



Annual Report

2011/12



Deer Industry
New Zealand

About this annual report

Welcome to Deer Industry New Zealand Annual Report for 2011/12.

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

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

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

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Mission

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

Vision For Venison

Inspire the New Zealand Deer Industry to profitably grow and market the world's best red meat.

Vision For Velvet

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



Introduction

What we said we'd do

Refreshed promotion messages to German chefs.

Constant improvement in measuring impact of promotion activities.

Forge working partnerships with European Chefs' 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 a large Korean food manufacturer and New Zealand company.

Improve trade conditions with Korea, particularly around a possible Free Trade Agreement and/or Individual Consumption Tax (ICT) areas.

Undertake further promotion in Korea to strengthen the New Zealand velvet brand.

What we did

Key themes confirmed by research.

Comprehensive research project completed provides first full record of German consumers' usage and attitude to venison.

Agreements signed with Jeunes Restaurateurs d'Europe (JRE) Belgium, JRE Netherlands, JRE International, NZ Venison recipe book published.

Identified that the healthy functional food (HFF) channel is most appropriate for a New Zealand velvet product. Further, Deer Industry New Zealand continued to work with The Ministry of Foreign Affairs and Trade to improve access for deer co-products, with improved listing conditions achieved.

After identification of appropriate channel, Deer Industry New Zealand:

- Held a HFF workshop in Beijing which included senior officials from Chinese Food and Drug Administration, Chinese Ministry of Health and leading universities.
- Commenced a HFF project with a leading New Zealand nutraceutical company aimed at the commercialisation of a HFF product based on New Zealand velvet.

Continued to build the solid relationship with a large Korean food manufacturer and assist their transition to establishing a direct relationship with a New Zealand company.

While the stalled Free Trade Agreement negotiations provided limited opportunity, Deer Industry New Zealand's close relationship with the Korean Deer Breeders Association paid off when they sponsored a Bill to remove ICT from velvet. The Bill is currently going through Parliament.

Deer Industry New Zealand placed some generic advertising in a leading Korean Oriental Medicines publication and promoted New Zealand velvet at the significant International Congress on Oriental Medicine.

Continue to seek ways to improve trade conditions with Taiwan.

Deer Industry New Zealand worked closely with the Economic Cooperation Agreement negotiating team to ensure that the industry's voice was heard, particularly given the sensitive nature and position of the local deer industry.

37th Annual Deer Industry Conference Naturally deer Naturally better, Wanaka, Central Otago 15th - 17th May.

Best attended event (240 delegates) for some years with record sponsorship levels and 260 attending the associated field day at Mt Burke Station.

Biennial Environmental awards judging and associated on farm field days for the 2012 Awards.

Record entries (8) for awards and tightest judging in competition history. Awards associated with launch by Minister for Primary Industries of new industry Landcare manual distributed to all known farmers. (SFF project).

Conclusion of Round 1 and development of the next 3 year round of the industry's productivity strategy and the extension through the focus farms programme.

Three full projects operating in Waipa, Canterbury and South Canterbury themed integration Focus Farms with Landcorp and commercial private farms in Southland. New focus farm website "after the field day" developed (SFF project).

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

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

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

Year 1 in Deer Progeny Test completed. Year 2 artificial insemination programme finished and 70% conception rate reported. DPT committee worked with AgResearch with programme to increase awareness.

Development of a formal 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 Johne's disease elimination programmes.

Johne's Research Group 2 (JRG2) sub committee working though this for completion in 2012. Linkage with JML reinforced, project "Know your Johne's disease(JD) Status" launched, contact with 60 most at risk JD herds initiated under JD risk management plan and JRG2 project with the Sustainable Farming Fund completed.

Report from the chairman



ANDY MACFARLANE, CHAIRMAN

In a world experiencing economic uncertainty and volatility, deer products have continued to demonstrate remarkable stability and resilience to that challenging global environment.

Long-term participants in the deer industry know we cannot take that performance for granted, but it is worth acknowledging some significant contributing factors:

1. The structure of the industry, where all parts of the value chain contribute and participate in the governance of Deer Industry New Zealand.

That shows in venison, velvet and co-products, where your processors and marketers continue to innovate, while demonstrating a mature outlook on that recently converted term, "market co-operation".

2. We have been impressed with the positive manner in which farmers, processors, marketers,

researchers and rural professionals have addressed and approved the major industry initiative around productivity improvement.

There is much to be done and the success will only be achieved if we can adopt and deliver on our programme.

"The Next Generation – premium by nature and design"

That programme is aimed at delivering our agreed industry goal of additional EBIT of \$1.27/kg venison in 10 years, and an annual 1.5 percent growth in farmed deer numbers.

It is critical we all take ownership of the programme to grow volume, quality and profitability and reputation of our deer products if the industry is to deliver on its potential.

3. Deer Industry New Zealand continues to work hard in realising the potential of north Asia markets.

In addition to working with trade and foreign affairs representatives to achieve access for New Zealand products, we are assisting commercial operators to deliver new velvet products into Chinese and Korean markets.

4. Deer Industry New Zealand is working in partnership with processor/marketers to deliver good value for the industry spend in our dominant venison market in Northern Europe.

All participants have submitted three-year marketing plans. We are pleased with the initial efforts of our European market and branding advisers, Gourmet Connection, who have adapted quickly to the feel of New Zealand deer farming and the outstanding product it delivers.

5. We observe a high degree of long-term thinking from farmers and processors in the way they are committing product rather than "play the market". That behaviour allows better planning of product delivery, enhances relationships and, in our view, leads to enhanced long-term return.

Those comments apply to venison and, increasingly to velvet, where commitment to relationships is very evident.



Our job in the next 12 months will be to continue to bed in and realise value from those positives.

The "Next Generation" programme will require additional industry investment via levies for seven years if the Government accepts our proposal for partnership funding. If the Government cannot assist us, we will proceed with the programme's core activities.

You can be assured we are looking at the industry in an integrated manner.

Our first priority is to deliver additional profit (expressed as EBIT/kg product produced). If that is achieved we will also achieve controlled growth in volume to satisfy market demand.

With higher volume at the time marketers require it, at higher prices, with controlled costs, everyone in the value chain wins . . . a huge ask, but one we cannot shirk from.

I would like to thank the Board of Deer Industry New Zealand for their effort during the year. It is an honour to Chair the only industry good board fully representing the entire value chain. Board members challenge the status quo, seeking to deliver greater speed out of our "industry yacht".

Mark O'Connor and his executive team are delivering that speed. Mark has once again controlled costs magnificently, while diverting extra investment into some of the key projects mentioned above.

Some long hours have gone into the productivity strategy, Asian market access, European venison markets and new projects such as the Deer Industry New Zealand website.

Just as importantly, a massive effort over the past year has gone in from you, the industry participants.

The level of industry engagement has been incredibly encouraging.

Projects such as the Productivity Programme, chaired by Mandy Bell, and participated in by researchers, farmers, farm management consultants, vets and processors, marketers and producers were typical of the way industry participants contributed time and ideas, to that initiative, and others.

I am particularly buoyed by the young faces in the DFA, led by Kris Orange. Their role in helping us lift the industry to a new level of profitability will be crucial.

I note the huge contribution Ed Noonan made in his term as DFA chair, and continues to make behind the scenes in his areas of specialist expertise.

This industry, like many other small industries with growth potential, requires commitment from industry participants beyond just immediate financial rewards. That means we have to ask you for more!

From the partnership with AgResearch on science, to joint ventures with private marketing entities

promoting innovative venison and velvet products, we are all dependent on collaborative investment in our own industry.

We look forward to a challenging and exciting 2013, one where the deer industry grows its contribution to the New Zealand economy.

The Board and Executive of Deer Industry New Zealand wish you a prosperous and fulfilling 2013.



Andy Macfarlane
Chairman, Deer Industry New Zealand

Report from the CEO



MARK O'CONNOR, CHIEF EXECUTIVE

INDUSTRY SITUATION

VENISON

Returns for New Zealand's deer products were generally satisfactory in the year ending 30 September 2012. The average venison schedule was NZ\$7.75 per kilogram. This is the same as the five year average venison schedule of \$7.75 and 2% lower than average schedule in the year ending 30 September 2011 (\$7.94 per kg HCW). Despite challenging conditions in New Zealand venison's mainstay European and US markets, returns were maintained by stability in New Zealand, demonstrated by:

- Stable supply
- Strong functional relationships between venison marketers and their customers and
- Consistent, well-coordinated commitment by Deer Industry New Zealand and venison marketers to promotion and market development.

Selling conditions are becoming more challenging for New Zealand venison as the European economic malaise continues. It is important that:

- Producers continue to maintain stable supply rather than reducing capital stock to support cash flow
- Producers show support to committed, long term venison marketing companies which have their own supply relationships to maintain
- Producers work to maximise profitability through improved production efficiency and therefore their ability to weather volatility in market conditions or product prices; as well as to retain the industry's freedom to operate in New Zealand
- Marketers communicate clearly and consistently to both customers and suppliers
- Marketers demonstrate commitment to the good long term prospects for the New Zealand venison industry through investment in product and market development and commercial support for industry positioning
- Marketers ensure that they are selling venison through distributors which are committed to New Zealand venison and
- Marketers develop more mechanisms to encourage longer-term supply commitment for producers, processors and customers.

VELVET & CO-PRODUCTS

While weighted average prices to producers eased in the year ended 30 September 2012, returns to producers remained reasonable at approximately \$96 per frozen kg, compared to \$106 in 2011. New Zealand's velvet production was 498 frozen tonnes which was an increase of 13% over last year's production of 432 frozen tonnes.

While sentiment in the velvet industry generally remained consistent with the previous year, continued production gains based on genetic improvement impacted positively on velvet production volumes as well as some farmers deciding to increase production following reasonable prices in the previous year.

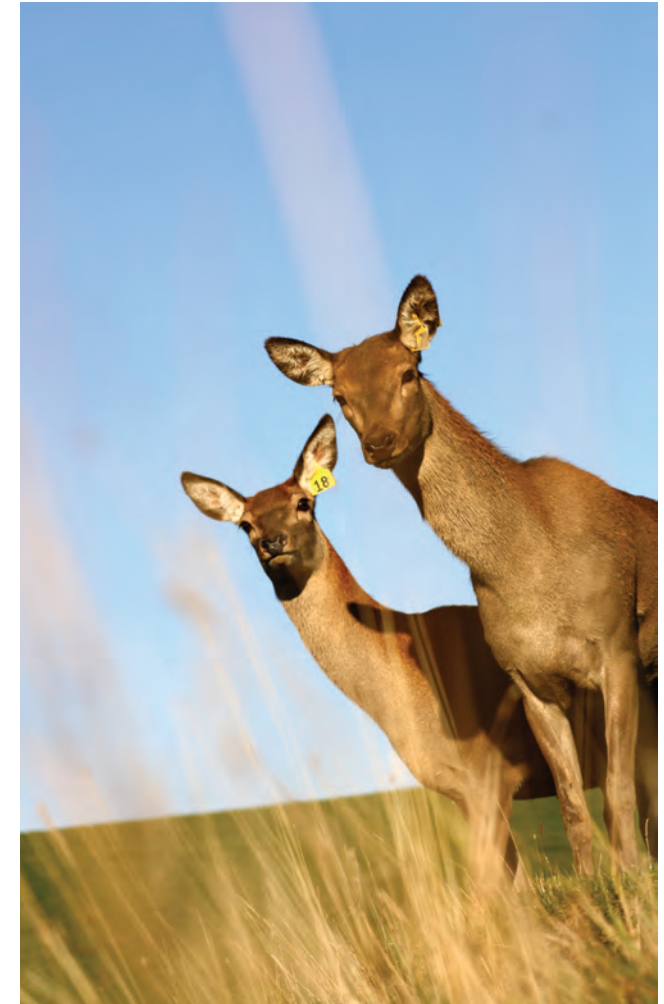
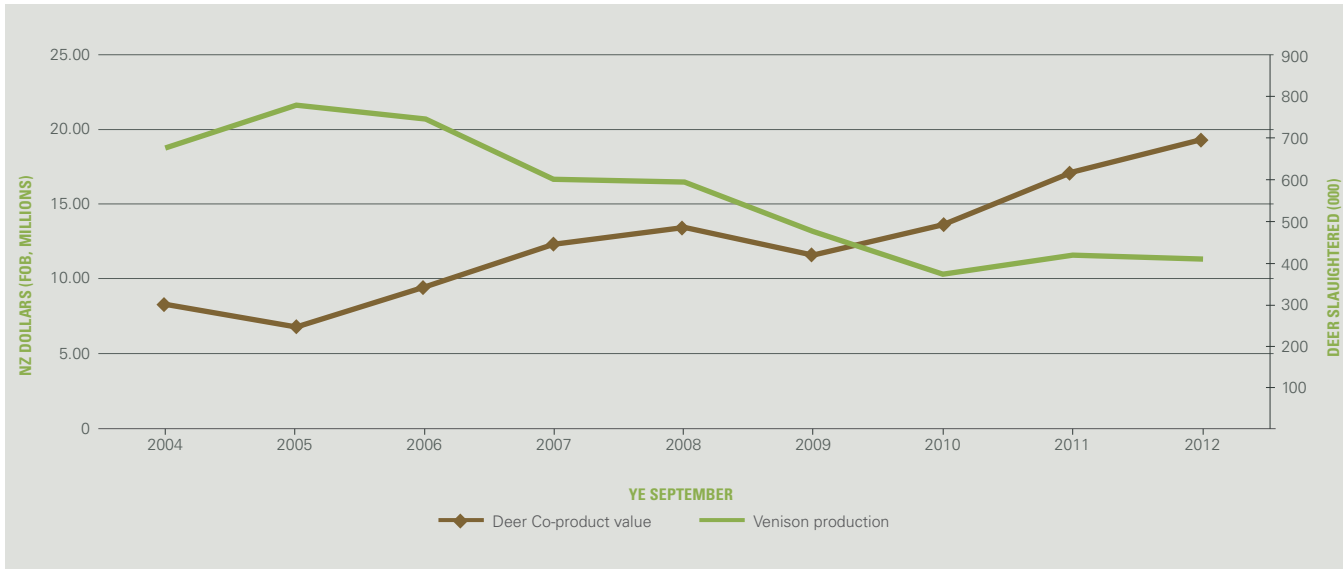
Economic growth in New Zealand's largest market for deer velvet, the Republic of Korea, slowed during the year ended 30 September 2012 to approximately 2% GDP growth (3.5% in the year ended 30 September 2011). Despite this reduction in growth, South Korea remained a robustly performing economy with a good bright economic outlook. It is a good cornerstone market for New Zealand velvet.

