

## Markets: 2020 will be a challenging season

These are unprecedented, rapidly-changing times with some bumps occurring in our overseas markets. Deer Industry News writer Ali Spencer looks ahead at prospects for our main products.

### Industry feeling Covid-19 effects

On 23 March, the New Zealand Government moved our population into a four-week Level 4 lockdown, mirroring similar efforts in markets in Asia, North America and Europe.

Because food production and processing is an Essential Business, the deer sector can continue to supply a high-quality food product. Deer farmers are able to continue to look after livestock, vets are able to keep working and so are venison and velvet processors, albeit with some adjustments.

Meat companies have been revising working practices to keep workers safe, taking into account new requirements for physical distancing, increased cleaning/disinfection, use of personal protective equipment and closing of sites to non-essential staff (see more below).

The Government is also working to keep supply chains and critical infrastructure such as sea and air ports open. Recently Canada, Australia, Chile, Brunei, Myanmar and Singapore all committed, with New Zealand, to keep their trade links open, a welcome development. The DINZ Executive is meanwhile keeping alert to potential non-tariff barriers to trade.

It will be some time before normality resumes for travel and business. As DINZ chief executive Innes Moffat has said: "This is clearly not business as usual."

### What's happening in the markets?

Venison and velvet processors and marketers are dealing with disrupted routes and capacity issues. On the plus side, the situation has happened towards the end of the venison production season and at the tail-end of the velvet season.

Foodservice and hospitality have been taking the most strain initially, including in European and US markets. Venison and velvet buyers are placing orders for delivery later in the year, but conditions remain very uncertain. The probability of a global recession is growing, along with a likelihood of a negative impact on consumer spending across all our markets.

Marketers are working with their partners on options for reaching consumers, exploring channels such as e-commerce, home delivery and processed foods, DINZ Chief Executive Innes Moffat has reported. There is also increasing emphasis on existing retail options and they are looking at the logistics and timing of shipments. Some orders are being deferred until there is more certainty about how foodservice and retail customers are coping.

While global financial markets find their new levels, the New Zealand dollar had fallen 10 percent against the US dollar and euro since the beginning of the year. This is helping buffer some of the impact of weaker prices in foreign markets, says Moffat.

China and Korea were the first to deal with disease outbreaks. China appears to be on top of things now and there are positive signs coming from South Korea, reports DINZ Market Manager Rhys Griffiths.

Some Korean velvet importers reported increased velvet consumption during the SARS outbreak in 2003, due to the perceived immune function properties, he says (see Korea: Bad impact but some positivity for velvet? below).

## Health and wellness

Farmers' and processors' minds are also on the health and wellness of their own workforces and families.

"They have put measures in place to minimise the risk of introducing Covid-19 into their workplaces and will be asking for suppliers and service providers to abide by these. We must acknowledge the contribution our processing workers are making to keeping trade flowing," Moffat says.

The decision to cancel all DINZ events and DINZ-organised meetings was not taken lightly, he says.

"Some of the networks we have helped create are important for your connection and motivation. We encourage you to reach out to your networks to share news and support, and to use the networking technology available online," he says.

"Stay strong, stay connected and follow official advice on the measures to protect your family's health and that of your staff and friends."

## Game season

With the closure of restaurants and bars across much of Europe in March 2020, New Zealand venison marketers have wound back shipments for European summer consumption to most markets. But the well-entrenched game season will still ensure a demand for New Zealand venison in 2020. Over the past 5 years New Zealand has reduced its reliance on the European game market as exporters have diversified production to new and non-seasonal markets. However the autumn consumption season for game meats remains the main sales period for New Zealand and the main venison consuming period across a range of European countries.

New Zealand exports to Germany have rebounded at the start of 2020, assisted by lower pricing. Major customers have placed orders for a larger volume of New Zealand venison at the beginning of 2020 as prices eased down from the historic highs of previous years that took venison out of the price range for many traditional retail and manufacturing items.

"For the period ending February, chilled venison volumes dropped by 2.5 percent from 2019 to 2020. he notes.

"Frozen volumes are up by 400 tonnes, reflecting the cheaper prices, with the total value down \$1.5 million.

New Zealand venison exports to Germany for the October–February period for the past three seasons are shown in Figure 1.

