



John Sommerville
Executive Committee Chairman
NZ Deer Farmers Association

9th August 2021

Dear John,

We acknowledge your letter of 27th July detailing concerns over current Venison returns.

We are acutely aware of the impact of the past 16 months on all participants in the Venison value chain. Despite almost 2 decades of investment in building retail and niche Venison business across a range of countries, we were far from immune to the impact of every restaurant in the world closing for an unheralded period of time.

Our approach throughout this crisis has been to facilitate regular and transparent communication with our suppliers, as we have collectively navigated our way through a series of external shocks none of us were prepared for.

With the aim of maintaining confidence during this time we released a minimum price contract in April, for deer to be processed Aug to Oct. This was a gamble on our part that restaurants will be open and shipping space will be available to get the product to market, but we recognised that something needed to be done to instil confidence.

In reference to your comments relating to comparative livestock returns. Yes, sheep and beef have benefitted from a number of macro factors which Venison does not have in its favour. Buoyed by a COVID-led explosion in eating at home, both beef and sheepmeat have benefitted from being produced and consumed globally and predominantly sold through retail channels. In comparison, high value cuts of Venison have been designed for fine dining restaurants in Europe and the USA, which have struggled to open and operate. This was particularly harmful when restaurants were shut during the peak consumption period of Sept 2020 to March 2021. Another factor has been China, where New Zealand sheep and beef exports are at record highs. While a lot of investment is going into growing the Chinese consumers' interest in Venison, today China remains a relatively small market for New Zealand Venison.

At First Light we have invested heavily during the past year in our US and New Zealand Venison retail business, as consumers used their new found time to experiment with new products in the kitchen. It has been pleasing to see Venison retail sales continue to grow, indicating the Venison consumers we recruited over the past 12 months now have Venison in their portfolio. We have also invested in growing our on-line sales, where again, demand is holding strong at new levels. While we wish we could move faster, unfortunately there is no shortcut to the process of educating and recruiting Venison consumers to these channels, but we are committed to continue to invest our time and money for the future benefit of the product, our company and the industry.

Looking to the immediate future, we expect to have to deal with aftershocks from COVID being the Delta variant and compromised global logistics. However, restaurants in our main markets are steadily reopening and our niche markets are recovering so we are starting to see the release of a year of pent up demand.

Should we maintain the current trajectory we expect to see supply chain inventories depleted and strong forward demand by year end which should lead to normalised venison returns. Our next milestone is November and as we have done before, we will readily share the new price signals with our suppliers at that time.

Best Regards

A handwritten signature in black ink, appearing to read "Gerard Hickey". The signature is fluid and cursive, with a large initial "G" and a long, sweeping tail.

Gerard Hickey
Managing Director
First Light Venison