Two areas of growth for New Zealand velvet were obvious. Firstly, a number of provinces in China continued to purchase more New Zealand velvet. While this business is welcome and important, it presents risk for the New Zealand industry due to a lack of New Zealand control over processing quality and disturbance of the Korean market as the velvet is often re-exported there.

Secondly, growing interest of South Koreans in healthy food type products suits the quality attributes of New Zealand velvet well. Product development by large Korean companies which are increasingly willing to use the New Zealand origin as a point of difference and market of quality is excellent, but must be managed carefully by the New Zealand velvet industry.

Deer co-products comprising tails, pizzles and sinews continued to be valued by North Asian consumers, mainly in China, to support the maintenance of health. Despite a reduction in venison production, annual returns of co-products have continued to rise since 2004 reflecting increasing wealth in China and stable market access conditions for New Zealand deer co-products.

ANNUAL VALUE OF NZ DEER CO-PRODUCTS AND TOTAL NZ DEER PRODUCTION FROM 2004 TO 2012



DEER INDUSTRY NEW ZEALAND OPERATIONS

Deer Industry New Zealand's financial position remains conservative with total reserves in the Deer Industry New Zealand Group of \$5.1 million for the year ended 30 September 2012 (2011: \$4.8 million). These reserves principally reflect extra income built up during high venison production from 2004 to 2006 as a significant number of producers chose to slaughter capital stock and exit the industry. Deer Industry New Zealand uses a five year business plan to estimate revenue and expenditure needs. Its policy is to maintain a minimum reserve of \$2 million.

Careful management of costs to levy payers while maintaining the effectiveness of its industry good activity is very important to Deer Industry New Zealand. The table to the right summarises a number of efficiency exercises.

COST AREA

RESULT

Deer Industry New Zealand committed to reducing its administrative costs by 20% over time. Since the YE September 2005, administration costs have decreased by 27%

\$256,000 (difference in DINZ's operational costs in 2012 compared to 2005 – see graph below)

Deer Industry New Zealand sought to lower the deer industry contribution to indivisible cost to the deer industry to reflect changed industry conditions

\$400,000 (\$1.2 million to \$800k per annum)

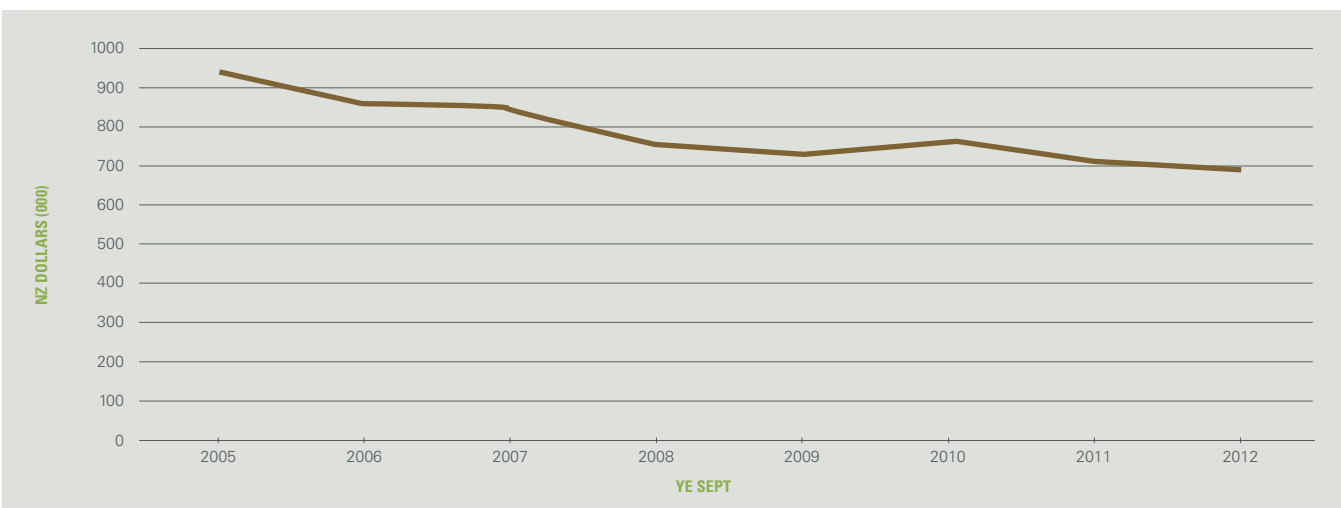
Deer Industry New Zealand sought the most efficient, fairest contribution to the operation of the NAIT scheme

Contribution to NAIT operating costs collected in the same way as contribution to Tb control to maximise efficiency, with a cost to producers of 0.69 cents per kg HCW

Deer Industry New Zealand's Deer Slaughter Plant inspections brought in-house

Savings of \$10k p.a.

DEER INDUSTRY NEW ZEALAND'S ADMINISTRATIVE COSTS (2005-2012)



THREE KEY PRIORITIES FOR THE DEER INDUSTRY NEW ZEALAND BOARD

Among the range of Deer Industry New Zealand's activity to 'promote and assist the development of the deer industry in New Zealand' and play its role in the good executive of the Venison and Velvet Industries' Strategic Intents, the Board directed the Executive to pay special attention to three critical opportunities:

1. IMPLEMENTATION OF AN EFFECTIVE PRODUCTIVITY IMPROVEMENT PROGRAMME

The Deer Industry New Zealand Board initiated a process in May 2011 to consider how individual deer farmers who want to improve their on-farm performance can be supported so that they can improve their bottom line. This point is important. Deer Industry New Zealand is not telling farmers what they should do because each farmer's priorities and circumstances will differ.

A Leadership Group was appointed:

- Chaired by Mandy Bell (deer farmer, veterinarian)
- Paddy Boyd (deer farmer)
- Andy Macfarlane (Chairman of Deer Industry New Zealand)
- Gavin Sheath (Science and Practice Change Consultant)
- Glenn Tyrrell (Venison marketer, Director of Deer Industry New Zealand)

The Leadership Group appointed around 40 diversely skilled, passionate experts to consider the universe of opportunities to achieve "More deer, heavier, earlier, and better". The Group also commissioned research to understand deer farmers' attitudes to risk and change, and requested Deer Industry New Zealand to develop a New Zealand deer industry value chain model to calculate the impact that productivity changes would make. The result of this work was an application to the Ministry for Primary Industries for a programme of work under the Primary Growth Partnership. The Programme is called 'New Zealand Venison, Velvet & Co-Products: The Next Generation'.

2. GAIN BETTER ACCESS TO CHINA FOR NEW ZEALAND DEER PRODUCTS

New Zealand deer industry exports to China were valued NZ\$FOB 22 million for the year ending September 2012. However, Deer Industry New Zealand estimates that the value of deer industry exports in 2032 could conservatively reach NZ\$FOB 135 million per annum in real terms (or NZ\$FOB290 million in nominal terms) if the New Zealand deer industry can gain reasonable market access to China, forecast economic growth in China is achieved and market development for deer products occurs at a similar pace to South Korea.



At present, market access for New Zealand deer products remains problematic, despite a specific bilateral agreement for the export of deer products signed in 2006 by the New Zealand and Chinese governments, and the New Zealand China Free Trade Agreement signed in 2008. There are four core areas Deer Industry New Zealand has identified as needing to improve. These are listed to the right along with progress made during the period:

CURRENT IMPEDIMENT TO TRADE

Venison plant listings by Chinese government enabling more venison plants to export to China.

Implementation of deer co-product import protocols as agreed between the New Zealand and Chinese governments in 2006.

Clearer understanding whether trade barriers are stopping the registration for sale of New Zealand deer products in China.

Importation of deer blood is not approved, and responsibility appears to fall between two divisions in China's Quarantine service (AQSIQ).

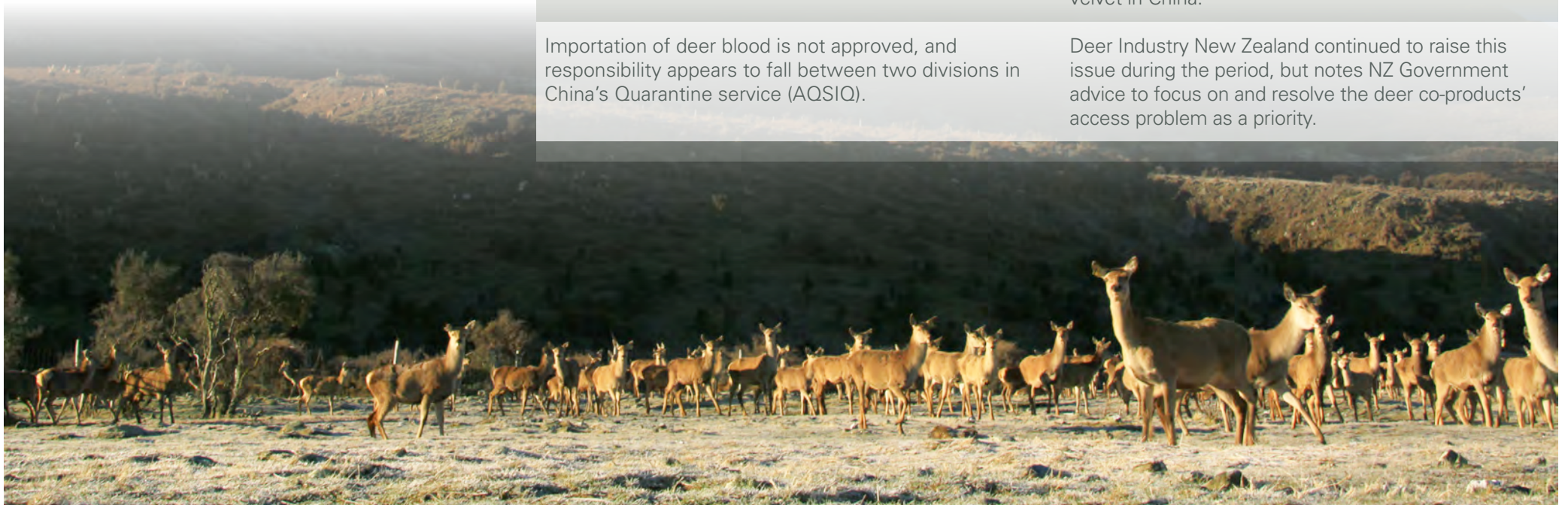
RESULTS & PROGRESS IN YEAR ENDING SEPTEMBER 2012

Three additional venison plants listed in the year ended 30 September 2012.

NZ government advised this impediment had been resolved with the Chinese government. However, exporters continue to report challenges. Therefore, the problem remains unresolved.

A project began during the period with two commercial companies in New Zealand, Chinese regulators, consultants in China and Deer Industry New Zealand to gain registration for a commercial product based on velvet in China.

Deer Industry New Zealand continued to raise this issue during the period, but notes NZ Government advice to focus on and resolve the deer co-products' access problem as a priority.



3. ACHIEVE EFFECTIVE POSITIONING OF NEW ZEALAND VENISON IN EUROPE

A critical element of the Five Year Venison Industry Strategic Intent is to “achieve demand-led premium positioning of New Zealand venison underpinned by a differentiation strategy”.

During the period, Deer Industry New Zealand undertook foundation research to determine consumer and trade's attitudes to New Zealand venison and game meats generally in Germany. This work was done to ensure that the deer industry was positioning New Zealand venison to meet customer preferences. Deer Industry New Zealand appointed a new promotional agency in Germany, ending a 16 year relationship with Modem Conclusa. Deer Industry New Zealand is very appreciative of *Modem's* commitment to the New Zealand deer industry over such a long period. Deer Industry New Zealand appointed **Gourmet Connection** to support a refreshed positioning of New Zealand venison in Germany focusing on younger, innovative chefs open to trying new ingredients in new ways. At year's end, Gourmet Connection, along with other contracts, had a raft of new activity underway.

DEER INDUSTRY NEW ZEALAND PERSONNEL

There was no turnover of staff during the period and, in my assessment, the team performed well. Near the end of the period, the organisation welcomed the appointment of Ms Sharon McIntyre to the newly created part-time position of DEERSelect Manager. Optimising and using DEERSelect well is critical for the deer industry. Sharon is well qualified, farming deer (with husband, Peter) in Southland, working for Sheep Improvement Ltd and with a Masters in Animal Science. Sharon has begun very well and is shaping up to be a marvellous asset to the deer industry.

