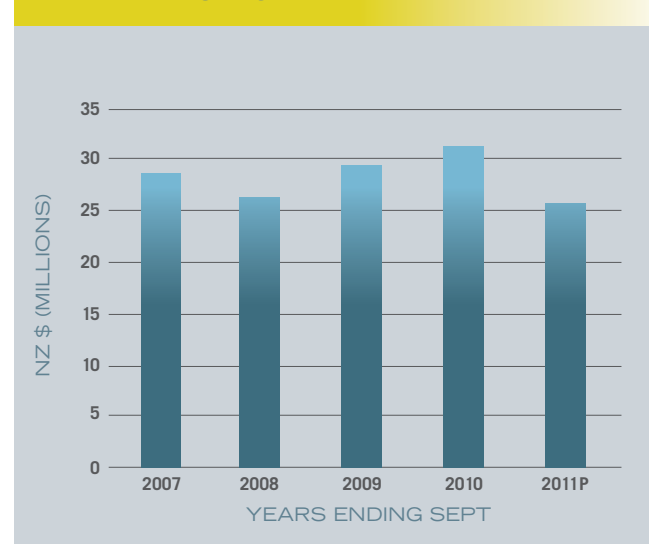
Velvet prices held on to the improved price achieved from the previous season. This was a result of continued strong selling by key exporters, strengthening prices by competing countries and static production. Weighted average Korean Grade velvet was around \$105/kg, down a dollar per kilo on the previous year. Total weighted average prices (all grades) was static at around \$88/kg. There was reported to have been an increase in prices paid generally for Chinese grade as demand continues to strengthen.

HISTORIC AVERAGE WEIGHTED PRICE ALL GRADES



Deer Industry New Zealand uses velvet levy collected as one guide to measure production. Velvet levy collected rose slightly from 431 tonnes in 2009/10 to 434 tonnes in 2010/11. This was the fourth consecutive year in which production has been below the preceding 15-year average of 504 tonnes. Deer Industry New Zealand understands that the lower production in New Zealand has been echoed in other countries, leading to an overall decrease in volume produced. With residual inventories from the previous year reduced and low production, the oversupply experienced from previous years was better controlled. Deer Industry New Zealand predicts that product levels appear to have reached a lower end of the cycle and global production may slowly increase.

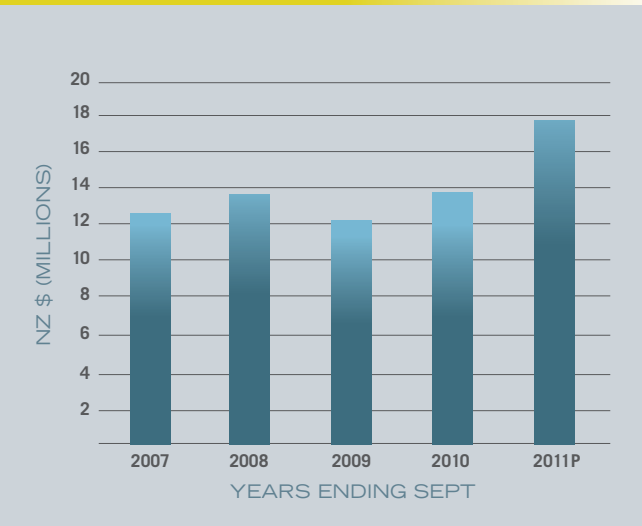
VELVET EXPORTS



New Zealand exported velvet valued at NZFOB\$26m in the year ending 30 September 2011 compared with NZ\$31m in the year ending 30 September 2010. This was a 16% decrease in export value. Deer Industry New Zealand considers the reported drop in exports over the financial year as a likely seasonal phasing.

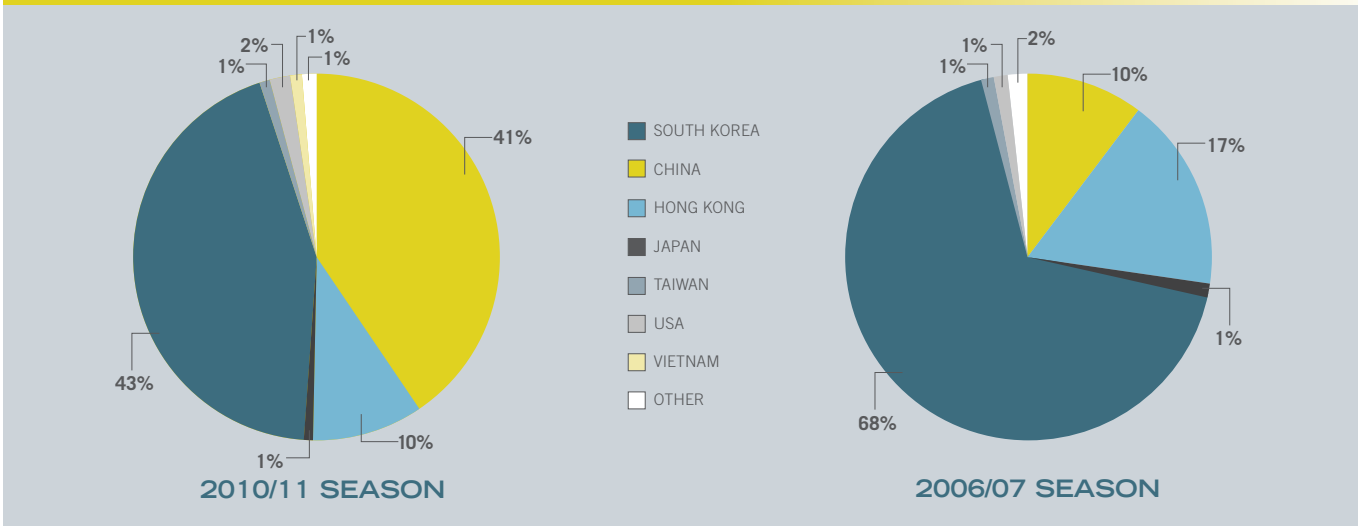
VELVET STATISTICS

CO-PRODUCT EXPORTS



New Zealand exported deer co-products valued at NZFOB\$18m in the year ending 30 September 2011 compared with NZ\$14m in the year ending September 2010. This was a 28% increase in export value.

VELVET EXPORT DESTINATION SPLIT (BY VALUE) AS A PERCENTAGE FROM 2006/07 TO 2010/11; A FIVE YEAR COMPARISON



ON-FARM/ PRODUCTIVITY



PRODUCER MANAGER REPORT

The Marketing and Communications role changed during the year with the appointment of Amy Wills as the Producer Coordinator. This position and the commercial skills and experience she brings with her (practical farming, rural banking, environmental assessment and communications) recognises the growing demand for support in the productivity improvement drives (including the Productivity Leadership Group administration), the focus farm and discussion groups and DINZ support for the national and regional DFA activities including branch chairs' meetings and conferences.