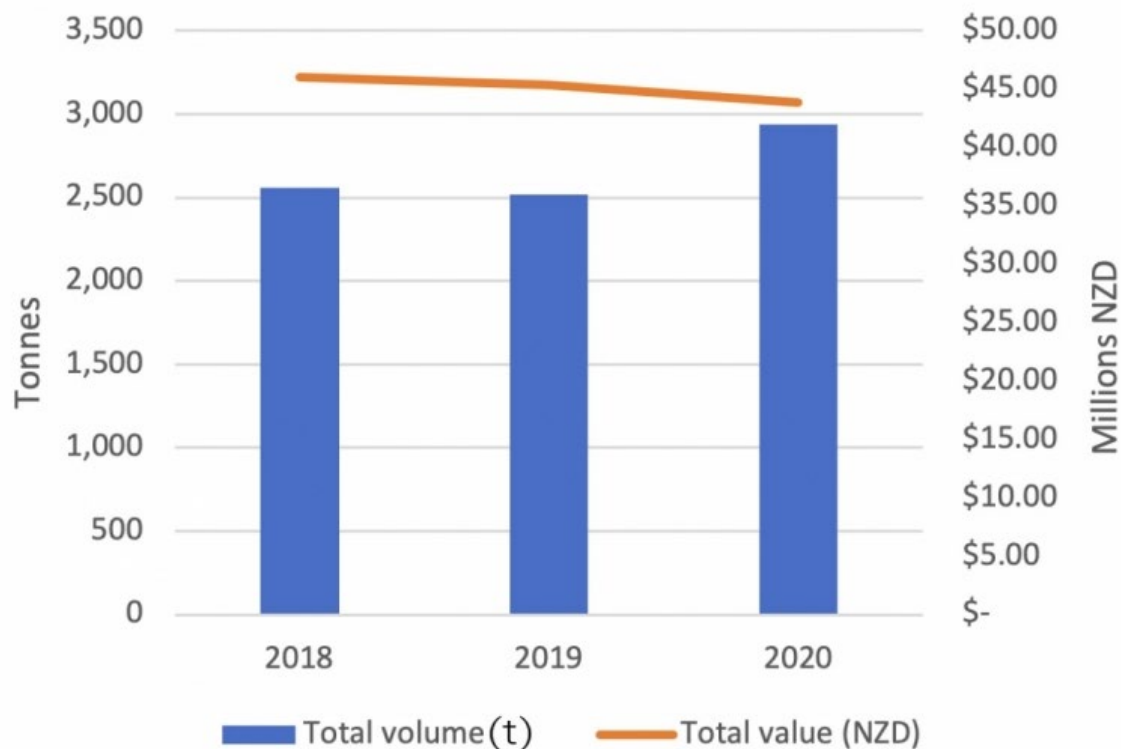


Figure 1: Total combined value and volume of chilled and frozen venison exported to Germany for the five months October–February 2018–2020.

DINZ is putting together a research project to refresh understandings of the drivers of venison consumer demand in Germany, says Taylor.

“It’s been 10 years since we undertook consumer research in Germany and having a better understanding of German consumers’ game preferences will help us focus our marketing efforts.”

Covid-19 restrictions in a rapidly escalating global situation are further affecting the market (see more on this below).

Germany-based DINZ Consultant Chef Shannon Campbell reports the upheaval has had a massive impact on foodservice as all bars, restaurants and shops have been required to shut down in the market.

“Major retailers, delivery services, importers, and cash and carry are all currently holding their breath and moving back payment schedules.”

Government support for businesses/small operators and self-employed people has been promised, he says. He can see the possible closures of hospitality outlets and a significant period of rebuilding ahead.



Nick Taylor, alongside venison exporters and importers, is looking ahead at what's needed for the next post-Covid19 season.

Taylor predicts the foodservice sector will be significantly changed after the emergency is over. DINZ will continue to work with exporters and their importers on New Zealand venison promotion in the market to undertake activities with them for the upcoming game season, he says.

At the time of writing, Campbell was contacting the German importers to find out about their situation and seeing what DINZ can do to help them.

Taylor says DINZ is keen to work more closely with them to help move any excess stocks.

"We are working with importers to help identify specific cuts that could benefit from additional promotion. Then we will be developing promotional support tools such as recipes or videos, using these in demonstrations and identifying new, or novel customers within their markets.

"We also continue to encourage and work with companies to identify alternative markets to reduce our exposure to a single market."

#### [New opportunities emerging](#)

Shannon Campbell has spotted a number of potential opportunities already, including a shifted focus onto modern cuisine and new forms of dining and ingredient choice.