I wish to record my thanks to the Board and staff of Deer Industry New Zealand.



Mark O'Connor
Chief Executive Officer, Deer Industry New Zealand

What to look out for in 2013

- Telling the story about New Zealand venison on the international stage by bringing journalists and chefs to New Zealand.
- The Young Chefs' Exchange – working with New Zealand's top restaurants to educate the next generation of European rising stars.
- Increase in coverage of New Zealand venison in the local market through more proactive media activities.
- Survey of European and North American chefs' attitudes toward New Zealand venison.
- A successful conclusion of the trade negotiation with Taiwan, providing an end date for barriers to be removed for New Zealand deer products.
- A product registration underway in China for a healthy functional food based on New Zealand velvet.
- More progress with New Zealand venison plant approvals, assisting co-product access into China.
- 38th Annual deer industry conference *"Your Capital Your Future"*, to be held at the Amora Hotel, Central Wellington, 23-25th May 2013 continuing with a suite of outstanding speakers.
- Year 3 of the second round of the industry's productivity strategy and the extension through the formal focus farms programme. This will be enriched based on recent producer attitudes to tech transfer survey and responses to a review on better running and planning on focus farms, Field days feature with integrated stocking farm in Hawkes Bay in partnership with Beef + Lamb New Zealand.
- Greater emphasis on land-use and relative profitability analyses for deer farming systems and other livestock options.
- Development of an extensive industry Deer Progeny Test (DPT) programme for venison production and further development of yield based traits and measurement systems.
- Once NAIT becomes fully operational for deer from 1st March 2013 further practical emphasis on the management gains and further potential of RFID in deer farming.
- New merged AHB and NAIT governance structure with ongoing relationships related to reducing testing frequency for closed herds without increasing risk.
- Further refinement of the Productivity Information Hub and more directed use of the new website.
- On the **policy** side, Deer Industry New Zealand hopes to make significant progress in the deer industry's biosecurity planning, by reaching a preferred position on whether to enter into a Government-Industry Agreement and making progress with other pastoral sector industry bodies on foot and mouth disease preparedness.
- On the **venison** research side, the Venison Supply Systems Programme (DEEResearch's largest annual commitment) is due to end in June 2013. During the year, DEEResearch will undertake a review of all its venison science investments and set a new programme to meet the deer industry's research needs.
- On the **velvet** research side, look out for progress reports on the RepairRx human clinical study at Middlemore Hospital and efficacy-based research collaborations with industry stakeholders to support product registration of velvet-containing healthy functional foods in key Asian markets.

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

Director of DEEResearch Ltd



Glenn Tyrrell

Officer of Silver Fern Farms Ltd



Andrew West

Chairman of Herd Homes Systems Ltd

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

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

Trustee of the West Cowling Family Trust

ELECTED BY VENISON MARKETERS AND PROCESSORS



Colin Stevenson

CK Import Export Ltd

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

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



Venison

Venison report

VENISON INDUSTRY STRATEGIC INTENT 2009–2014

Inspire the New Zealand deer industry to profitably grow and market the best red meat in the world. We need to:

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

The deer industry aims to be 'demand led' to produce the things that customers want, because that makes it easier for them to pay a higher price for it.

In the past year, Deer Industry New Zealand set out to understand what customers in our largest market really want – to make sure we produce the right product and communicate the right messages.

Deer Industry New Zealand, in collaboration with venison marketing companies, commissioned a research project to examine usage and attitudes toward New Zealand venison across a representative sample of the German population. The research also examined emotional and rational motivations for the purchase and use of venison and tested key sales propositions to confirm the most effective advertising messages to position New Zealand venison as a premium meat in Europe.

Across the entire German population, attitudes to venison are evenly split – about half do not, and would not eat venison, while slightly less than half do, or would, eat venison. (Seven percent say they don't eat meat.)

Consumption is higher among older Germans, people who live in smaller towns and in the South and East, but consumers are fairly evenly spread across income brackets, household sizes and education levels.

The research reconfirmed Germans' attitudes to deer meat. Venison remains a seasonal, special occasion dish, something that requires planning and is considered difficult to cook.

According to the national survey, 11 percent of Germans are aware that venison comes from New Zealand. In our target demographic of mature venison

consumers we have seen a steady rise in awareness of New Zealand venison from 34 percent in 2004, to 39 percent in 2011.

Attitudes to venison from New Zealand are generally positive and the main attributes associated with it are that it:

- does not have a strong taste
- is raised on natural, wide pastures
- is good value for money
- provides for worry-free cooking.

These reflect the messages Deer Industry New Zealand has been communicating over the past five years, namely that New Zealand venison:

- has a mild taste
- is easy to prepare, and
- comes from wide, open pastures

The research isolated the attributes that appealed to consumers, and where New Zealand had a strong advantage. Two themes emerged that will provide New Zealand venison with demand-led premium positioning:

1. A **price acceptance** approach is best directed at rational decision makers like chefs and food and beverage managers.

The key drivers for New Zealand venison are that it:

- is used for high-end dining
 - is a safe and healthy choice, and
 - comes from a unique origin.
2. A more **emotional** approach is more suitable for a diner or a home cook.

New Zealand venison:

- has a great taste
- is ideal for special occasions, and
- comes from a unique origin.

The research confirmed the necessity for very close communication with consumers to get the desired change in behaviour required to increase preference. This confirmed the approach that Deer Industry New Zealand has been taking with undertaking in-store and point-of-purchase promotions to encourage usage among consumers when New Zealand had large volumes of venison and a need to increase sales through retail outlets.

As volumes have fallen since the late 2000s, and retail accounts have become more embedded, the need for retail promotions has lessened. In 2011/12 Deer Industry New Zealand changed the promotion focus to the food service sector, where most New Zealand venison is sold.

Deer Industry New Zealand will be supporting individual marketing companies as they undertake retail promotions at a chain-by-chain level. This work will help ensure the messages are delivered as close to the point of purchase as possible and that the funds are deployed to support individual company activities that are in step with the needs of the New Zealand industry.

Deer Industry New Zealand will be focusing industry efforts on the foodservice market in Europe over the next three years because this sector buys the most New Zealand venison.

To inspire young chefs to use New Zealand venison we need to explain what makes New Zealand venison better – and they need to see New Zealand venison being served at the right places and eaten by the right people.

We will be:

- using Ambassadors to inspire young chefs
- teaching chefs about the qualities that differentiate New Zealand venison from its competitors
- bringing food writers and young award-winning chefs to New Zealand so they can experience the land, the people and the systems we use to produce the best red meat in the world
- providing quality materials to venison marketers to support their own work in this area.



Deer Industry New Zealand remains committed to working with individual marketing companies to expand the range of products available and the number of niche markets where venison is sold, to assist with stable profitability for the venison industry.

Jointly organised activities have clear industry-good benefits aligned with the objectives of the industry strategic intent. Examples include:

- promotions with UK, Dutch, Swedish and German retailers
- US distributors' education
- New Zealand consumer promotion.

During the past year we have:

- put on venison cooking demonstrations for about 500 chef students in the United States, United Kingdom, Germany and New Zealand
- sponsored chefs' competitions in Germany, the United Kingdom and New Zealand to get them working with New Zealand venison
- sponsored Wellington on a Plate with Al Brown and provided venison for television shows like Café Secrets and for NZ Heart Foundation events
- made sure New Zealand venison was visible at high-end chefs' conferences in Germany, Belgium and at the International Culinary Congress in New York
- worked with chefs' associations in Europe – getting them to use it and be seen using it
- set up chefs' workshops and tastings in The Netherlands, Belgium, Germany and the United States
- put Cervena® centre stage at the Food Arts BBQ in Chicago



- placed print advertising in the most respected food service magazine in the United States
- run a recipe competition for food writers in New Zealand
- produced a new recipe booklet for New Zealand consumers and a promotional recipe booklet for Dutch and French chefs
- made sure venison was enjoyed at chefs' galas across the United States and at a New Orleans chefs' conference on sustainable food sourcing

- placed recipes and articles about venison on websites, on television and in the cooking pages of women's magazines
- where companies have asked us to, we have arranged and undertaken about 50 days of consumer tastings in retail outlets.

PRIME-TIME NEWS

To get more of the American food press familiar with New Zealand venison, Deer Industry New Zealand arranged an evening function at a restaurant in New York in October 2011. One of the invitees was the food reporter for the ABC news channel in New York, which resulted in a three-minute feature on Cervena venison being broadcast during the prime-time news to a market of more than 40 million people.

CONTINUING ECONOMIC CONCERNS

THE EURO CRISIS

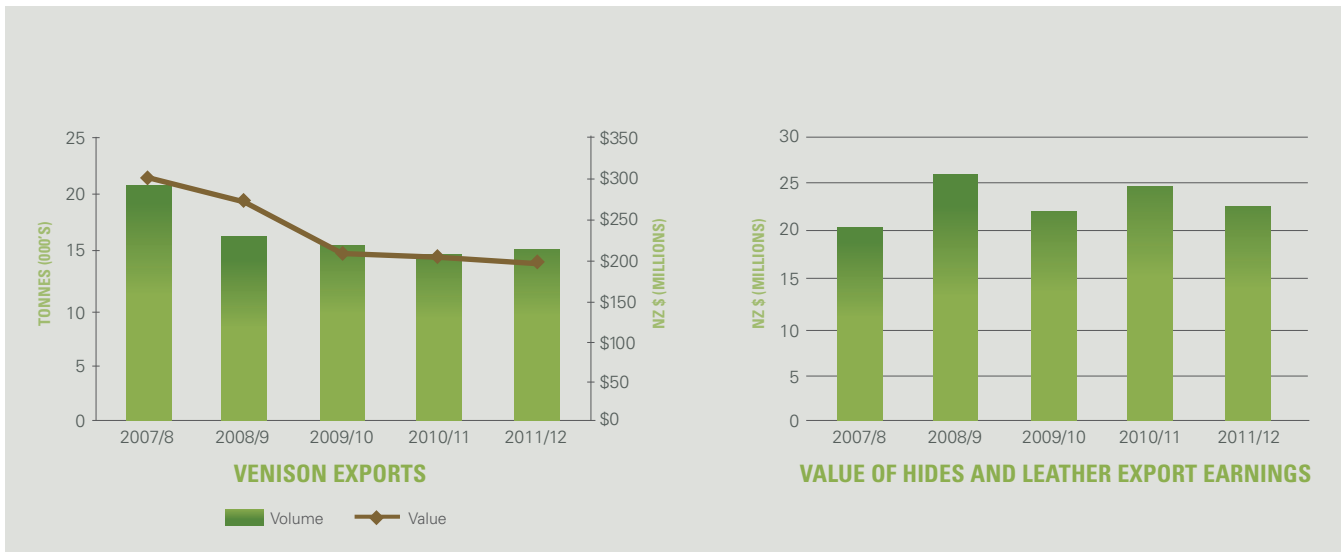
The biggest concern for venison marketers in 2011/12 was the on-going euro zone crisis. As the financial crisis enters its fifth year, the state of the European project seems less and less secure. Our main markets continued to perform well individually. Germany, The Netherlands and Sweden enjoyed steady economic growth throughout 2011/12, but the weight of uncertainty caused by the unsustainable national debts of the Southern European states dragged down the value of the euro and sapped consumer and business confidence.

European policy makers' attempts to rectify the problems through short-term monetary stimulus combined with long-term deficit reduction failed to satisfy investor nervousness about the prospects for a long-term resolution to the crisis, and the euro ended September 2012 at its lowest ever value.



Venison statistics

PRODUCT EXPORTS

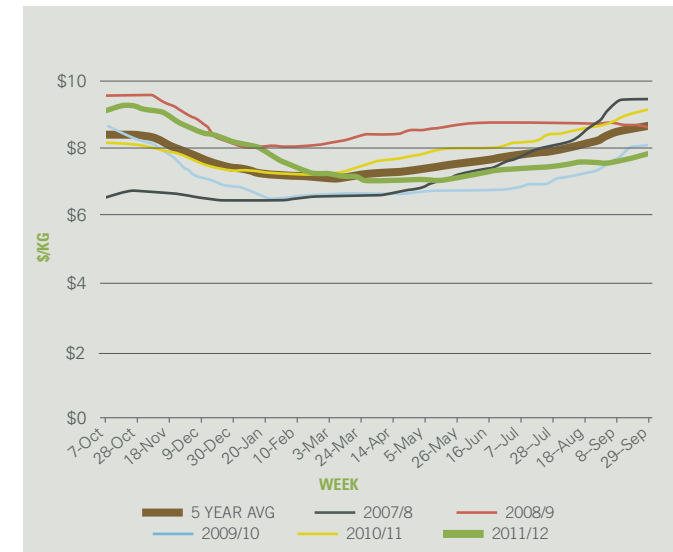


Venison exports recorded the first increase in volumes for several years, albeit by only 3% year on year.

Venison export values in 2011/12 eased slightly in the year earlier due to the higher value of the New Zealand dollar. Volumes were up slightly, reflecting the higher

average carcass weight due to improved production. While market prices held steady through the year, this was not reflected in FOB values, which were eroded by the strength of the NZ Dollar versus the Euro. The European currency lost about 10% of its value over the course of the year, reducing returns to New Zealand.