Communications, apart from *Deer Industry News*, are centered around:

- producing newsletters
- advertising events
- reporting for the *Making the DIFFerence* Focus Farm project
- monthly production of the electronic newsletter *Stagline Online*, an exclusive service to subscription-paying NZDFA members, now approaching 60 issues. An example may be seen at: <http://tiny.cc/p9y6aw>

Focus farm reporting is taking on a new face with *Deer Industry News* now shooting short video clips placed

on *YouTube* from key speakers at field days and key topics reviewed in these 3-minute segments (see <http://youtube/ujBwl1f2hgs> for an example). This is the first of several initiatives to develop a better information resource via the internet related to the Focus Farms programmes.

DINZ responded to requests and initiatives from NZDFA branches and Executive Committee with further Board commitment to the DFA Branch chairs' meeting in October and a Regional "Meet the Board" meeting in Waikato. This coincided with the start of the velvet sales season. The then unclear picture of cooperative, private and corporate sales channels and relationships, not surprisingly dominated discussion. Constructively it also provides an opportunity for new board members to meet with deer farmers on the important issues that continue to define the industry. This meeting and the branch chairs' meeting also discussed a sound early venison season and prospects and a session with the Board where a precursor to the current year's productivity improvement strategy was well received and endorsed for action in 2011/12.

At national level, DINZ-funded producer working groups or targeted producer support included:

- The Tb Free NZ working group, associated with supporting the National Pest Management Strategy, more equitable sector funding and the start of discussions with AHB to reduce the amount of testing demanded annually in Vector Risk Areas

and the move to a risk-based testing programme for closed herds with a high proportion of stock annually slaughtered

- Representation on the Venison Supply Systems (VSS) Panel associated with DEEResearch
- Further constructive involvement with NZDFA and promotion of the DFA and DINZ view point on NAIT's development and delayed entry of deer into the scheme 9 months after cattle have trialled the system
- Productivity strategy development via the Productivity Leadership Group
- Genetic progress, especially in venison EBV and the establishment of the Deer Progeny Test programme.

In addition, the Producer Manager is closely associated with the Johnes' Research Group 2 (JGR2) Sustainable Farming Fund-funded project and Johnes' Management Ltd (JML). (<http://www.johnes.org.nz/>). This group continues to refine a comprehensive risk management plan around Johnes' disease, housed within DINZ for industry adoption. It encourages deer farmers to "Know their JD status" through a formal assessment of their slaughter data through JML, Tb testing results and other on-farm decisions around deer management and purchase. In addition JGR2 activity extended through JML to support farmers who have a serious challenge from Johnes' disease to seek assistance to develop a

diagnostic and management programme through the Johne's Consultancy Network (<http://www.johne.org.nz/johne-s-consultant-network>).

The NZDFA Executive Committee meets regularly with DINZ executives, offering a strong boost to communication with feedback to the DFA and onwards to the branches. In turn, the DFA has an experienced working group that provides in-depth responses to the annual DINZ budget planning round and is available for further feedback on DINZ programmes as required.

The October Branch Chairmen's meeting with Board and Executives continues to evolve with the current Board's willing support and allowed the 2011/12 Productivity Improvement Programme initiative to be trialled for a first response. This annual meeting remains a unique opportunity for DFA leaders to engage with DINZ Board members and the Executive and is a yearly highlight. The 2010 event also saw the introduction to FarmIQ and new concepts in recording, analysis and direct application into improved productivity. Chairmen listened to a wide range of DINZ and industry presentations including: a measured presentation about cooperative velvet marketing for the 2010 season that aroused ire with the branch chairs, an emphasis on 4WD bike safety, a fresh approach to venison and velvet antler market reports and the now almost traditional stoush with NAIT now in the form of its formal CEO and new staff. Deer farmers were again quick to emphasise their practical and pragmatic view on NAIT and the costs and implications.

ANNUAL CONFERENCE

The enthusiastic South Canterbury Branch hosted the May 2011 conference, Who Deers Wins, and secured the strongest attendance in many years (see <http://tiny.cc/2v2dr>). The traditional conference structure was changed with a short sharp DFA AGM opening the event and then interspersing inspirational speakers from outside the industry: John Allen Chief Executive MFAT, Doug Avery (Marlborough) an insightful dry land farming pioneer and Lone Star Farms HR manager, Melonie Sheppard, on selection and career building for farm staff and management.

This ushered in the conference theme, the next generation of deer farmers. A forum allowed with presentations and discussion with balanced enthusiasm, youthful vision and expectations with the perspective of experienced deer farmers who have been in the business for many years and helped shape the industry. The session allowed discussion on industry structures, relative profitability and encouragement for succession planning and attracting and enthusing the next generation. This concept, along with inspirational key note speakers proved very popular and will be maintained and refined for future conferences ahead of the formal FGM and AGM sessions. These too have had a remake with more links to market activities via video, extending strategic planning and productivity development.

The DINZ FGM featured in-depth reports from key venison and velvet company representatives. (See *Deer Industry News* issue 48, June 2011.)

The executive also was invited to attend the large Chinese deer farming conference in China (II) co-hosted with the Third International Symposium on Antler Science and Product Technology, presenting one of the opening plenary papers to the CDFA in a major paper that linked the industry productivity strategy, quality production and assurance with an emphasis on velvet antler and farming systems. This was an opportunity to engage with the rapidly emerging Chinese velvet antler science community, lead in many areas collaboratively through New Zealand work by Dr Chunyi Li and Dr Jimmy Suttie and a growing partnership with key Chinese deer farmers.

The executive was also able to assist and lead judging for the Chinese deer farmers' first velvet antler showcase "The King of Velvet" competition and encourage further links and communication through this area.

The visit also allowed attendance at a major trade show showcasing traditional Chinese herbal medicine (TCM) in Bozhou and the Inaugural meeting of World Federation of Chinese Medical Societies with its Specialty Committee of Information.

DINZ has been voted onto council as part of a formal process through the advocacy of Prof Chang Wenzou,

as the new President and shares its objectives of documenting the strong science around the properties and use of velvet antler in TCM, extending that work of the society with herbal medicines. These important relationships are beginning to result in increasing cross-industry traffic and understanding, adding value to New Zealand's integrity in production, quality systems and skills through out the supply chain.

ON-FARM PRODUCTIVITY IMPROVEMENT AND PROFITABILITY: Making the DIFFerence - the Deer Industry Focus Farms project

The 2010/11 year marked the next round of projects and new farms as processes and objectives were further refined. New projects were initiated in the Waikato (the now well-established Te Awamutu farm of Brian and Jackie Wellington, and in North Canterbury (the Zino brothers and their two -property breeding unit and finishing farm). The Zinos' operation is another dry land drought-prone property where lucerne and strategic cropping for early venison finishing are key themes, along with efficient wintering systems and examining the potential for expansion. The South Canterbury project has engaged two properties, Downlands Deer and Clayton Station, as the core focus in another large-scale breeding operation with specialty finishing.

A feature here is an arrangement where weaners are priced at a trigger point and both partners share in the final venison returns, recognising the initial weaner valuation to ensure stability in supply, management integration and a long-term contractual relationship that has the potential to be carried into processing. The Focus Farms have also adopted a new approach in holding themed workshops alongside the usual public and community field days.