"But it's questionable whether the market will have the cash to eat out," he concedes. "I envisage a period of depressed trade in hospitality, especially in the mid-to-high price range."

For New Zealand venison/Cervena®, Campbell suggests reintroducing it onto the menus of high-volume foodservice deliverers to provide a base of sales, while supporting a rejigged hotel and restaurant trade as it re-emerges in a changed gastronomic landscape.

"Couple this with supporting new consumer demand for quality sustainable meats and healthy living," he says.

"Another focus could be on supporting the green shoots of the new hospitality culture with fresh, interesting and innovative recipes and an extensive competitive backstory that gives them an edge, and aiming to grow up alongside that rebirth."

#### [Venison processing effects](#)

**Silver Fern Farms has been dealing with Covid-19 challenges, including the temporary closure of its Kennington deer processing plant in early April, and its processing plants working at 80 percent capacity for up to six weeks for venison.**



*Simon Limmer*

The Invercargill plant was closed for 14 days as a precaution after a number of staff tested positive for Covid-19 and its tight plant layout could not ensure others were not exposed because of close contact. After a period of recovery at home for the workers, who are all well now, it reopened on 8 April, as scheduled.

As with all other meat processing companies, Silver Fern Farms had completed a 10-stage registration process for essential businesses so it could continue to operate safely, showing the safety controls it has in place created no additional risk of spreading Covid-19 amongst its staff. All plants now have new protective guarding, two metre distancing, new sanitisation stations and information in place for workers, says Silver Fern Farms Chief Executive Simon Limmer (see photo).

The meat processing company is acutely aware of the pressures on-farm that Covid has caused due to its revised capacity, he said, explaining the company needs to balance capacity against the needs of its people and keeping them safe. For venison, the company has revised its processing capacity nationwide to around 80 percent.

“This is a long game and we all need to plan to these levels for up to six weeks,” says Limmer.

SFF teams are working on an operational recovery plan, taking into account the lift in livestock numbers waiting to be processed as suppliers attempt to avoid congestion and also because of colder weather and diminishing feed levels, plus the two short working weeks over the Easter period. It will also review its medium-term capacity levels, taking into account global market conditions for venison.



*Some of the new operational changes brought in by Silver Fern Farms as a result of Covid-19. All plants now have new protective guarding, two metre distancing, new sanitisation stations and information in place for workers.*

When there is more clarity, Silver Fern Farms livestock representatives will be in touch with deer suppliers to let them know what is happening.

Everyone in the deer industry has a responsibility to manage risks for all involved in the supply chain. Keeping our own workforce healthy is vital to ensure we stay ahead.

- Stay at home and stop all interactions with others outside your households.
- Regularly wash your hands thoroughly with warm water and soap for 20 seconds and dry your hands thoroughly.
- If soap is not available, use hand sanitiser.
- Sneeze/cough into a tissue, the crook of your arm/sleeve and away from people.
- Throw the tissues into a closed bin.
- If you develop a new dry cough and/or fever, or have difficulty breathing, stay away from others.
- Ring your GP before you visit or call Healthline on 0800 358 5453.

Further details at [www.covid19.govt.nz](http://www.covid19.govt.nz)

[China: No quick fix, but restaurants getting back to business](#)

In February, Rabobank noted that the first-round impact of Covid-19 would be felt by any business that relies heavily on the foodservice channel in China, especially if the product is perishable, like venison or velvet, and requires quick distribution.

While demand slowed there, as consumers were unable to go out to eat in restaurants, Rabobank expected to see a bounce back later in the year.

A sign that this is being borne out came from early reports from that market, which had been in lockdown since the end of January and recently reported a cessation of new cases.

Hunter McGregor of Shanghai Rata Company works with Mountain River Venison supplying white tablecloth restaurants.

McGregor's one-week holiday for Chinese New Year lengthened to over eight weeks but he, his family and friends were unaffected by the virus.

"The only things you could not buy were facemasks and hand sanitiser. There was never a mad run for food or toilet paper here in Shanghai, though other parts of China had issues early on with food supply," he says.

At no point did they feel unsafe. "We were concerned, but felt OK," he says. "At the start, people were wanting to get out of China; now people are keen to return."

As his customers are restaurants and hotels, his business was massively affected, he says.

"Our February 2020 sales were 98 percent down on last year. March was not much better, but we are seeing some positive signs that April should be OK. Places are re-opening, people are heading out and the weather is getting warmer, so things are heading in the right direction."