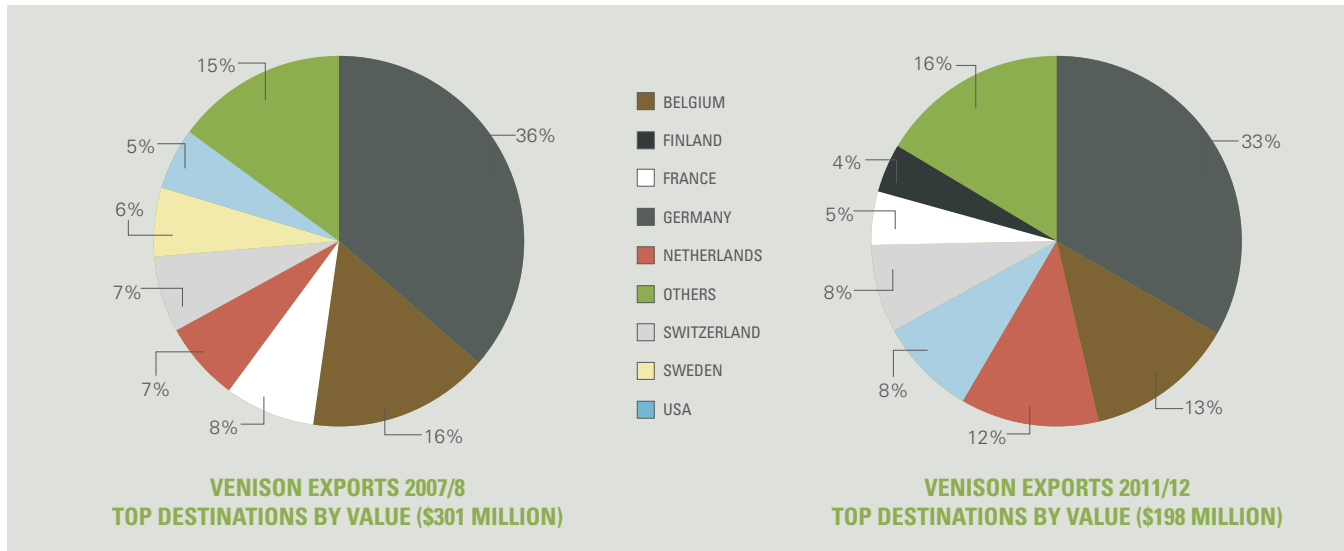
AVERAGE PUBLISHED SCHEDULE 55-60KG AP STAG



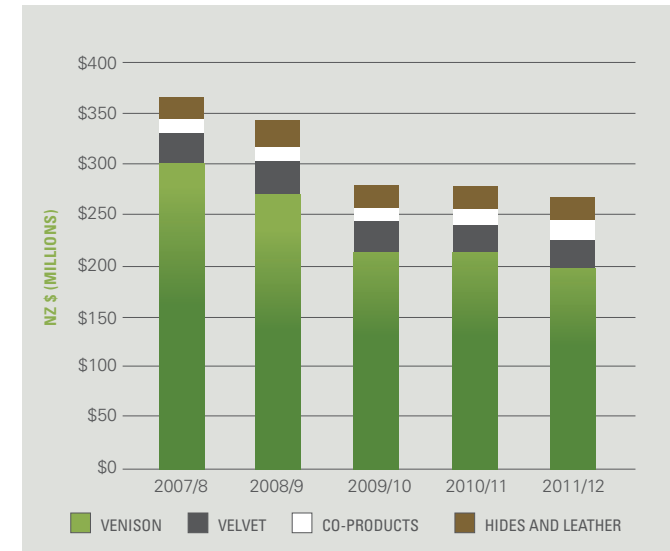
Record high market prices for New Zealand venison during the 2011 Game season saw the New Zealand Schedule well above NZ\$9.00 per kg. The weakness of the euro zone currency and economies saw market prices, and returns to New Zealand decline as the year progressed. However, despite the record high value of the New Zealand dollar and the weakness of the European economies, demand for New Zealand venison saw the schedule stay above \$7.00 per kg, ending the year at just under \$8.00, the 5th year of solid prices for New Zealand venison.

EXPORT DESTINATIONS BY VOLUME

FROM 2007/08 TO 2011/12; A FIVE YEAR COMPARISON



TOTAL EXPORT EARNINGS



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

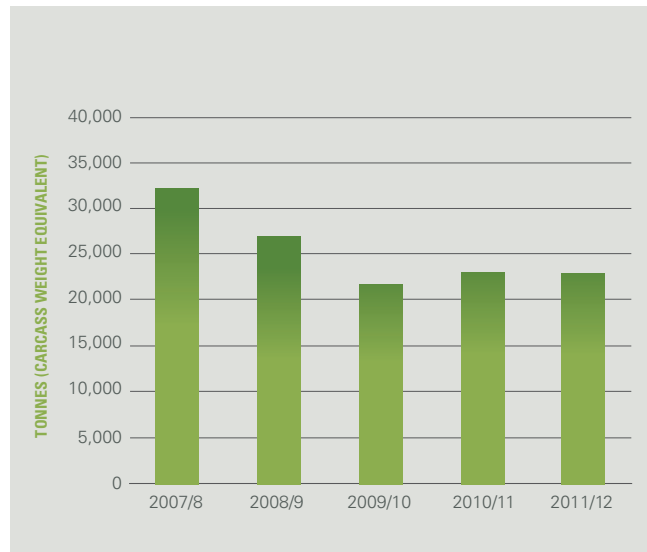
Venison statistics

CHILLED VENISON EXPORTS



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.

VENISON PRODUCTION



Total venison production of 22,900 tonnes was virtually the same as the year earlier on slightly lower kill due to increased average carcass weights.





Velvet

Velvet Report

SUMMARY

Key exporters noted that the average price paid to producers for Korean grade velvet slightly eased over the 2011/12 season; however the demand for Chinese grades continued to strengthen. Overall, the weighted average velvet price was relatively stable for a third season running. Global production was estimated to be back slightly on previous years and while in New Zealand there was a slight lift, domestic production remained under the historical average of 500 tonnes. Focus continued on the core markets of China, South Korea and Taiwan, particularly around market access and development.

STRATEGIC OBJECTIVES

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

In particular:

SOUTH KOREA

A Bill was submitted to remove velvet from having to pay the Individual Consumption Tax (formerly known as SET). This Bill has the backing of the local deer industry, the Korean Deer Breeders Association (KDBA), in an effort to show its encouraging view of

working with the New Zealand industry. Previously the KDBA had opposed Deer Industry New Zealand's efforts on such a Bill as it allegedly provided them with a competitive advantage. The tax adds a further 9.2% to the wholesale price of velvet in Korea and for such a Bill to be sponsored by the local industry is payoff for the good working relationship Deer Industry New Zealand has cultured over the years. Progress on the Korea New Zealand Free Trade Agreement remained at an impasse throughout this year. One main sticking point trade officials report is agriculture. New Zealand is seeking a comprehensive and meaningful agreement and wants to ensure the main agricultural export lines to Korea are included.

CHINA

While exports to China increased and growth in China's consumption of New Zealand velvet was reported, market access for velvet and particularly co-products remained problematic. Although a protocol was signed in 2006 with an aim to improve market access conditions, trade impediments remain including China's requirement for plants to be listed by the Chinese regulators. One breakthrough reported by New Zealand Ministry of Foreign Affairs and Trade was the improved attitude toward approving New Zealand processing and non-integrated processing plants. Though significant work still needs to be done, improved listing conditions will help with exports for meat products over the longer term.

TAIWAN

New Zealand Taiwan Economic Cooperation Agreement (ECA) negotiations commenced this year and were reported to move at a fast rate, with the first three rounds achieving good progress. Due to sensitivity around velvet (there is a 5 tonne quota limit for fresh/frozen velvet), Deer Industry New Zealand met regularly with the negotiating team to ensure the industry's interests were represented and that velvet would remain as part of the final make-up if the Agreement is successful.



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

Market development activities included:

SOUTH KOREA

The New Zealand velvet brand continued to strengthen within its traditional market in the Oriental medicine industry through ongoing promotional activity and a strong relationship with the key governing body, the [Association of Korean Oriental Medicine](#) (AKOM). Building on AKOM's series of positive articles following their visit to New Zealand the previous year, Deer Industry New Zealand undertook generic advertising in its membership publication, AKOM News, highlighting the key brand benefits of New Zealand velvet.

AKOM also encouraged Deer Industry New Zealand to be active in the [16th International Congress of Oriental Medicine](#) (ICOM), the oldest Oriental Medicine Exhibition in South Korea. As part of continuing education requirements, it was compulsory for the approximately 20,000 registered Oriental Medicine Doctors to attend, which provided a good promotional opportunity. Deer Industry New Zealand worked with a key marketer of New Zealand velvet in Korea who was able to promote New Zealand velvet and provide suitable follow up. ICOM was held in Seoul mid-September 2012.



Generic advert in AKOM News promoting New Zealand velvet brand's benefits



Omniherb stand, promoting New Zealand velvet at ICOM

INCREASING CONNECTION WITH THE KOREAN CONSUMER

Work continued to develop the healthy foods category for New Zealand velvet in Korea. Exporters report that more velvet is going into this channel, which lessens the reliance on the traditional trading environment. [Provelco](#) Cooperative Ltd announced its new relationship with the large health food company

[Korean Ginseng Corp](#), which has around 1,000 retail stores throughout South Korea. The healthy functional food market in Korea is significant and growing rapidly. New Zealand velvet is well positioned to take advantage of this market with the high understanding of velvet's benefits and value among Korean people.

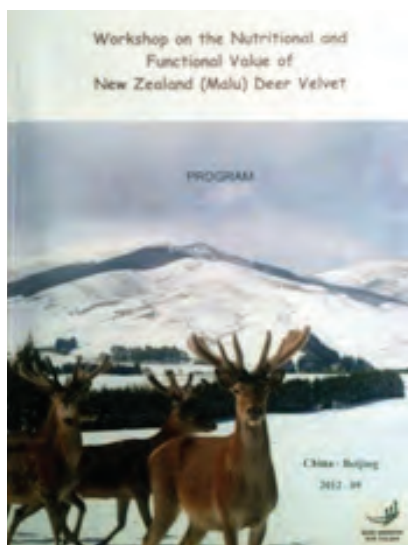
CHINA

Deer Industry New Zealand commenced a project with a large nutraceutical company with the aim of having a first commercial product, based on New Zealand velvet, registered as a healthy functional food in China. For the New Zealand deer industry, this will be a first channel-to-market in value added, foreign deer products, with a precedent set for others to follow. The project is significant and will take at least two years to complete. Regulation surrounding healthy functional food registration is complex, particularly around functional (efficacy) testing and is the gold standard claim to get among the healthy food sub-categories.

Deer Industry New Zealand along with other key participants from New Zealand attended a workshop on velvet as a healthy functional food. The workshop was equally matched by senior officials from China's Ministry Of Health (MOH), State Food and Drug Administration (SFDA) and academics from universities specialising in the healthy functional food process. Many of the attendees from China also represent the Healthy Functional Foods Approvals Committee.

TAIWAN

Market development was lower key in Taiwan during this year, due to the sensitivities around the Economic Cooperation Agreement (ECA) negotiations. If successful, the ECA could provide an opportunity to work closer with the local, Taiwanese deer industry to lift consumption of velvet generally.



The healthy functional food workshop programme in Beijing with two representatives from SFDA discussing a sample bottle of New Zealand velvet capsules



Velvet statistics

Velvet prices continued to hold at around similar levels to the previous two years. Sustained prices by competing countries and static production figures helped to build on the relatively stable platform. Weighted average Korean Grade velvet decreased (slightly) to around \$96/kg. Total weighted average prices (all grades) declined by around \$2/kg to \$86/kg. Strong demand for Chinese grades helped to underpin the ongoing general stability across all grades.

Deer Industry New Zealand uses velvet levy collected as a guide to measure production levels. Velvet levy collected rose around 13% from 434 tonnes in 2010/11 season to 498 for the 2011/12 season. This was still below the 18 year average of 503 tonnes. General global production was estimated to remain relatively static over the year. Intensive farming operations in Asia, which have a high reliance on feed inputs, continued to be under pressure to remain profitably viable.