The project postponed the annual conference of the Focus Farming couples, facilitators and community group chairmen, along with the venison supply systems researchers and relevant DINZ executives and key board members this year because the majority of these group members are to be all heavily involved. As part of the ongoing improvement process, AgResearch's social science unit commissioned an in-depth survey of Focus Farm attendees, facilitators, committee groups and farmers. Recommendations about clarity of purposes, short, sharp take-home messages, preferred activities at field days, better advance publicity and a clear agenda will be implemented. Upcoming Focus Farm programmes will feature a greater emphasis on profitability. The emphasis on information uptake and practice change is an increasing priority. Feedback from attendees is being sought, along with more community involvement in themes and planning and greater emphasis on reducing operational costs and improving profitability planned.



NAIT

Advocating for the most practical, cost-effective and responsive position for deer farmers leading up to the inevitable introduction of NAIT has been a significant activity. DINZ enjoys a strong relationship with NAIT, allowing free and frank advocacy of deer farmers' views within the objectives of market traceability, AHB and NAIT animal identification functions and linking to the wider MAF biosecurity response needs. Within this framework, farmers who have already committed to RFID technology as part of recording and management programmes report substantial decision making advantages through easy-to-collect data.

DINZ and NZDFA have somewhat different perspectives on NAIT and both are represented directly to NAIT through the CEO and Producer Manager. The industry has negotiated that while it will join NAIT formally, it will learn from the earlier experiences of cattle for at least 12 months. The deer industry is:

- seeking practical relief on tagging placement
- representing a strong farmer directive that tag colour also be a variable
- lobbying for the early adoption of a single tag serving both NAIT and AHB requirements.

The industry generally supports recent Ministerial suggestions that efficiencies would be served by combining aspects of AHB and NAIT. The 2011/12 year should see this proposal develop with some urgency. The deer industry has tabled its concerns about the risk of losing effective direct representation. DINZ is developing a good relationship with the NAIT executive and establishment board, acknowledging there are areas of disagreement, but the dialogue and representation does greatly exceed the formal 2% of establishment costs. This will continue to be a major portfolio commitment in the forth coming year as regulations are developed for deer.





SCIENCE AND POLICY

RESEARCH

To achieve its vision for venison of profitably growing and marketing the world's best red meat, the New Zealand deer industry must provide premium products that meet customers' expectations. Deer Industry New Zealand, through the Deer Industry New Zealand Research Trust and DEEResearch, continued to invest in industry-good research projects directed towards that long-term strategic goal. Small amounts were also invested in projects to meet short-term needs.

In 2010/11 Deer Industry New Zealand recognised that optimising potential production gains and enhancing the competitive advantage and profitability of deer farming would entail venison producers adopting advanced genetic technology. Deer Industry New Zealand's vision included transforming DEERselect into a user-friendly database enabling all deer farmers to easily identify stags with elite genes. Deer Industry New Zealand is committed to working with DEEResearch, AgResearch and producers to facilitate greater utility and uptake of DEERselect.

DEER PROGENY TEST

US data show that in the sheep meat and wool sector, 60% of production efficiencies are the result of animal breeding. The New Zealand dairy herd is achieving more than 1% improvement per annum, driven by the industry's centralised performance recording and breeding services and dairy farmers' strong awareness

of the economic importance of genetic improvement. However, breeding based on genetic selection is a strategy underemployed by the deer industry.

To achieve this, Deer Industry New Zealand and DEEResearch launched the Deer Progeny Test project (DPT), carried out by AgResearch. Building on AgResearch's work on a sire referencing programme and DEERselect, in order to vastly improve the scope and accuracy of breeding values on DEERselect the DPT will:

- systematically link herds by the sharing of sire genetics; and
- monitor traits in their progeny ultimately relevant to consumers' needs.

With the financial and in-kind backing of stakeholders (breeders, farmers hosting DPT herds, Landcorp Farming Limited and Alliance Group Limited), the 2010/11 year saw fieldwork commence with the artificial insemination of hinds at Ross and Sally Stevens' Whiterock Station in the Canterbury high country and at AgResearch's lowland farm at Invermay, Otago.

Deer Industry New Zealand is excited that the DPT brings together the vision of exporters, processors, producers, veterinarians and scientists and that the project's unique governance structure enables them all to have input into its direction.

MEAT YIELD MODULE

Stakeholders identified the ability to forecast the carcass weight and yield of each primal cut of progeny of specific stags as key traits of interest when making breeding decisions. AgResearch was duly commissioned to investigate the genetic heritability of primal cut yields.

Through novel ultrasound and CT scanning techniques (with thanks to Innervision and Landcorp Farming Limited for their CT scanning datasets), AgResearch proved that Eye Muscle Area is correlated to carcass weight and the primal cuts (loin, rump and shoulder) and that yields are genetically inherited.

Estimated breeding values have been derived for both carcass weight the loin lean yield, rump lean yield and shoulder lean yield in an assumed 60kg carcass. AgResearch's research work on meat yield was completed in the 2010/11 year. Delivery to producers was achieved soon after by AgResearch incorporating the contributions of these estimated yields into DEERselect's replacement index.

AgResearch predicts a potential 23% gain in carcass weight if selection decisions are made based on this index. Deer Industry New Zealand looks forward to delivery of a meat yield module for Wapiti early in 2012.

POLICY

BIOSECURITY

Deer Industry New Zealand participated in a pan-agency project regarding foot and mouth disease readiness and response planning. The project involved the Ministry of Agriculture and Forestry (MAF) and other pastoral sector representatives:

- investigating the current involvement of organisations and processes relevant to preparing and responding to a biosecurity crisis;
- identifying gaps, risks and opportunities, across the spectrum from local logistics to international trade; and
- making recommendations as to which of these to address, the party responsible and the due date.

In respect of biosecurity funding, Deer Industry New Zealand continued to represent the farmed deer industry in discussions with MAF on the Government's proposals for the sharing of biosecurity readiness and response costs between the Crown and industry, which are referred to as "Government–Industry Agreements". Deer Industry New Zealand continued to advocate for strong border biosecurity protection to mitigate the risk of unwanted pests arriving in New Zealand. Further, Deer Industry New Zealand's perspective was that reductions in Crown funding offset by increases

in industry contributions would only be justified on the basis of each contributing sector receiving demonstrable benefit, such as co-decision-making on biosecurity issues. In response to a unified approach on this point from the agricultural sector, signals from MAF are that it is increasingly taking these messages on board when refining its Government–Industry Proposals.

Deer Industry New Zealand also made a formal submission to MAF on MAF's draft risk analysis intended to underpin an import health standard for deer germplasm. Deer Industry New Zealand recognises the potential for productivity improvement by widening the gene pool available to breeders. However, Deer Industry New Zealand noted biosecurity risks to the deer industry that had been overlooked by MAF and counselled caution in assuming that exporting states fully enforce international animal health and biosecurity codes. Deer Industry New Zealand awaits production by MAF of an import health standard for deer germplasm.



NAIT

For biosecurity and food safety reasons, Deer Industry New Zealand continued to support the concept of production animals being fully traceable to producers and properties during their lifetime and sees considerable advantage to the industry by the adoption of identification technology that can be used by those in the supply chain beyond these shores. Deer Industry New Zealand also encouraged mandatory electronic ear tags and optional tag readers and weighing machines to be viewed by farmers as an investment rather than a cost, since together they are a tool to compare performance within mobs and across mobs, years and different management systems.