While hotels will take a while to recover, he expects restaurants to pick up more in April as people are keen to go back out again. "There will be a new normal."

Shipping lines are shifting schedules and reducing shipments which was making things difficult, but the ports, operating since the middle of February, were not the major issue in Shanghai.

"The main issue has been with trucking to and from the ports. This took until the end of February to resolve. As drivers were mostly from outside Shanghai, they had a 14-day quarantine before getting back to work," he explains.

Another issue was cashflow for Chinese companies. "With Chinese New Year not happening, a lot of food was not sold. This meant a carryover of stock. So with more arriving, product cashflow is an issue and some companies leave containers at the ports until they can pay the tax and import charges."

While there is no quick fix for the current business environment, McGregor says things move fast in China. "As long as the virus remains under control, things will pick up and there will be plenty of opportunities to sell high-quality Mountain River Venison."

"We feel like we are starting our business again, but this time round we know what we are doing!"



*It's a thumbs up from Hunter McGregor in Shanghai*

#### Lockdown in Europe

The EU closed its borders completely to visitors from non-EU countries for 30 days from 18 March and gatherings had been cancelled across the region.

DINZ Consultant Chef Shannon Campbell reported the situation in Germany – where isolation was being requested, but not enforced – was changing rapidly.

His family life has been severely impacted, with schools closed, shopping “difficult” and going outside “an uncomfortable experience,” he says.

“It is not normal to wear latex gloves when you use the bank machine.”

On the upside, he has had a lot of long phone conversations with friends and spent a lot of time with his two daughters, who were home-schooling. Psychologically, his family are very positive.

“A shift towards thinking for the collective good rather than personal gain may do us all a favour.”

Meanwhile, Campbell has been busy speaking to German importers to find out what their promotional needs are likely to be for the coming season.



*“Whatever, still cooking,” says Shannon Campbell on Instagram @Shannon.campbell2018*



### Korea: Bad impact but some positivity for velvet?

South Korea has been badly affected by Covid-19, but at the time of writing new cases were slowing and many had made a full recovery.

YG Shin has been working with New Zealand velvet in Korea for more than 24 years. He worked with New Zealand's Trade & Enterprise office in Seoul from 1995 to 2018 and now his company, Latitude, represents DINZ in the market.

"My mother took me to Oriental medicine clinics for deer velvet prescriptions almost every year until I got married," he says. He's a big fan of health food products that use New Zealand deer velvet, buying them for himself, family, friends and relatives.

"Compared with past epidemic cases like SARS or MERS, Covid-19 has had a much bigger, negative impact and placed uncertainty on the Korean economy," he says. "The domestic economy has already displayed signs of contraction and the country's growth outlook for this year is now forecast to be under zero percent. The stock and forex markets are fluctuating greatly."

He has had mixed initial feedback from Korean partners about the disease's impact on deer velvet.

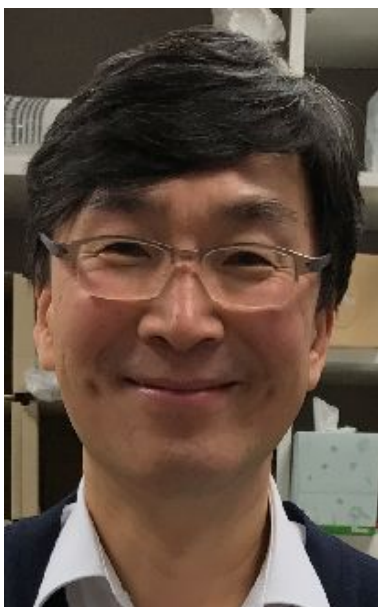
"Some companies specialising in retail sales are suffering greatly. In the past, many Chinese tourists bought Korean health food products containing New Zealand deer velvet from duty-free shops. It is difficult to see any tourists these days," says Shin.

However he notes that cable TV home shopping sales are doing really well. "These channels air deer velvet sales programmes more often nowadays as the product is well regarded as one of the best immunity and energy-boosting products."

Oriental medicine clinics are reported to be suffering a decline in patients. "Elderly people refrain from visiting clinics in fear of infections at hospitals," Shin explains.

However, he shares some optimism for deer velvet in general.

"More people might want to try deer velvet products as a virus-infected world might become the new normal, and most Koreans know that deer velvet strengthens their immune system!"



*YG Shin representing New Zealand velvet in Seoul, Korea.*