HISTORIC AVERAGE WEIGHTED PRICE

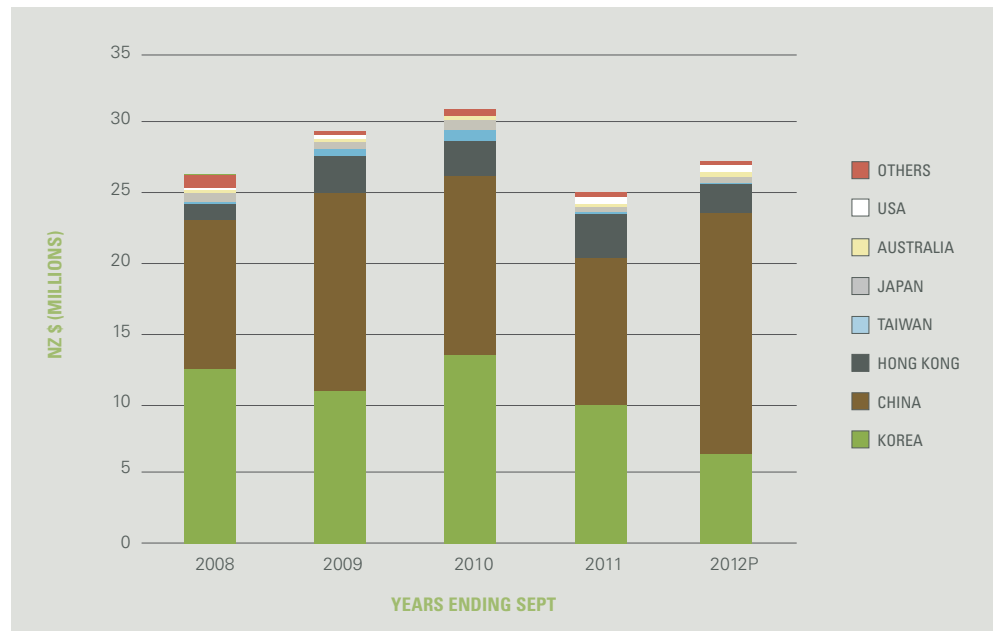
ALL GRADES



VELVET EXPORTS

New Zealand exported NZ\$30m of velvet year ending 30 September 2012 compared with NZ\$26m year ending September 2011, representing a 9% increase in export value. China continued to grow as a key market for both trading and consumption of New Zealand velvet.

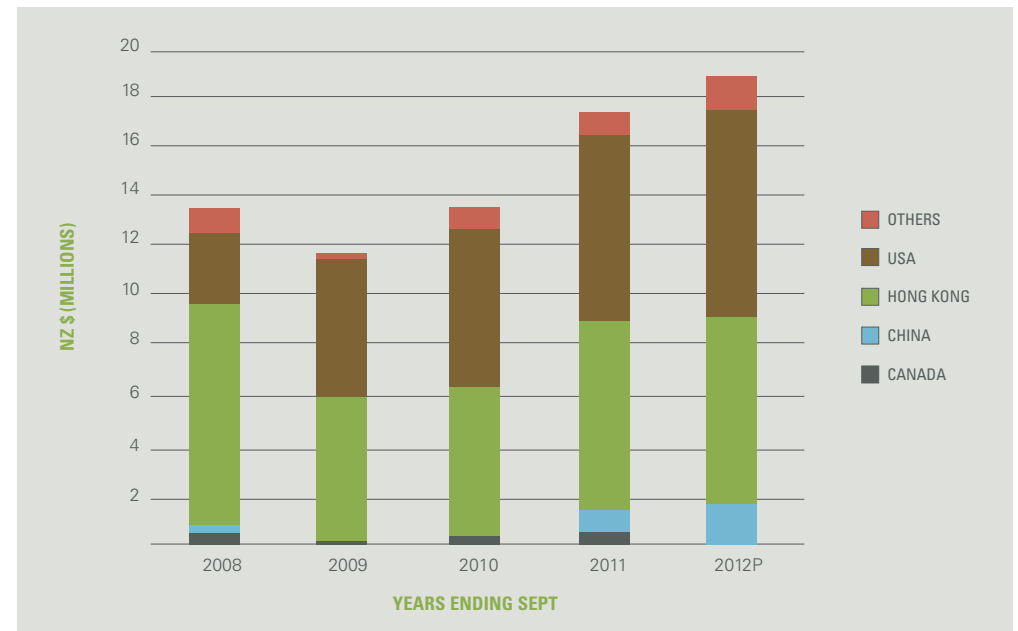
VELVET EXPORT DESTINATION SPLIT (BY VALUE) AS A PERCENTAGE FROM 2008 TO 2012 (YEARS ENDING SEPTEMBER)



CO-PRODUCT EXPORTS

New Zealand exported NZ\$20m of co-products ending September 12 compared with NZ\$18m Year Ending September 11, representing a 10% increase in export value.

DEER CO-PRODUCT EXPORT DESTINATION SPLIT (BY VALUE) AS A PERCENTAGE FROM 2008 TO 2012 (YEARS ENDING SEPTEMBER)





On-Farm / Productivity

Producer manager report

REPRESENTATION AND COMMUNICATION

The year has featured the positive impact of Amy Wills in the Producer Coordinator role and a huge emphasis on communication around the industry's new Productivity Improvement Programme (PIP). The Producer team worked closely with other Deer Industry New Zealand Executives on the Primary Growth Partnership bid. The extensive work developing the bid, "The next generation", involved a positive association among the seven theme groups that underpinned the PIP's recommendations as key objectives were refined.

The collaboration of farmers, scientists, veterinarians, researchers and key industry participants with the Productivity Leadership Group involved a powerful group of committed expertise offering skills and advice in new thinking about practice change, with social science leading to a better understanding of what motivates change and technology uptake.

The objectives and priorities of the PIP were assessed at larger gatherings including the annual conference, New Zealand Deer Farmers' Association (NZDFA) Branch chairs' meetings and a workshop on acceptance and delivery plans. A clear role has emerged for the NZDFA in assisting the programme's rollout and helping boost the rate of uptake during 2012/13.

Communications, apart from the flagship publication *Deer Industry News*, have concentrated on newsletters, advertising events and reporting for *The Making the Difference Focus Farm project*.

NZDFA financial members also receive the monthly electronic newsletter, *Stagline Online* – an exclusive service to subscription-paying NZDFA members, now six years in production. The newsletter had a complete facelift under the Producer Coordinator's brief and is a key membership benefit for NZDFA. Focus Farm reporting is extended with *Deer Industry News* continuing to post short video clips on YouTube from key speakers at field days, with key topics reviewed in these short segments. This is the first of several initiatives to develop a better information resource via the internet related to the Focus Farms programmes.

Another major initiative is linked to the three-year Ministry for Primary Industries (Sustainable Farming Fund) co-funded project, "After the Field-day". It seeks to capture attendees' discussions in response to the topics presented and reflect the constructive conversations that are often held in the car on the way home. This information has been reworked by AgResearch science team to become short two-page reviews of the key field-day topics, much in the vein of the old *AgFacts* topic briefs (www.deerfarming.co.nz).

In addition, a major initiative to be hosted on the www.deernz.org website and launched early in the 2012/13 year has been the development of the Deer Productivity Improvement Hub – a comprehensive

deer farming information resource centred around five key theme areas: deer, farm and environment, feeding, herd management and regulatory obligations. There is a well-defined series of information tiers within these key areas. Increasing levels of detail on specific topics are easily navigated and well written in user-friendly language and style. This has been a major project for AgResearch, Invermay's deer group and Deer Industry New Zealand staff, and was also peer reviewed by farmers. The Producer Coordinator portfolio is committed to this website's upkeep and maintaining the relevance and quality of its information.

DEER INDUSTRY NEW ZEALAND–FARMER INTERACTION

Deer Industry New Zealand responded to the NZDFA Branches and Executive Committee with full Board commitment to the NZDFA Branch chairs' meeting in October 2011 and 2012. This year we discussed productivity improvement initiatives and reviewed the role and cost effectiveness of using RFID as a farm management, independently of NAIT requirements. Deer Industry New Zealand worked with a group of Massey based agribusiness students on a project that demonstrated the rapid payback of investment in RFID readers associated with weighing and recording. The study showed that the data integrity, speed and accuracy provided a payback within 12 months for all but the smallest of deer farms. On-farm investment, succession and leadership continued as themes, along with the usual frank interactions with NAIT and the Annual Health Board.

Recent young Nuffield scholar, Paul McGill, spoke on youth in agriculture, leadership and innovation. Within the “New Faces Programme” attendees also considered leadership opportunities and identified pathways within branches that encouraged succession and involvement of the next generation of deer farmers in NZDFA at branch and national level. The Branch chairs’ meeting also provides an opportunity for new board members to meet deer farmers and discuss important issues as the industry continues its relatively stable run in export sectors for both venison and velvet antler.

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

- The Tb Free New Zealand working group discussed more equitable sector funding for AHB and the shift from annual Tb testing to a three-yearly programme for closed herds in vector risk areas, which slaughter a high proportion of yearling deer and cull adults annually. About 40 herds are already accredited for this and accountability will be considerably enhanced when NAIT is implemented. The deer industry supports further risk-based assessment for all Tb testing.
- Representation on the Venison Supply Systems (VSS) Panel associated with DEERResearch.

- Further involvement with NZDFA and promotion of the DFA and Deer Industry New Zealand viewpoints on NAIT and its practicality for deer, with the advantage of the delayed introduction. Significant concessions have been made for deer, based around the practicalities of deer management, especially around trophy stag movement to game parks and poor tag retention in fallow deer, which will be exempt until tag or ID technology changes to improve retention.
- Productivity strategy development via the Productivity Leadership Group.
- DEERSelect and genetic progress, especially in venison Estimated Breeding Values and breeding indexes and the establishment of the Deer Progeny Test (DPT) programme. The DPT has completed its second round of artificial insemination at Whiterock and Haldon Stations in South Canterbury, while the first crop of progeny were approaching their October slaughter targets with the terminal sire progeny and red males due for slaughter and yield-based assessments through Alliance Group’s Viascan technology.
- The Deer Industry New Zealand Board recognised the increasing importance of genetic progress in the industry and approved the appointment of a part-time professional DEERSelect Manager. Sharon McIntyre was due to start work in this portfolio in October 2012.

The Producer Manager is closely associated with the Johne’s Research Group 2 (JRG2) Sustainable Farming Fund-funded project and Johne’s Management Ltd. This group refined a comprehensive risk management plan around Johne’s disease, housed within Deer Industry New Zealand for industry adoption. Deer farmers are encouraged as a first step to “Know their JD status” through a formal assessment of their JML slaughter data, 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 Johne’s disease to seek advice in developing a diagnostic and management programme through the Johne’s Consultancy Network.

The conclusion of this work marks eight consecutive years of MPI/MAF co-funding with Deer Industry New Zealand and NZDFA at branch and national level. A total of about \$1.2 million plus countless hours of voluntary time have been invested in dealing with Johne’s disease in deer.

The NZDFA Executive Committee met regularly throughout the year with Deer Industry New Zealand executives reporting in depth to these meetings. This strengthens communication with the DFA and its branches. In turn the DFA has supported an experienced working group that responds to the annual Deer Industry New Zealand budget planning round and is available for further feedback on Deer Industry New Zealand programmes as required.

ANNUAL CONFERENCE

The NZDFA Otago Branch hosted the May 2012 conference *"Naturally Deer, Naturally Better"* in Wanaka and was rewarded by an excellent turnout, record sponsorship and a massive 260 attendees at the Mt Burke field day on the final day.

The reinvigorated conference format was continued, with a short sharp NZDFA AGM opening the event, a formal opening from Primary Industries Minister, Hon David Carter and a series of inspirational speakers including Seaworks founder, Bill Day, John Beattie, Infinity Group, James Palmer, Ministry for Primary Industries and Kefung Chu, director of China operations from New Zealand Trade and Enterprise. This conference also featured the prestigious biennial Deer Industry Environmental Awards and the launch of the revised New Zealand Deer Farmers' Land Care Manual, co-funded by the Sustainable Farming Fund. A further highlight was the company and Deer Industry New Zealand presentations on venison marketing. These showcased incentives for returns based around tracking added value from co-products and yield-based payments from objective yield measurement systems like Viascan and X-ray carcass evaluation. A well-led panel discussion on rural-urban balance looked at local authority regulations, expectations of urban dwellers in rural environments and the realities of farming

under increased demands from regional councils, as New Zealanders become increasingly urbanised and divorced from pastoral farming.

The focus then shifted to the Productivity Improvement Programme, with attendees strongly endorsing its principles.

The Deer Industry New Zealand Formal General Meeting featured market reports and perspectives from venison and velvet companies and a series of executive reports, followed by a Q&A session with the 200 delegates.

ON-FARM PRODUCTIVITY IMPROVEMENT AND PROFITABILITY

Making the DIFFerence - the Deer Industry Focus Farms project

The 2011/12 year marked the next round of projects and new farms and a refinement of the programme. New projects have been initiated at the now well-established northern North Island farm near Te Awamutu (Brian and Jacqui Wellington), and in North Canterbury with the Zino brothers and their two-property breeding unit and finishing farm. The Zinos' is another dryland drought-prone property where



Brian & Jacqui 2012 environmental award winners planting tree.

lucerne and strategic cropping are important for early venison finishing. Efficient wintering systems and the potential for expansion are also themes of the Canterbury properties. The South Canterbury project involves Downlands Deer and Clayton Station in another large-scale breeding operation with specialty finishing. A feature is an arrangement where weaners are priced at a trigger point and both partners share in the final venison returns, on an agreed-share basis. This recognises 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 workshops alongside the usual public and community field days. It is significant that the Wellingtons' Te Awamutu Station property was also the premier Elworthy Environmental Award winning property this year.

The executive are talking with Beef + Lamb NZ about joining as a sponsor and part funder in a large deer, sheep and beef property (*Anawai*) in Central Hawke's Bay. Integrated grazing and management systems and strategic specialty crops (lucerne and plantain) for finishing are of particular interest. These field days on Focus Farms are also reported and linked via www.deerfarming.co.nz as well as the Deer Industry New Zealand website.

NAIT

Given the inevitable introduction of NAIT, advocating for the most practical, cost-effective and responsive position for deer farmers has been a significant role for the Executive. Deer Industry New Zealand enjoys a strong relationship with NAIT, allowing free and frank advocacy of deer farmers' views within the objectives of meeting traceability requirements, serving AHB and NAIT animal identification functions and linking to the Ministry for Primary Industries' biosecurity response needs. Farmers who are already using RFID technology for recording and management programmes are reporting substantial decision-making benefits, using easy-to-collect data.