In this way, the cost burden of ear tags, scanners and staff costs may be defrayed by the financial benefit of enabling identification of underperforming deer. Electronic ear tags and weighing systems will afford producers the information needed to make timely and targeted interventions to meet finishing objectives in terms of target weight by the target date.

Deer Industry New Zealand is continuing to support trials of high frequency ear tags whose chips are capable of storing a significant amount of information and being compatible with international supply chain systems.

Deer Industry New Zealand has a 2% shareholding in the body created to manage such affairs, NAIT Limited, and is involved in its affairs by active participation in shareholder meetings and the Stakeholder Reference Group. Deer Industry New Zealand together with the New Zealand Deer Farmers' Association engaged vigorously with NAIT Limited and other shareholders to ensure that practical proposals around ear tagging requirements and the costs to deer farmers reflect the relatively low risk of deer farming practices in spreading unwanted pests and diseases and do not impose disproportionate, practical burdens on deer farmers and processors.

Significant developments since last year are:

- NAIT Limited's acceptance that ongoing industry funding of NAIT Limited's operational costs be a matter for each sector to work out in accordance with its specific circumstances and to facilitate this, NAIT Limited's acceptance that deer-specific ear tags are appropriate; and
- NAIT Limited and the Animal Health Board (AHB) agreeing that one tag may serve both NAIT Limited and AHB purposes.

AHB

Deer Industry New Zealand continued to represent the interests of the deer industry by its representation on the Animal Health Board's Representatives' Committee. Significantly, Deer Industry New Zealand negotiated with other pastoral sectors for a \$400,000 reduction in its sector contribution towards the cost of the AHB testing regime, with the outcome that the AHB levy has been reduced from \$0.07/kg to \$0.05/kg (venison) and \$0.70/kg to \$0.50/kg (velvet). Deer Industry New Zealand continues to engage with the AHB and other stakeholders on ensuring that the frequency of mandatory Tb testing in at-risk areas is appropriately aligned with the rates of Tb infection in deer.





ANIMAL WELFARE

ANIMAL WELFARE AND DEER QA

TRANSPORT

The Animal Welfare Act 1999 establishes the fundamental obligations relating to the care of animals. The obligations are written in general terms and detail is found in Codes of Welfare. Codes set out minimum standards and recommendations relating to all aspects for the care of animals. These Codes of Welfare are developed following extensive public consultation and are reviewed every 10 years – sooner if necessary.

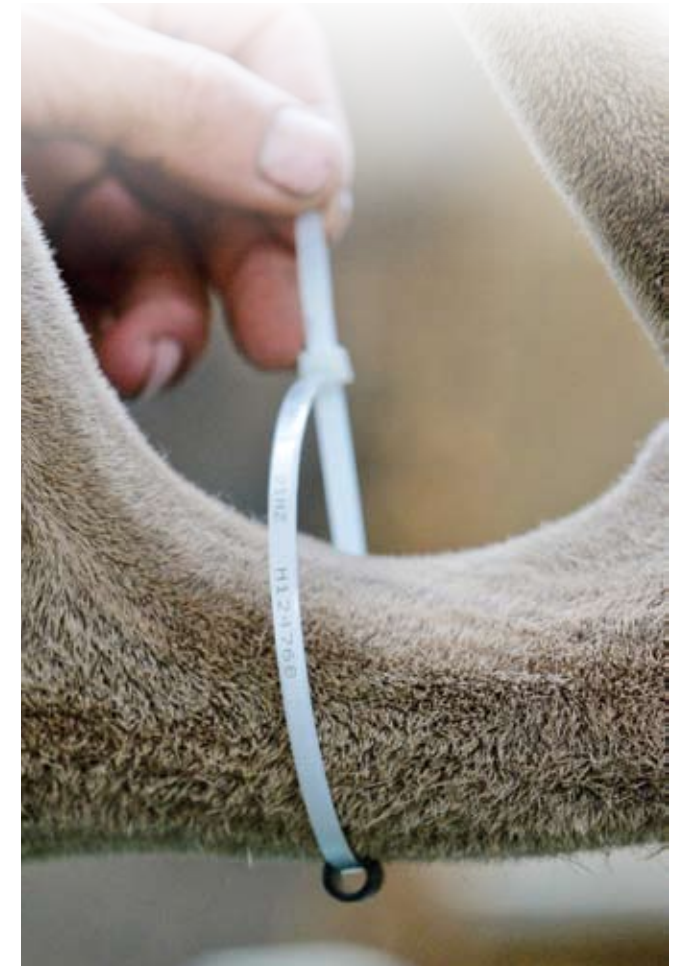
The Animal Welfare (Transport within New Zealand) Code of Welfare was released for publication on 16 September 2011. The code was several years in the making and it sets out the responsibilities of all those who transport live animals within New Zealand in all forms of conveyance whether by land, air or water.

Under the Act, the “owner” and the “person in charge” of an animal are responsible for meeting the legal obligations for animal welfare. For many of the animals being transported (including deer), the owner of the animals (farmer) places them in the care of others (transport company and driver) who then become the “person in charge”, but this does not derogate from their responsibility to ensure that the requirements of the Animal Welfare Act are met. Failure to meet a minimum standard in the Code of Welfare may be used as evidence to support a prosecution for an offence under the Animal Welfare Act.

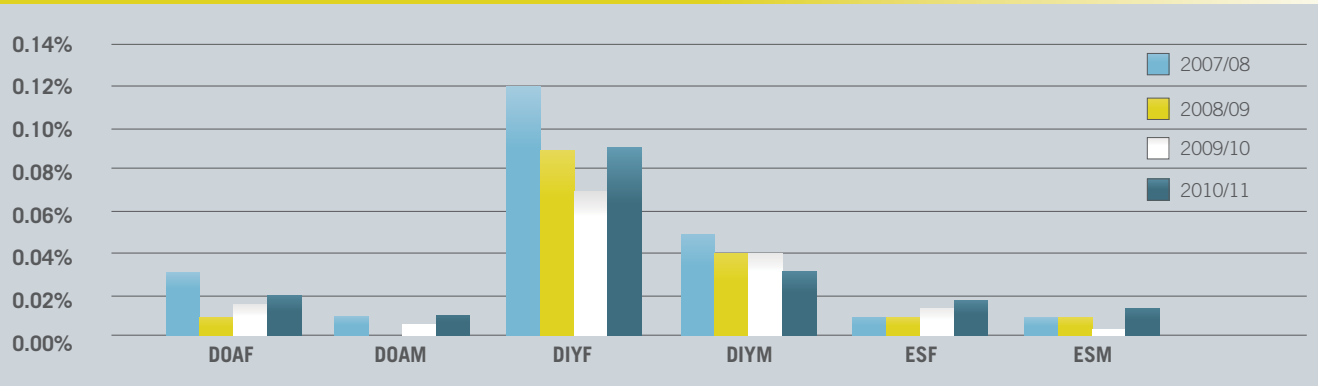
The Deer QA Transport Programme is greatly enhanced with the publication of the Code of Welfare. The QA Transport Programme has operated since 1992 and contains minimum standards that equal or exceed those required by the new Code of Welfare in relation to deer transport. The deer industry had considerable input into the formulation of the new Code of Welfare to ensure continuity and support of minimum standards.

The ongoing auditing of accredited transport companies continued throughout the year. Although there were some mergers of accredited transport companies, the overall accredited number remains constant. Driver training courses continued and a number of new drivers were trained.

Cervine Ante-Mortem statistics gained from New Zealand Food Safety Authority (NZFSA) show similar figures to previous years taking into account the total yearly slaughter numbers. Trends were also similar, with greater vulnerability and losses for female deer rather than for male deer.

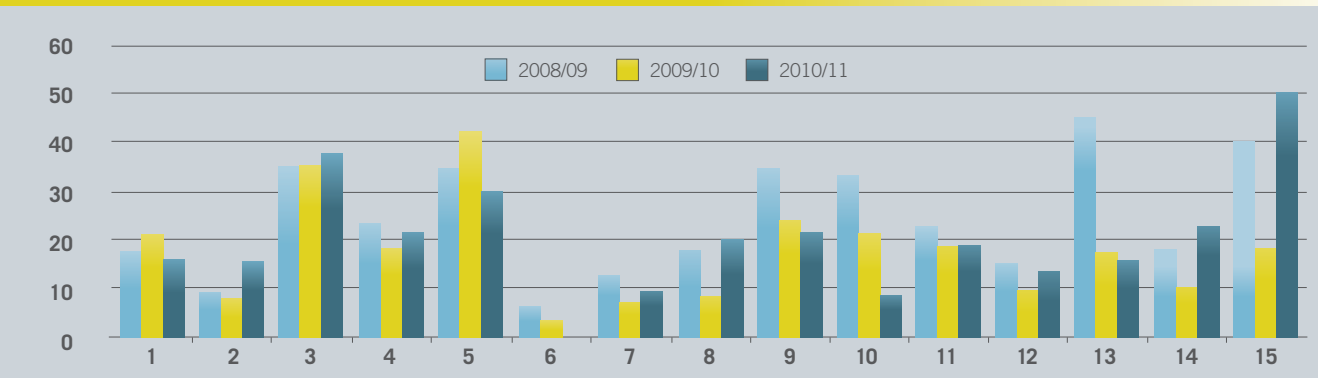


CERVINE ANTE MORTEM STATISTICS PERCENTAGES



Dead on arrival (DOA), dead in yards (DIY), emergency slaughter (ES), male (M), female (F)

CERVINE TOTAL DEATHS (STAGS & HINDS, DOA & DIY) BY PREMISES



Dead on arrival (DOA), dead in yards (DIY)

VELVET

Over this period, the Agricultural Compounds and Veterinary Medicines Group (ACVM) changed from Codes of Practices, which gave guidance to industries on certain practices (for example velvet removal), to Veterinary Operating Instructions. The National Velveting Standards Body (NVSB) Code of Practice underpinning the use of Prescription Animal Remedies ceased to exist from October 2010.

Following discussion in October 2010, MAF advised that the Director General had issued a Performance and Technical Standard to cover velvet removal. The standard summarises the NVSB programme and advises veterinarians to consider referring to the Standard rather than issuing individual Veterinary Operating Instructions. MAF advised that this is an interim process until legislative changes can be made within the Animal Welfare Act

The following is a summary of the main findings of the 2010/2011 Audit of deer velveting. Of the 113 Audits carried out:

- 97.9% Deer were recorded as being settled at time of Velveting.
- Nerve block (40.2%) was the most common method of local administration followed by ring block (33.9%) with (6.3%) using a combination.

- 100% of Velveters demonstrated a satisfactory knowledge of Antler nerves and Blood supply.
- 96% effective analgesia was recorded across all audits.
- Effective removal of the Antler was recorded in 100% of Audits where the mechanical block system was used; 95.5% of velveters showed effective removal using local and/or chemical restraint; 4.5% showed one or more failings during this process.
- Tourniquets were applied before administering local anaesthetic in 99% of audits.
- Following Velvet removal, effective tourniquet use and haemostasis was recorded in 97.9% of the deer velvetered.
- 96% of facilities (pens, gates, walls, flooring, lighting, ventilation and hygiene) met the requirements of the programme. The six-year average for this section of the programme is 95%.

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

	10 /11	09/10	08/09	07/08
Audits completed	10.8%	9.5%	10.65%	10%
Stags settled	98%	97.9%	99.1%	97%
Analgesia at removal	96%	97.3%	99.1%	95%
Compliant facilities	96%	94.3%	95.2%	95.4%
Number of forms filled correctly	97%	97%	97%	89.3%
Appropriate level of sedation	97%	99%	97.3%	97.3%
Tourniquet before local anaesthetic	99%	99%	99.1%	83%

The results of the 2010/2011 Audit show consistency with previous seasons. Detailed data is now available for eight consecutive Audit years.

The joint venture surveillance programme between NZFSA, MAF Enforcement Directorate (MAF ED) and NVSB continued during the past season. All data has been collated and has been forwarded on to MAF ED for further consideration and action where required. A total of 1066 individual consignments of deer were recorded during the surveillance period and of that total 824 were able to be checked off as being compliant. The remaining 242 are currently being checked off by MAF ED personnel. It is anticipated that the end result will be comparable to that of the previous season where 205 consignments were checked in the same way and of that total only seven were found to be noncompliant.

The project is considered a successful example of how effective collaboration across industry, verification and enforcement boundaries can improve compliance with a specific animal welfare requirement. The monitoring programme has resulted in an increased level of awareness of velveting issues within the deer industry.

FINANCIALS



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF DEER INDUSTRY NEW ZEALAND AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

The Auditor-General is the auditor of Deer Industry New Zealand ("DINZ") and Group. The Auditor-General has appointed me, Jacqueline Robertson, using the staff and resources of Deloitte, to carry out 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 45 to 59, that comprise the statement of financial position as at 30 September 2011, the statement of financial performance, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion the financial statements of DINZ and Group on pages 45 to 59:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the DINZ and Group's:
- financial position as at 30 September 2011; and

- financial performance and cash flows for the year ended on that date.

Our audit was completed on 25 November 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the DINZ and Group's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the 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's responsibilities arise from the Primary Products Marketing Act 1953.

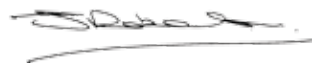
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 12 of the Primary Products Marketing Act 1953.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements set out in the International Standards on Auditing (New Zealand).

Other than the audit and the provision of tax advice, we have no relationship with or interests in DINZ and Group or any of its subsidiaries.