The industry supports combining aspects of AHB and NAIT as a single structure due for implementation in July 2013 and is reasonably comfortable with the early development although it does mean some loss in direct representation as is had with the AHB representatives committee. The 2012/13 year will see this proposal develop with some urgency, particularly as deer join NAIT on 1 March 2013. Deer Industry New Zealand and the NZDFA have a good relationship with the NAIT executive and Establishment Board. This will continue to be a major portfolio commitment in the forthcoming year. Regulations are now developed for deer and an extensive publicity campaign has commenced.



Science and Policy

Research

IN 2012 DEER INDUSTRY NEW ZEALAND ITSELF UNDERTOOK RESEARCH, RATHER THAN LEAVING EVERYTHING TO DEERRESEARCH.

PRODUCTIVITY INFORMATION HUB

A key outcome of the Productivity Improvement Programme's stakeholder consultation was the need for better dissemination of existing knowledge on behind-farm-gate farming information. On behalf of DEERResearch and AgResearch, Deer Industry New Zealand project-managed the creation of an online farm system information resource that can be referred to not just by new entrant deer farmers to learn the basics, but by experienced producers to squeeze out the extra few percent to improve productivity. The project entailed identifying the operationally relevant key outputs of research that the deer industry has carried out over the years and packaging them in a theme-based, uniformly-styled and easily-digested web library. The beauty of the hub is that all topics have been reviewed – and some written – by active producers, so that it is largely jargon-free and wholly practical.

CINTA

New Zealand punches above its weight in terms of agricultural innovation, but scores a 'could do better' mark when it comes to the uptake of new productivity-improving practices and technologies. Deer Industry New Zealand made a foray into social science by commissioning research (undertaken by Cinta Ltd) into deer farmers' attitudes towards practice change, decision-making, barriers towards practice change, preferred sources of advice and preferred means of communication. The research helped Deer Industry New Zealand's Productivity Leadership Group identify the types of productivity improvement initiative that will have the best chance of succeeding for a particular target group (e.g. innovators), the type of support needed to overcome main barriers to change and the best means of delivering those initiatives.

GREENHOUSE GAS INVENTORY PROJECT

Deer Industry New Zealand carried out a project for the Ministry for Primary Industries reviewing assumptions about the size and practices of the deer farming industry that the Government uses to estimate the sector's greenhouse gas emissions. The assumptions needed updating owing to changes in deer farming practices and demographics (such as the balance between velvet and venison production and the age at which animals reach slaughter weight) over the last twenty years. The outputs will enable a more accurate calculation of farmed deer emissions, which is relevant to the industry's future liabilities under the Emissions Trading Scheme.

DEERRESEARCH

DEERResearch has remained the main vehicle for the deer industry's investment into venison research. There have been three major achievements this year.

1. ANTLERLESS VENISON SYSTEMS

Under the Venison Supply Systems Programme, work concluded on the antlerless venison systems project. This work evaluated two major means of avoiding antlers in venison production (one genetic, the other chemical/mechanical). One method shows promise and will remain an option for further development at the appropriate time.

2. DEER PROGENY TEST

After artificial insemination of the first cohort of Deer Progeny Test hinds in 2011, progeny were born on the Deer Progeny Test farms (AgResearch Invermay and Canterbury's Whiterock Station). Comprehensive and consistent trait recording commenced. Alliance Group perfected its set-up of deer carcass imaging technology in readiness for contributing carcass trait information (such as shoulder, middle and loin sizes) relevant to venison-related breeding values. Support from

semen providers, the Deer Progeny Test farms and partner herds enabled the operational aspects of the project to run smoothly. The project shows every sign of being able to deliver significant benefits to DEERSelect by strengthening linkage between key industry sires and thereby improving the robustness of breeding values of the animals recorded on the system.

3. PROCESSING

DEERResearch commissioned a study to examine the merits of deer slaughter lines adopting changes to slaughter conditions similar to those recently adopted for sheepmeat processing to bring about quality improvements.

Carne Technologies, a specialist meat processing research provider, examined alternative carcass electro-immobilisation protocols, with a view to improving venison tenderness and reducing drip-loss. The project showed that deer carcasses are too variable in conformation to respond uniformly to the stimulation protocol variations. However, aspects of interest for further investigation by interested processors were revealed, such as the potentially better pH/temperature environment in the post-dressing muscle achieved by high frequency immobilisation followed by medium voltage stimulation post-dressing.



VARNZ

REPAIRX

In 2011/12, VARNZ decided to withdraw its application for regulatory approval to conduct a human clinical study in Perth, Australia owing to unexplained delays in the ethics application. Instead, VARNZ opted to undertake the study in New Zealand at Middlemore Hospital in Auckland, owing to its significant patient throughput and expertise of its burns unit staff. During the year, the project personnel were identified, the protocols amended to suit the hospital, budgets set, and arrangements made to procure and test the velvet and process it into RepairX. Ethics committee approval was also obtained. The scene is set for the practical side of the study to commence towards the end of 2012/13.

Policy

BIOSECURITY

It's been a busy year on the policy front, which has been dominated by a range of workstreams that fall under the 'biosecurity' umbrella. Putting effort into these workstreams is vital, because an incursion of an exotic pest or disease – or the spread of something already here – would seriously jeopardise or curtail altogether the deer industry's ability to sell venison, velvet and deer co-products. The various biosecurity issues seek to build or strengthen systems to prevent, detect and respond to incursions more effectively. Here's a summary of each different workstream.

GOVERNMENT-INDUSTRY AGREEMENTS (GIAs)

Extensive dialogue took place between the Ministry for Primary Industries (MPI) and industry bodies on how Crown and sector bodies would act jointly in dealing with priority exotic pests and how the bill would be split. Deer Industry New Zealand has participated in negotiations on the ground rules to apply to each sector that signs up. This process is nearing completion. The next phase is for each sector to consider whether it is worth entering into a GIA. Deer Industry New Zealand has advocated strongly for disclosure by MPI of key information relevant to the deer industry's determination of a value proposition on entry. Meanwhile, despite lacking much key

information, Deer Industry New Zealand commenced its own assessment of costs and benefits, particularly in relation to chronic wasting disease (for which there is already a surveillance programme part-funded by Deer Industry New Zealand levy funds).

FOOT AND MOUTH DISEASE COMMUNICATIONS

Deer Industry New Zealand contributed material and ideas towards an MPI project aimed at improving communication about foot and mouth disease (FMD). Most of this is awareness-raising material that the pastoral sectors will be able to use in advance of an incursion. This project is nearing completion and some of the outputs will be suitable for posting on the Deer Industry New Zealand website.

FMD GROUP

Deer Industry New Zealand participated in a joint MPI and pastoral sector group to analyse the state of New Zealand's FMD preparedness. The group produced a [report](#) that included recommendations for action by either or both of government and sector bodies. Deer Industry New Zealand will look carefully at the recommendations so as to identify actions that it can undertake as a matter of priority. The group has now turned its attention to working on some of the recommendations for joint government–industry action as well as developing a value proposition for a GIA that covers FMD.

PASTURE PEST HAZARD IDENTIFICATION

The pastoral sector bodies realised that little was known by the Government and industry about the pest threats to New Zealand pastures. Together the pastoral sector and MPI commissioned an expert to identify the major threats to our main pasture species. Now that the main hazards have been identified, the next steps will be to determine the risk of incursions and assessing whether existing surveillance and response mechanisms are robust enough to mitigate the risks.

NATIONAL BIOSECURITY CAPABILITY NETWORK

Deer Industry New Zealand contributed expertise to the development by MPI of a network of officials, bodies and rural communities that would be able to work together to deal efficiently with a biosecurity emergency.

JOINT BORDER MANAGEMENT SYSTEM

Deer Industry New Zealand provided views on the joint MPI and Customs consultation regarding the development of a new joined-up MPI and Customs border management computer system. Deer Industry New Zealand agreed that the new system would cut red tape and speed up export approval processes for our exporters. However, Deer Industry New Zealand contended that the proposed cost recovery scheme (from importers and exporters) needed to be transparent and evenly spread over the life of the system.

NAIT

Whereas NAIT Ltd has been focusing on getting the NAIT scheme up and running, MPI has been working on the proposed enforcement scheme for NAIT and data access panel provisions.

Deer Industry New Zealand has taken the view that realisation of the benefit of the deer industry's investment in NAIT depends on near-universal compliance by participants. Accordingly Deer Industry New Zealand has pressed hard for resource to be allocated to educating scheme participants of their responsibilities coupled with an enforcement scheme that deters non-compliance.

AHB

The AHB has continued to liaise with Deer Industry New Zealand on its implementation of the Pest Management Strategy for bovine tuberculosis (TB). The AHB is conducting a proof-of-concept study into whether eradication of TB is achievable. The AHB is seeking Deer Industry New Zealand technical input into that study – and the AHB's work generally – through a Stakeholder Technical Advisory Group.

The AHB has continued to liaise with Deer Industry New Zealand on its implementation of the Pest Management Strategy for TB.

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WILD GAME AND THE GAME ANIMAL COUNCIL

Deer farmers benefit from the hunting of wild deer, as numbers of TB vectors are kept down. The environment benefits too, since deer threaten native flora. Problems can arise, however, if farmed deer are captured and presented for processing as wild deer. The deer farmer loses valuable stock and, from a food safety perspective, there is a risk of veterinary medicine withholding periods having not been observed. Further food safety problems could arise if wild deer are mistakenly or wilfully taken from areas subject to aerial TB control. Deer Industry New Zealand has played a pivotal role in getting processors, deer farmers, DOC and MPI officials together to work on improving the regulatory system for wild deer capture and processing.

Deer Industry New Zealand also provided feedback on the Government's Game Animal Council bill. The bill proposes creation of a Game Animal Council with game-management related powers and functions. Deer Industry New Zealand backed the AHB's submission that the regulatory framework allowing protection of some key wild game herds must not be at the expense of effective TB pest management.

GREENHOUSE GAS EMISSIONS

While the Emissions Trading Scheme remains at arm's length from farmers in terms of immediate and direct obligations, work has continued to ensure that it affects farmers only when they have the means to change their practices, are not put at a disadvantage to competitors and that the deer industry's liability is proportionate to its actual emissions.

EMISSIONS TRADING SCHEME

In the 2011/12 year, the Government consulted stakeholders on whether agriculture should fully enter the Emissions Trading Scheme (ETS) as planned in 2015 or entry be deferred indefinitely. The Government agreed with Deer Industry New Zealand and other pastoral sector bodies that the continued lack of effective emissions mitigation technologies would make the ETS scheme a stick without a carrot and would leave farmers at a significant competitive disadvantage to overseas meat producers. Agriculture's entry into the ETS has now been suspended indefinitely.

The Government has also amended the methodology used to estimate pastoral sector emissions for ETS emissions-reporting purposes and eventually for unit surrender purposes. The methodology is now simpler because it uses one 'per-tonne' emissions factor rather than a per-tonne factor in combination with a per

head factor. Not only that, but in its calculation of the emissions factor, the Government agreed with Deer Industry New Zealand that emissions associated with velvet production should be omitted, in line with the treatment of wool.

GREENHOUSE GAS INVENTORY PROJECT

For the purpose of international emissions reporting, and for calculating the ETS emissions-factor for deer, the Government estimates overall deer industry emissions. The estimate is based on assumptions about energy needs during a deer's life and estimates of the lifespan of various deer stock classes. The Government accepted that its assumptions on the lifespan of different deer stock classes needed revision, particularly since deer are increasingly reaching target slaughter weights earlier. Deer Industry New Zealand undertook a project (working with Dr Jimmy Suttie) for MPI that reviewed and refined the model's assumptions and Deer Industry New Zealand looks forward to working with MPI to get the model updated accordingly. Once this is done, the deer industry will have a more accurate benchmark of total venison-related emissions which it can look to reduce through making productivity efficiencies.

FREEDOM TO OPERATE

Various issues – mostly environmental and animal welfare related – have been on the radar this year. The deer industry's commitment to improving deer farming's environmental impact has flavoured Deer Industry New Zealand's policy negotiations and submissions. The deer industry's stance of encouraging continual improvement has been well backed up by the NZDFA/Deer Industry New Zealand project on amending the Landcare Manual.

ENVIRONMENTAL PROTECTION AGENCY ORGANOPHOSPHATE REVIEW

The Environmental Protection Agency has been doing extensive preparatory work on the regulatory framework for organophosphate – and carbamate-based plant protection products, with a view to recommending the withdrawal of some products and the change in approval conditions of others. Deer Industry New Zealand has worked closely with DairyNZ and Beef + Lamb NZ in understanding the potential impacts of the proposed changes. The pastoral sector is concerned about the need for intervention given the lack of evidence of actual adverse effects of use on the environment or pesticide contractors and the need to retain effective tools for dealing with endemic and exotic pests. The formal review process has just commenced so that a formal Deer Industry New Zealand position will be formulated and submitted in the 2012/13 year.

NUTRIENT MANAGEMENT

Nutrient management planning could be the subject of national accreditation for rural consultants, so as to raise standards and achieve consistency. Deer Industry New Zealand has been involved in the establishment of a body to oversee the setting of standards and the granting of accreditation, as it recognises the value to the industry of land and environment planning (which includes nutrient management) being done in accordance with objective standards.