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

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Deer Industry New Zealand ("DINZ") and Group for the year ended 30 September 2011 included on DINZ's website. The Board is responsible for the maintenance and integrity of DINZ's website. We have not been engaged to report on the integrity of DINZ's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 25 November 2011 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 information may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	Consolidated 2011 \$	Consolidated 2010 \$	Parent 2011 \$	Parent 2010 \$
INCOME					
Levy Income Venison	1	3,207,071	2,972,321	3,207,071	2,972,321
Levy Income Velvet	1	1,252,223	1,183,997	1,252,223	1,183,997
Project Management Fees		-	-	28,582	96,129
Interest Received	1	226,237	200,584	128,100	105,790
Other Income		202,035	230,090	184,844	187,199
Animal Health Board Levy Received	2	1,907,779	1,329,484	1,907,779	1,329,484
Processor Voluntary Contribution for Johnes Management Ltd		414,803	384,714	414,803	384,714
TOTAL INCOME		7,210,148	6,301,190	7,123,402	6,259,634
EXPENDITURE					
RESEARCH INVESTMENT					
Research Expenditure	13	862,390	813,526	1,060,373	636,585
Johnes Management Limited Operating Expenses		258,724	325,296	-	-
Total Research Investment		1,121,114	1,138,822	1,060,373	636,585
VENISON PROMOTION					
Generic Promotion		1,222,387	1,191,790	1,222,387	1,191,790
Joint Promotion		470,265	503,750	470,265	503,750
Total Venison Promotion		1,692,652	1,695,540	1,692,652	1,695,540
VELVET					
Promotion		337,841	295,727	337,841	295,727
Velvet Removal		258,703	233,188	258,703	233,188
Total Velvet Expenditure		596,544	528,915	596,544	528,915

	Notes	Consolidated 2011 \$	Consolidated 2010 \$	Parent 2011 \$	Parent 2010 \$
ANIMAL HEALTH BOARD LEVY	2	1,907,779	1,329,484	1,907,779	1,329,484
JOHNES MANAGEMENT LIMITED LEVY		-	-	414,803	384,714
COMMUNICATIONS		277,554	344,030	277,554	344,030
QUALITY ASSURANCE		184,522	172,148	184,522	172,148
PRODUCER MANAGEMENT		274,009	291,367	274,009	291,367
PRODUCTIVITY IMPROVEMENT		35,466	-	35,466	-
OPERATING EXPENDITURE					
Audit Fees	3	32,642	32,150	26,872	26,850
Depreciation	7	32,308	24,487	27,064	18,520
Board and Directors' Fees and Expenses	10	223,935	213,900	204,935	195,205
Foreign Currency Loss		8,465	26,538	8,465	26,538
Insurance		43,922	43,150	43,922	43,150
Accounting and Advisory Fees		35,852	33,187	20,070	17,236
Other Operating Expenses		269,822	269,601	262,433	266,845
Grant To Cervena Trust Limited		-	-	7,168	(1,273)
Premises Rental and Costs		65,434	128,061	61,198	117,132
Total Operating Expenditure		712,380	771,074	662,127	710,203
Total Expenditure		6,802,020	6,271,380	7,105,829	6,092,986
Surplus Before Taxation		408,128	29,810	17,573	166,648
Taxation Expense	4	1,325	444	-	-
(Deficit)/Surplus After Taxation		406,803	29,366	17,573	166,648
Surplus Attributable to:					
Deer Industry New Zealand Members		17,473	157,011	17,573	166,648
Deer Industry New Zealand Research Trust		261,900	(175,695)	-	-
Johnes Management Limited		127,430	48,050	-	-
		406,803	29,366	17,573	166,648

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	Consolidated 2011 \$	Consolidated 2010 \$	Parent 2011 \$	Parent 2010 \$
Opening Accumulated Funds		4,408,514	4,379,148	2,012,226	1,845,578
Net Surplus		406,803	29,366	17,573	166,648
Total Recognised Revenue and Expenses		406,803	29,366	17,573	166,648
Closing Accumulated Funds		4,815,317	4,408,514	2,029,799	2,012,226
Closing Accumulated Funds relate to:					
Deer Industry New Zealand	11	2,032,204	2,014,733	2,029,799	2,012,226
Deer Industry New Zealand Research Trust	11	2,588,872	2,326,972	-	-
Johnes Management Limited	11	194,241	66,809	-	-
		4,815,317	4,408,514	2,029,799	2,012,226

THE FINANCIAL STATEMENTS WERE AUTHORISED ON BEHALF OF THE BOARD BY:


Chairman of the Board

25 November 2011

Date


Chairman of Audit Committee

25 November 2011

Date

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	Consolidated 2011 \$	Consolidated 2010 \$	Parent 2011 \$	Parent 2010 \$
Accumulated Funds	11	4,815,317	4,408,514	2,029,799	2,012,226
Represented By :					
Current Assets					
Short Term Bank Deposits		5,347,476	5,089,016	2,423,504	2,655,303
Trade Receivables		842,404	508,666	836,069	483,191
Related Party Receivables	6	3,561	4,005	3,561	4,005
Accrued Interest		39,096	50,743	20,948	30,768
Prepayments		6,936	6,555	6,936	6,555
Total Current Assets		6,239,473	5,658,985	3,291,018	3,179,822
Less Current Liabilities					
Accounts Payable		719,732	443,931	519,976	328,578
Related Party Payables	6	30	30	30,691	25,686
Accruals		600,800	771,262	600,800	771,262
Employee Entitlements		123,235	97,916	123,235	97,916
Taxation Payable		14	(55)	-	-
Total Current Liabilities		1,443,811	1,313,084	1,274,702	1,223,442
Non Current Assets					
Fixed Assets	7	75,667	97,886	69,395	91,019
Investment in Subsidiaries / Associates	5	30	30	130	130
Total Non Current Assets		75,697	97,916	69,525	91,149
Non Current Liabilities					
Accrued Lease Liabilities		56,042	35,303	56,042	35,303
Total Non Current Liabilities		56,042	35,303	56,042	35,303
Net Assets		4,815,317	4,408,514	2,029,799	2,012,226

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Consolidated 2011 \$	Consolidated 2010 \$	Parent 2011 \$	Parent 2010 \$
Cashflows from Operating Activities				
Cash was provided from:				
Venison, Velvet, Animal Health Board Levies & Johnes Mgmt Contributions	6,448,138	5,804,883	6,428,998	5,812,867
Interest Received	237,884	206,587	137,920	118,839
Other Operating Income	202,035	216,264	213,426	288,076
Taxation Refund	-	-	-	-
	6,888,057	6,227,734	6,780,344	6,219,782
Cash was applied to :				
Payments to Suppliers and Employees	6,609,520	6,264,734	6,997,972	5,945,880
Taxation Paid	1,256	405	-	-
	6,610,776	6,265,139	6,997,972	5,945,880
Net Cashflows from Operating Activities	277,281	(37,405)	(217,628)	273,902
Cashflows from Investing Activities				
Cash was applied to :				
Purchase of Fixed Assets	10,355	98,918	5,706	91,441
Net Cashflows from Investing Activities	(10,355)	(98,918)	(5,706)	(91,441)
Net Increase in Cash Held	266,926	(136,323)	(223,334)	182,461
Opening Cash Balance	5,089,016	5,252,615	2,655,303	2,500,118
Effect of exchange rate change on foreign currency balances	(8,465)	(27,276)	(8,465)	(27,276)
Closing Cash Balance	5,347,477	5,089,016	2,423,504	2,655,303

	Consolidated 2011 \$	Consolidated 2010 \$	Parent 2011 \$	Parent 2010 \$
Reconciliation of Net Surplus After Tax With Operating Activities				
Reported Surplus	406,803	29,366	17,573	166,648
Add:				
Non Cash Items				
Depreciation	32,308	24,487	27,064	18,520
Loss on sale	267	738	267	738
Amortisation of Lease Expense	(1,353)	26,511	(1,353)	26,511
Foreign Currency Loss	8,465	26,538	8,465	26,538
	39,687	78,274	34,443	72,307
Movement in working capital				
Accounts Receivable	(322,091)	(59,630)	(343,058)	(44,600)
Prepayments	(381)	(1,225)	(381)	(1,225)
Tax Refund Due	69	39	-	-
Accounts Payable	275,801	(280,490)	222,059	(123,576)
Accruals	(145,143)	173,859	(145,143)	173,859
Subsidiary and Associates Receivables / Payables	444	13,610	(25,213)	21,697
Lease Liabilities	22,092	8,792	22,092	8,792
	(169,209)	(145,045)	(269,644)	34,947
Net Cashflows from Operating Activities	277,281	(37,405)	(217,628)	273,902

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 2011. All subsidiaries and the Trusts have a 30 September balance date.

- **Deer Industry New Zealand Research Trust**

The Trust is a charitable research trust established by Deer Industry New Zealand on 10 June 2008. Operations began on 1 July 2008. The Trust is registered as a charitable entity under the Charities Act 2005 (Registration Number CC33142). The purposes of this Trust include:

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

- (b) undertake, and arrange to be undertaken, research into products derived from deer including venison and velvet;
- (c) undertake, and arrange to be undertaken, research into processing and dealing with products derived from deer including venison and velvet;
- (d) undertake, and arrange to be undertaken, research into the farming of deer to enhance the value, quality and marketability of the production from deer farming;
- (e) disseminate research outcomes to the deer industry.

- **Cervena Trust Limited**

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

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

- **Johne's Management Limited (JML)**

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

The following entities have not been consolidated for the year ended 30 September 2011:

- **Cervena Trust**

The purpose of the Cervena Trust is to develop and promote the Cervena appellation. It does this by licensing the appellation through Cervena Trust Limited to sub-licensees. The Trust has not been consolidated as Deer Industry New Zealand does not have an ownership interest in the Trust. In addition,

the beneficiaries of the Trust are not the same group as the stakeholders in Deer Industry New Zealand, but are a subset of that group.

The following companies are associated entities of Deer Industry New Zealand:

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

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

VARNZ Limited has a 30 September balance date.

- **DEEResearch Limited**

DEEResearch Limited is a joint venture company, whose shareholders are AgResearch Limited (50%), Deer Industry New Zealand (25%) and the New Zealand Deer Farmers' Association (25%). The objectives of the company are to research non-velvet related deer products. Payments by the Group to DEEResearch Limited are accounted for as research or administration expenditure.

DEEResearch Limited has a 30 June balance date.

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

Fixed Assets

Deer Industry New Zealand has four classes of fixed assets: Furniture & Fittings, Computer Equipment, Office Equipment and Leasehold Improvements. Fixed assets are stated at cost less accumulated depreciation.

Depreciation

Depreciation is recognised in the Statement of Financial Performance on a straight line basis, at rates calculated to allocate the assets' cost over their estimated useful lives. Major depreciation periods are: Furniture & Fittings: 5–10 Years; Office Equipment: 5 Years; Computer Equipment: 3 Years, Leasehold Improvements: 5 Years.

Goods and Services Tax (GST)

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

Income Tax

The income tax expense charged against the surplus for the year is the estimated liability in respect of that surplus and is calculated after an allowance for permanent differences. The liability method of accounting for deferred taxation is applied on a comprehensive basis.

Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Foreign exchange gains or losses have been accounted for in the statement of financial performance. At balance date, bank accounts holding foreign currency are converted to New Zealand dollars using the closing rate.

Financial Instruments

Deer Industry New Zealand is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, trade creditors and forward rate agreements for foreign currency.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments except foreign currency contracts are recognised in the Statement of Financial Position.

Statement of Cashflows

The following are the definitions of the terms used in the statement of cashflows:

- i. Operating activities include all transactions and other events that are not investing or financing activities.
- ii. Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- iii. Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Income

Income comprises venison and velvet levies received from members in the ordinary course of business and voluntary contributions from venison processors. These are accounted for on an accrual basis.

Interest income is accounted for on an accrual basis.

Changes in Accounting Policies

There have been no changes in accounting policies.

All policies have been applied on a basis consistent with those used in previous years.

2. ANIMAL HEALTH BOARD LEVY

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

These funds are managed by the Animal Health Board and accounted for by Deer Industry New Zealand. Where these levies are surplus to the annual requirement of the Animal Health Board's deer programmes, the funds are carried forward by the Animal Health Board and interest is accrued at commercial rates for the benefit of Deer Industry New Zealand members. The Animal Health Board levy is reviewed annually by Deer Industry New Zealand. As at 30 June 2011 the Animal Health Board reported levies held on behalf of the deer industry of \$0.3 million (2010: \$0.4 million).

3. AUDIT FEES

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

	2011	2010
<i>Audit of Deer Industry New Zealand:</i>	\$26,872	\$26,850
<i>Audit of other Group entities:</i>	\$5,770	\$5,300
	\$32,642	\$32,150

During the year ended 30 September 2011 tax advisory fees were paid to the auditors of \$11,720 (2010: \$13,024).

4. TAXATION

	Consolidated 2011 \$	Consolidated 2010 \$	Parent 2011 \$	Parent 2010 \$
Net Surplus Before Tax	420,282	29,810	17,573	166,648
Permanent Differences	366,101	166,056	32,191	37,375
	54,181	195,866	49,764	204,023
Tax @ 30%	16,254	58,759	14,929	61,207
Deferred Tax Asset not Previously Recognised	(14,929)	(58,315)	(14,929)	(61,207)
Income Tax Charge as per Statement of Financial Performance	1,325	444	-	-

The Group has income tax losses of \$18,529 (2010: \$83,495) available to be carried forward to be offset against taxable income in future periods. The parent has income tax losses of \$374 (2010 \$65,340) 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 2011 \$	Consolidated 2010 \$	Parent 2011 \$	Parent 2010 \$
Imputation Credits				
Opening Balance	771,724	771,724	771,724	771,724
Closing Balance	771,724	771,724	771,724	771,724

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

5. INVESTMENT IN SUBSIDIARIES & ASSOCIATES

	Consolidated 2011	Consolidated 2010	Parent 2011	Parent 2010
Cervena Trust Ltd	-	-	100	100
DEEResearch Ltd	30	30	30	30
Johne's Management Ltd	1	1	1	1

6. RELATED PARTIES RECEIVABLES AND PAYABLES

	Consolidated 2011 \$	Consolidated 2010 \$	Parent 2011 \$	Parent 2010 \$
Cervena Trust	3,561	4,005	3,561	4,005
Total Replaced Parties Receivables	3,561	4,005	3,561	4,005
DEEResearch Ltd	30	30	30	30
Johne's Management Ltd	-	-	30,661	25,656
Total Related Parties Payables	30	30	30,691	25,686