WATER QUALITY AND QUANTITY

This year several regional councils proposed methods of implementing the National Freshwater Strategy through their regional environmental strategies and plans. Among other things, the documents generally impose restrictions on water take and nutrient discharge by farmers. Deer Industry New Zealand, with NZDFA, has kept a watching (and sometimes active) brief on the implications for deer farming, with a view to advocating that measures be proportionate to the environmental impact of the restricted activities, capable of achieving the environmental outcomes sought and equitable in their application.

ANIMAL HEALTH

AGRICULTURAL COMPOUNDS AND VETERINARY MEDICINES

Deer Industry New Zealand has maintained a watchful eye on developments in the agricultural compounds and veterinary medicines space. Matters of interest this year have been proposals to amend the regulatory regime to remove barriers to the registration of products for niche industries and ensuring that suitable controls are placed on the supply of velvetting drugs.





Animal Welfare

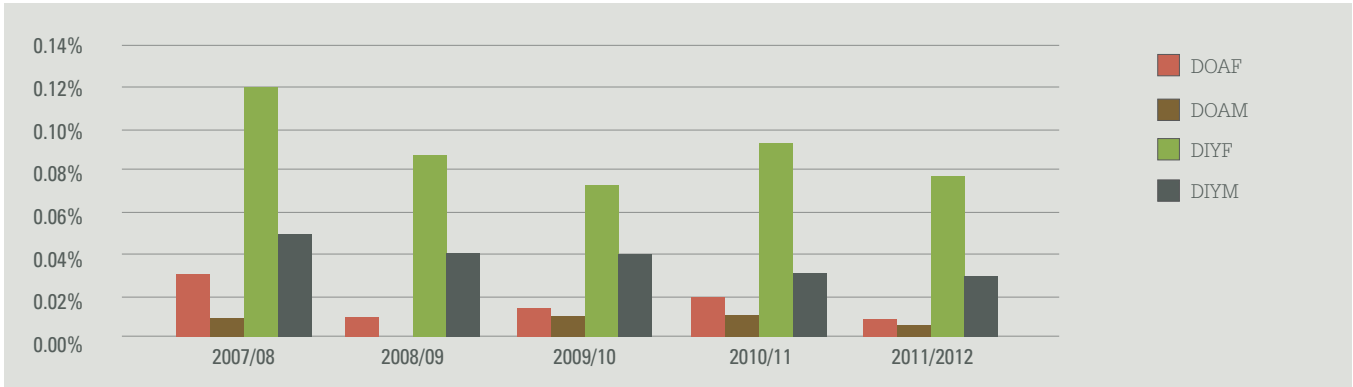
Animal Welfare and Deer QA

TRANSPORT

Re-auditing of the transport companies carrying deer continued throughout the year. This process was expected to take up to three years. It is expected that the re-auditing of all 107 transport companies will be completed by September 2013. Operators were receptive of the audits and understand the need to remain compliant with the operating standards. Training courses for deer transport drivers continued and a number of new drivers have come into the system during the past year.

Of concern again last year with transport and processing was the number of low-conditioned hinds and hinds being sent for slaughter particularly at weaning time as shown on the following graph supplied by the Ministry for Primary Industries (MPI).

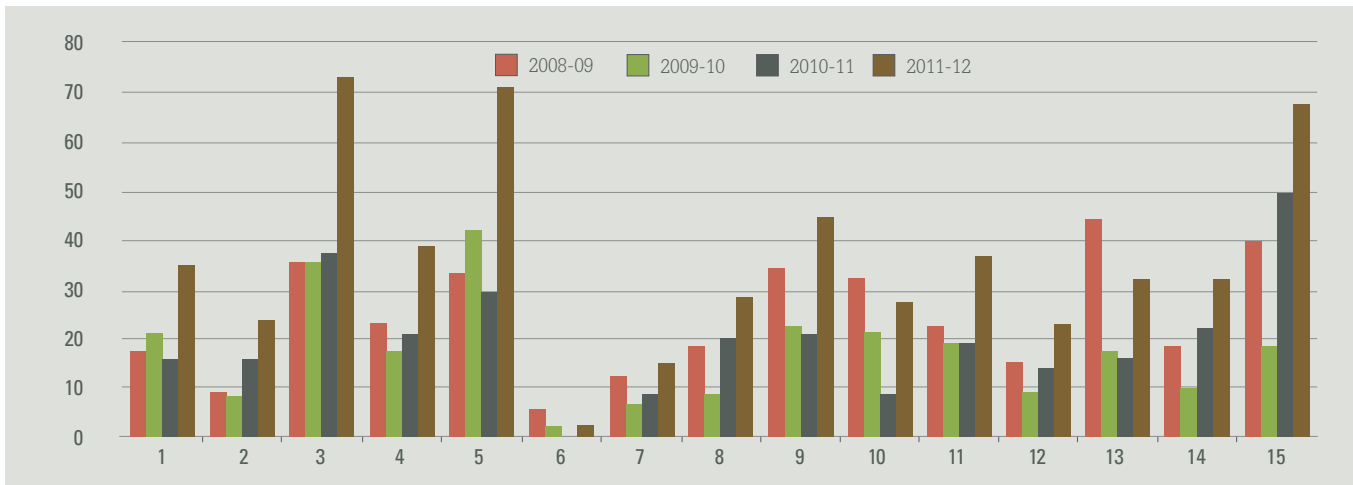
CERVINE ANTE MORTEM STATISTICS PERCENTAGES



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

Note: Emergency slaughter data not included. These numbers are invariably low.

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



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

VELVET

In September 2012, Deer Industry New Zealand made submissions to MPI on the review of the Animal Welfare Act. Some of these submissions were aimed at giving the National Velveting Standards Body (NVSB) some strength to be able to enforce their programme. The NVSB continued to operate under the Performance and Technical Standards issued by the Director-General of MPI as a temporary measure when changes were made to the Agricultural Compounds and Veterinary Medicines (ACVM) Act that effectively took away the Code of Practice which underpinned the NVSB programme.

VELVET AUDITS

Compliance levels across last year's velvet audits were the highest recorded since benchmarking began. For the past 10 seasons compliance levels have increased year on year bearing in mind that levels have always been high; therefore continued improvement can only be measured in small increments. Many of our farmer/velvetters have been in the NVSB system since the beginnings of velveting and now perform to a very high standard. A number of farmer/velvetters have been able to assist younger, newer veterinarians to better understand velvet removal techniques and thereby contribute to greater compliance. Each season there are new entrants to the NVSB programme, albeit mostly employees on farms. The overall number of participants in the NVSB programme consistently remains between 1000 and 1100 per season.

Summary of the main findings of the 2011/2012 Audit of deer velveting

Of the 86 audits carried out:

- 26 audits for mechanical block
- 26 audits for local only
- 34 audits for chemical restraint
- 10 of these audits were conducted where one or more method was used to remove velvet
- 96.5% of deer were settled
- 100% effective analgesia with mechanical block
- Tourniquets were applied in 99% of audits where required
- 96% of facilities met requirements

As per previous seasons, key performance indicators (KPIs) were selected across the same seven areas of the audit.

The NVSB also undertook audits of eight veterinary practices during the velvet season. This was to ensure that the delivery of the NVSB programme is consistent and that the calibration for velveting and record keeping, drug reconciliation and so forth remains at a consistently high level right across the country. It is pleasing to note that the calibration and level of competency remains at a high level throughout all the audits carried out during the season. Audits of veterinary practices will continue in coming seasons. Again the NVSB auditors have been very complimentary of velvetters over this past season. Many have commented on the excellent procedures carried out by most farmers/farm workers, and the overall competence of those audited. In general the competence and professional approach to velveting remains at a very high level.

	11/12	10/11	09/10	08/09
AUDITS COMPLETED	8.2%	10.8%	9.5%	10.65%
STAGS SETTLED	96.5%	98%	97.9%	99.1%
ANALGESIA AT FIRST TEST	91.6%	96%	97.3%	99.1%
COMPLIANT FACILITIES	97.4%	96%	94.3%	95.2%
NUMBER OF FORMS FILLED CORRECTLY	98%	97%	97%	97%
APPROPRIATE LEVEL OF SEDATION	99%	97%	99%	97.3%
TOURNIQUET BEFORE LOCAL ANAESTHETIC	99%	99%	99%	99.1%

VELVET SURVEILLANCE PROGRAMME

The joint venture surveillance programme between MPI and NVSB continued during the 2011/12 season. More than 1100 individual consignments of deer were recorded during the surveillance period, which ran until the end of February 2012. Over 900 of those consignments were able to be signed off by Deer Industry New Zealand executives as being compliant with the MPI requirements. The remainder were checked off by MPI personnel. Contact was made with 177 individuals regarding velvetted deer sent for slaughter. Of these, 159 provided sufficient information to satisfy MPI that all velvet was removed either by a certified velvetter or by a registered veterinarian.

Contact will be made by “an inspector under the Act” with the 18 individuals who failed to supply MPI with sufficient information. MPI will decide on the outcomes after enquiries have been completed.

The ability to report year-on-year data continues to strengthen the intrinsic value of the audit and allowed various trends to be identified and, with the inclusion of KPIs, the programme is now able to be benchmarked and reviewed annually.





Financials

Independent Auditor's Report

TO THE READERS OF DEER INDUSTRY NEW ZEALAND AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

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

We have audited the financial statements of Deer Industry New Zealand and Group on pages 47 to 62, that comprise the Statement of Financial Position as at 30 September 2012, the Statement of Financial Performance, Statement of Movements in Accumulated Funds and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion the financial statements of Deer Industry New Zealand and Group on pages 47 to 62:

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

- financial position as at 30 September 2012; and
- financial performance and cash flows for the year ended on that date.

Our audit was completed on 29th November 2012. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

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

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing financial statements that:

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

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


RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements set out in Professional and Ethical Standard 2, issued by the External Reporting Board.

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



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

This audit report relates to the consolidated financial statements of Deer Industry New Zealand for the year ended 30 September 2012 included on Deer Industry New Zealand's website. The Board of Directors is responsible for the maintenance and integrity of Deer Industry New Zealand's website. We have not been engaged to report on the integrity of the Deer Industry New Zealand's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 29 November 2012 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Financial Performance

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	NOTES	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$	PARENT 2012 \$	PARENT 2011 \$
INCOME					
Levy Income Venison	1	3,202,045	3,207,071	3,202,045	3,207,071
Levy Income Velvet	1	1,310,704	1,252,223	1,310,704	1,252,223
Project Management Fees		-	-	94,942	28,582
Interest Received	1	224,800	226,237	118,036	128,100
Other Income		306,917	202,035	263,025	184,844
Animal Health Board Levy Received	2	1,397,955	1,907,779	1,397,955	1,907,779
Processor Voluntary Contribution for Johne's Management Ltd		353,242	414,803	353,242	414,803
TOTAL INCOME		6,795,663	7,210,148	6,739,949	7,123,402
EXPENDITURE					
RESEARCH INVESTMENT					
Research Expenditure	13	882,056	862,390	1,259,725	1,060,373
Project Management Fees		-	-	-	-
Johne's Management Limited Operating Expenses		300,983	258,724	-	-
TOTAL RESEARCH INVESTMENT		1,183,039	1,121,114	1,259,725	1,060,373
VENISON PROMOTION					
Generic Promotion		1,150,796	1,222,387	1,150,796	1,222,387
Joint Promotion		526,212	470,265	526,212	470,265
TOTAL VENISON PROMOTION		1,677,008	1,692,652	1,677,008	1,692,652
VELVET					
Promotion		302,258	337,841	302,258	337,841
Velvet Removal		170,520	258,703	170,520	258,703
TOTAL VELVET EXPENDITURE		472,778	596,544	472,778	596,544

	NOTES	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$	PARENT 2012 \$	PARENT 2011 \$
ANIMAL HEALTH BOARD LEVY	2	1,397,955	1,907,779	1,397,955	1,907,779
JOHNE'S MANAGEMENT LIMITED LEVY		-	-	353,242	414,803
COMMUNICATIONS		293,255	277,554	293,255	277,554
QUALITY ASSURANCE		252,335	184,522	252,335	184,522
PRODUCER MANAGEMENT		282,850	274,009	282,850	274,009
PRODUCTIVITY IMPROVEMENT		253,432	35,466	253,432	35,466
OPERATING EXPENDITURE					
Audit Fees	3	33,760	32,642	27,660	26,872
Depreciation	7	30,095	32,308	26,162	27,064
Board and Directors' Fees and Expenses	10	220,688	223,935	200,509	204,935
Foreign Currency Loss		8,584	8,465	8,584	8,465
Insurance		47,913	43,922	47,913	43,922
Accounting and Advisory Fees		42,790	35,852	26,730	20,070
Other Operating Expenses		239,665	269,822	231,250	262,433
Grant to Cervena Trust Limited		-	-	8,420	7,168
Premises Rental and Costs		65,775	65,434	61,178	61,198
TOTAL OPERATING EXPENDITURE		689,270	712,380	638,406	662,127
TOTAL EXPENDITURE		6,501,922	6,802,020	6,880,986	7,105,829
SURPLUS/(DEFICIT) BEFORE TAXATION		293,741	408,128	(141,037)	17,573
TAXATION EXPENSE	4	2,573	1,325	-	-
SURPLUS/(DEFICIT) AFTER TAXATION		291,168	406,803	(141,037)	17,573
SURPLUS/(DEFICIT) ATTRIBUTABLE TO:					
Deer Industry New Zealand Members		(141,037)	17,473	(141,037)	17,573
Deer Industry New Zealand Research Trust		383,028	261,900	-	-
Johne's Management Limited		49,177	127,430	-	-
		291,168	406,803	(141,037)	17,573