7. FIXED ASSETS

PARENT						
	Cost \$	Accumulated Depreciation \$	NBV 2011 \$	NBV 2010 \$	Depreciation 2011 \$	Depreciation 2010 \$
Furniture & Fittings	46,719	44,348	2,371	491	210	258
Computer Equipment & Software	125,470	111,379	14,091	24,469	11,851	10,812
Office Equipment	9,184	6,372	2,813	1,742	805	781
Leasehold Improvements	70,987	20,867	50,120	64,317	14,197	6,669
	252,361	182,966	69,395	91,020	27,064	18,520

CONSOLIDATED						
	Cost \$	Accumulated Depreciation \$	NBV 2011 \$	NBV 2010 \$	Depreciation 2011 \$	Depreciation 2010 \$
Furniture & Fittings	46,719	44,348	2,371	491	210	258
Computer Equipment & Software	136,986	116,623	20,363	31,336	17,095	16,779
Office Equipment	9,184	6,372	2,813	1,742	805	781
Leasehold Improvements	70,987	20,867	50,120	64,317	14,197	6,669
	263,877	188,210	75,667	97,886	32,308	24,487

8. SEGMENTAL REPORTING

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

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

9. FINANCIAL INSTRUMENTS

Nature and Extent

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

Fair Value

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

Credit Risk

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

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

Interest Rate and Currency Risk

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

At balance date, foreign currency deposits totalled \$79,128 (2010: \$9,479). The notional or principal contract amounts of foreign exchange instruments at balance date for the parent and group for forward exchange contracts was nil (2010: \$nil). The unrealised gain/losses on these contracts at balance date is \$nil (2010: \$nil). All deposits held by the Group are short term in nature. The Group receives interest at current market rates.

10. BOARD AND DIRECTORS' FEES AND RELATED EXPENSES

These expenses cover amounts paid to Board Members and Directors in the form of honoraria, attendance fees for board meetings and other special meetings that may arise from time to time. It also covers the cost of travel for Board Members and Directors incurred in fulfilling their respective roles.

There were no changes made to fees and honoraria for Deer Industry New Zealand Board Members this year. The Chairman receives \$35,000, the Deputy Chairman receives \$22,500 and Board Members \$17,500. The Board comprises eight members.

The 2011 year total for Deer Industry New Zealand is \$204,935 (2010: \$195,205). This comprises \$158,209 in Board fees (2010: \$162,500), and \$46,726 in travel and accommodation expenses (2010: \$32,705), and discretionary expenses nil (2010: nil).

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

- Mr Andrew Duncan resigned from the Board on 24 November 2010 and was replaced by Dr Andrew West who was appointed on 22 February 2011. Mr Graham Carr, Mr Grant Cuff and Mr John McDonald all resigned from the Board on 30 June 2011 and were replaced on 1 July 2011 by Mr Danny Hales, Mr Tim Aitken and Mr Colin Stevenson. Mr Andrew Macfarlane was re-elected as Chairman and Mr Jeremy Bell as Deputy Chairman.

Cervena Trust Limited

No directors' fees were paid in 2011 (2010: nil). Director's fees are now paid on a daily fee basis and there were no meetings held in the year to September 2011.

Travel expenses were nil (2010: \$ 445).

Johne's Management Limited

Directors' fees were paid to Mr GW Neilson \$15,000, Chairman, Mr E A Brock \$1,500, Mr ID Stewart \$1,500 and Mr R Hilson \$1,000. Mr I Hercus resigned from the Board during the year and was replaced by Mr R Hilson.

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

11. ACCUMULATED FUNDS

The accumulated funds of the Group are \$4,815,317 (2010: \$4,408,514), of which \$2,588,872 (2010: \$2,326,972) is held by the Deer Industry New Zealand Research Trust and \$194,241 is held by Johne's Management Ltd (2010: \$66,810).

DEER INDUSTRY NEW ZEALAND		
	2011	2010
	\$	\$
Opening Balance	2,012,226	1,845,578
Surplus attributable to Deer Industry New Zealand	17,573	166,648
Closing Balance	2,029,799	2,012,226

DEER INDUSTRY NEW ZEALAND RESEARCH TRUST		
	2011	2010
	\$	\$
Opening Balance	2,326,972	2,502,667
Surplus/(Deficit) attributable to Deer Industry New Zealand Research Trust	261,900	(175,695)
Closing Balance	2,588,872	2,326,972

JOHNE'S MANAGEMENT LTD		
	2011	2010
	\$	\$
Opening Balance	66,810	18,760
Surplus attributable to JML	127,431	48,050
Closing Balance	194,241	66,810

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

13. RELATED PARTIES

During the year Deer Industry New Zealand provided research administration grants to associated entities: VARNZ 2011: \$16,098 (2010: \$15,826) and DEEResearch Limited 2011: \$25,051 (2010: \$8,190). This funding is provided directly from Deer Industry New Zealand.

During the year Deer Industry New Zealand provided project management administration and financial services to the Deer Industry New Zealand Research Trust of \$6,000 (2010: \$13,927).

The Deer Industry Research Trust provides the research funding to VARNZ of \$52,952 (2010: \$154,345) and DEEResearch Limited of \$649,065 (2010: \$466,160).

Deer Industry New Zealand provided a research grant to the Deer Industry New Zealand Research Trust of \$900,000 (2010: \$450,000).

An operational grant of \$7,168 (2010: \$2,076) was provided from Deer Industry New Zealand to Cervena Trust Limited.

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

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

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

14. COMMITMENTS

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

	Parent & Consolidated 2011	Parent & Consolidated 2010
	\$	\$
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	196,073	245,091

Deer Industry New Zealand group provides funding for approved research contracts entered into by DEEResearch Limited subject to milestones being achieved. These commitments are as follows:

	2011	2010
	\$	\$
Not later than one year	639,000	587,000
Later than 1 year and not later than 2 years	577,000	587,000
Later than 2 years and not later than 5 years	34,000	542,000

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

	2011	2010
	\$	\$
Not later than 1 year	380,000	390,774

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

	2011	2010
	\$	\$
Annually	1,200,000	1,200,000

This agreement has been renegotiated, but a funding agreement has yet to be signed. The agreement with the Animal Health Board and members is that Deer Industry New Zealand's indivisible costs will reduce to \$800,000 per annum. This is reflected in the Animal Health Board's Business Plan for the year ended 30 June 2012.

Commitments in respect of Deer Industry New Zealand's funding for NAIT Ltd are as follows:

	2011	2010
	\$	\$
Not later than one year	64,250	0
Later than 1 year and not later than 2 years	93,750	0
Later than 2 years and not later than 5 years	225,000	0

The commitment of up \$150k per annum has been negotiated up to June 2015. Amounts above this commitment will require renegotiation.

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 (2010: nil).



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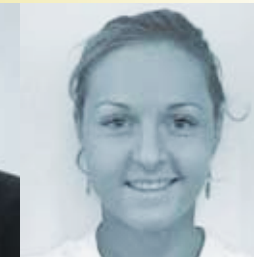
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