Statement of Movements in Accumulated Funds

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	NOTES	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$	PARENT 2012 \$	PARENT 2011 \$
OPENING ACCUMULATED FUNDS		4,815,317	4,408,514	2,029,799	2,012,226
NET SURPLUS/(DEFICIT)		291,168	406,803	(141,037)	17,573
TOTAL RECOGNISED REVENUE AND EXPENSES		291,168	406,803	(141,037)	17,573
CLOSING ACCUMULATED FUNDS		5,106,485	4,815,317	1,888,762	2,029,799

Statement of Financial Position

AS AT 30 SEPTEMBER 2012

	NOTES	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$	PARENT 2012 \$	PARENT 2011 \$
ACCUMULATED FUNDS	11	5,106,485	4,815,317	1,888,762	2,029,799
<i>REPRESENTED BY:</i>					
CURRENT ASSETS					
Short Term Bank Deposits		5,817,490	5,347,476	2,365,908	2,423,504
Trade Receivables		567,880	842,404	550,939	836,069
Related Party Receivables	6	-	3,561	-	3,561
Accrued Interest		53,507	39,096	28,454	20,948
Prepayments		71,211	6,936	71,211	6,936
TOTAL CURRENT ASSETS		6,513,088	6,239,473	3,019,512	3,291,018

Continued

	NOTES	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$	PARENT 2012 \$	PARENT 2011 \$
LESS CURRENT LIABILITIES					
Accounts Payable		734,580	719,732	435,520	519,976
Related Party Payables	6	30	30	18,914	30,691
Accruals		608,168	600,800	608,168	600,800
Employee Entitlements		125,093	123,235	125,093	123,235
Taxation Payable		-	14	-	-
TOTAL CURRENT LIABILITIES		1,467,871	1,443,811	1,187,695	1,274,702
NON CURRENT ASSETS					
Fixed Assets	7	107,089	75,667	102,666	69,395
Investment in Subsidiaries/Associates	5	31	31	131	131
TOTAL NON CURRENT ASSETS		107,120	75,698	102,797	69,525
NON CURRENT LIABILITIES					
Accrued Lease Liabilities		45,852	56,042	45,852	56,042
TOTAL NON CURRENT LIABILITIES		45,852	56,042	45,852	56,042
NET ASSETS		5,106,485	4,815,317	1,888,762	2,029,799

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


 Chairman of the Board
 29 November 2012


 Chairman of Audit Committee
 29 November 2012

Statement of Cashflows

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$	PARENT 2012 \$	PARENT 2011 \$
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Venison, Velvet, Animal Health Board Levies & Johnes Management Contributions	6,538,470	6,448,138	6,549,076	6,428,998
Interest Received	210,389	237,884	110,530	137,920
Other Operating Income	306,917	202,035	357,967	213,426
Taxation Refund	-	-	-	-
	7,055,776	6,888,057	7,017,573	6,780,344
Cash was applied to :				
Payments to Suppliers and Employees	6,521,658	6,609,520	7,015,735	6,997,972
Taxation Paid	2,587	1,256	-	-
	6,524,245	6,610,776	7,015,735	6,997,972
NET CASHFLOWS FROM OPERATING ACTIVITIES	531,531	277,281	1,838	(217,628)
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash was applied to :				
Purchase of Fixed Assets	61,518	10,355	59,434	5,706
NET CASHFLOWS FROM INVESTING ACTIVITIES	(61,518)	(10,355)	(59,434)	5,706
NET INCREASE IN CASH HELD	470,013	266,926	(57,596)	(223,334)
OPENING CASH BALANCE	5,347,477	5,089,016	2,423,504	2,655,303
Effect of exchange rate change on foreign currency balances	-	(8,465)	-	(8,465)
CLOSING CASH BALANCE	5,817,490	5,347,477	2,365,908	2,423,504

Continued

	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$	PARENT 2012 \$	PARENT 2011 \$
RECONCILIATION OF NET (DEFICIT)/SURPLUS AFTER TAX WITH OPERATING ACTIVITIES				
Reported (Deficit)/Surplus	291,168	406,803	(141,037)	17,573
Add:				
Non Cash Items				
Depreciation	30,095	32,308	26,162	27,064
Loss on sale	-	267	-	267
Amortisation of Lease Expense	(1,353)	(1,353)	(1,353)	(1,353)
Foreign Currency Loss/(Gain)	-	8,465	-	8,465
	28,742	39,687	24,809	34,443
Movement in working capital				
Accounts Receivable	260,113	(322,091)	277,624	(343,058)
Prepayments	(64,275)	(381)	(64,275)	(381)
Tax Refund Due	(14)	69	-	-
Accounts Payable	14,847	275,801	(84,456)	222,059
Accruals	9,226	(145,143)	9,226	(145,143)
Subsidiary and Associates Receivables/Payables	561	444	(11,216)	(25,213)
Lease Liabilities	(8,837)	22,092	(8,837)	22,092
	211,621	(169,209)	118,066	(269,644)
NET CASHFLOWS FROM OPERATING ACTIVITIES	531,531	277,281	1,838	(217,628)

Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2012

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 2012. 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 Deer Industry New Zealand. Deer Industry New Zealand passes the funds through to JML which applies them towards the cost of undertaking the project and on any associated administration costs incurred in carrying out the project.

The following entities have not been consolidated for the year ended 30 September 2012:

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 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 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 2012 the Animal Health Board reported levies held on behalf of the deer industry of \$0.5 million (2011: \$0.3 million).

3. AUDIT FEES

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

	2012 \$	2011 \$
Audit of Deer Industry New Zealand:	\$27,660	\$26,872
Audit of other Group entities:	\$6,100	\$5,770
	\$33,760	\$32,642

During the year ended 30 September 2012 tax advisory fees were paid to the auditors of \$26,730 (2011: \$11,720).

4. TAXATION

	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$	PARENT 2012 \$	PARENT 2011 \$
Net (Deficit)/Surplus Before Tax	293,741	408,128	(141,037)	17,573
Permanent Differences	(420,959)	353,947	6,132	32,191
	(127,218)	54,181	(134,905)	49,764
Tax @ 28% (2011: 30%)	(35,621)	16,254	-	14,929
Deferred Tax Asset not Previously Recognised	38,194	(14,929)	-	(14,929)
Income Tax Charge as per Statement of Financial Performance	2,573	1,325	-	-

The Group has income tax losses of \$126,436 (2011: \$18,529) available to be carried forward to be offset against taxable income in future periods. The parent has income tax losses of \$135,623 (2011: \$34,896) 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 2012 \$	CONSOLIDATED 2011 \$	PARENT 2012 \$	PARENT 2011 \$
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 2012	CONSOLIDATED 2011	PARENT 2012	PARENT 2011
	\$	\$	\$	\$
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 2012	CONSOLIDATED 2011	PARENT 2012	PARENT 2011
	\$	\$	\$	\$
Cervena Trust	-	3,561	-	3,561
VARNZ Ltd	3,000	-	3,000	-
Total Related Parties Receivables	3,000	3,561	3,000	3,561
DEEResearch Ltd	30	30	30	30
Johne's Management Ltd	-	-	18,884	30,661
Total Related Parties Payables	30	30	18,914	30,691

7. FIXED ASSETS

PARENT

	COST	ACCUMULATED DEPRECIATION	NBV 2012	NBV 2011	DEPRECIATION 2012	DEPRECIATION 2011
	\$	\$	\$	\$	\$	\$
Furniture & Fittings	46,835	44,406	2,429	2,371	368	210
Computer Equipment & Software	179,021	116,773	62,248	14,091	10,633	11,851
Office Equipment	9,082	7,015	2,067	2,813	963	805
Leasehold Improvements	70,987	35,065	35,922	50,120	14,198	14,197
	305,925	203,260	102,666	69,395	26,162	27,064

CONSOLIDATED

	COST	ACCUMULATED DEPRECIATION	NBV 2012	NBV 2011	DEPRECIATION 2012	DEPRECIATION 2011
	\$	\$	\$	\$	\$	\$
Furniture & Fittings	46,835	44,406	2,429	2,371	368	210
Computer Equipment & Software	209,042	142,371	66,671	20,363	14,566	17,095
Office Equipment	9,082	7,015	2,067	2,813	963	805
Leasehold Improvements	70,987	35,065	35,922	50,120	14,198	14,197
	335,946	228,858	107,089	75,667	30,095	32,308

8. FINANCIAL INSTRUMENTS

NATURE AND EXTENT

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

FAIR VALUE

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

CREDIT RISK

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

The Group makes investments with the ANZ Banking Group New Zealand, National Bank of New Zealand and Kiwibank Ltd. The credit risk with respect to accounts receivable is limited due to the number of debtors.

INTEREST RATE AND CURRENCY RISK

While the majority of the Group's activities are carried out in New Zealand, of the total expenditures incurred by the Group approximately 15% were denominated in foreign currency.

At balance date, foreign currency deposits totalled \$3,176 (2011: \$79,128). The notional or principal contract amounts of foreign exchange instruments at balance date for the parent and group for forward exchange contracts was nil (2011: \$nil). The unrealised gain/loss on these contracts at balance date is \$nil (2011: \$nil). All deposits held by the Group are short term in nature. The Group receives interest at current market rates.

9. BOARD AND DIRECTORS' FEES AND RELATED EXPENSES

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

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

In the 2012 year Directors' fees and expenses totalled \$200,509 (2011: \$204,935). This comprises \$162,500 in Director fees (2011: \$158,209), and \$38,009 in travel and accommodation expenses (2011: \$46,726), and discretionary expenses nil (2011: nil).

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

CERVENA TRUST LIMITED

No Directors' fees were paid in 2012 (2011: nil). No Directors' fees were paid for meetings for the year ending 30 September 2012.

Travel expenses were \$179 (2011: \$ nil).

JOHNE'S MANAGEMENT LIMITED

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

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 arm's length commercial basis. There have been no other transactions with related parties.

10. ACCUMULATED FUNDS

The accumulated funds of the Group are \$5,106,485 (2011: \$4,815,317), of which \$2,971,900 (2011: \$2,588,872) is held by the Deer Industry New Zealand Research Trust and \$243,417 is held by Johne's Management Ltd (2011: \$194,240).

DEER INDUSTRY NEW ZEALAND

	2012 \$	2011 \$
Opening Balance	2,029,799	2,012,226
Surplus attributable to Deer Industry New Zealand	(141,037)	17,573
Closing Balance	1,888,762	2,029,799

DEER INDUSTRY NEW ZEALAND
RESEARCH TRUST

	2012 \$	2011 \$
Opening Balance	2,588,872	2,326,972
Surplus/(Deficit) attributable to Deer Industry New Zealand Research Trust	383,028	261,900
Closing Balance	2,971,900	2,588,872

JOHNE'S MANAGEMENT LTD

	2012 \$	2011 \$
Opening Balance	194,240	66,810
Surplus attributable to JML	49,177	127,430
Closing Balance	243,417	194,240

11. EMPLOYEE REMUNERATION

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

REMUNERATION RANGE	NUMBER OF EMPLOYEES
\$100,000 – \$119,999	3
\$120,000 – \$139,999	1
\$210,000 – \$219,999	1

12. RELATED PARTIES

During the year Deer Industry New Zealand provided research administration grants to associated entities: VARNZ 2012: \$9,149 (2011: \$16,098) and DEEResearch Limited 2012: \$20,979 (2011: \$25,051). 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 \$7,777 (2011:\$6,000).

The Deer Industry Research Trust provides the research funding to VARNZ of \$84,151 (2011: \$52,952) and DEEResearch Limited of \$638,180 (2011: \$649,065).

Deer Industry New Zealand provided a research grant to the Deer Industry New Zealand Research Trust of \$1,100,000 (2011: \$900,000).

An operational grant of \$8,420 (2011: \$7,168) was provided from Deer Industry New Zealand to Cervena Trust Limited.

During the year Deer Industry New Zealand collected voluntary contributions for Johnes Management Limited and passed the funds directly on to them, as disclosed in the Statement of Financial Performance. The Chairman of Johnes Management Limited is also the Chairman of Ovis Management Limited, which provides certain services to Johnes Management Limited.

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.

13. COMMITMENTS

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

	Parent & Consolidated 2012 \$	Parent & Consolidated 2011 \$
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	147,054	196,073

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

	2012 \$	2011 \$
Not later than one year	562,000	639,000
Later than 1 year and not later than 2 years	74,000	577,000
Later than 2 years and not later than 5 years	40,000	34,000

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

	2012 \$	2011 \$
Not later than 1 year	380,000	380,000

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:

	2012 \$	2011 \$
Annually	800,000	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 2013.

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

	2012 \$	2011 \$
Not later than one year	110,489	64,250
Later than 1 year and not later than 2 years	140,780	93,750
Later than 2 years and not later than 5 years	140,780	225,000

The commitment of up \$150,000 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 Johnes Disease Research Consortium (12% holding). DEEResearch Limited has unconditional guarantees to the other partners in the unincorporated joint ventures which:

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

15. 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.

16. SUBSEQUENT EVENTS

There were no material events subsequent to the balance date requiring disclosure in the financial statements (2011: nil).

Contact details

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