

DEER PRODUCT MARKETS - LATEST TRENDS AND DEVELOPMENTS

M Pattison, General Manager, Game Industry Board

Many of you have been a part of the industry from its earliest days and certainly since the construction of the deer slaughter premises signalled the move into marketing farmed venison as opposed to selling hunted game in a few traditional markets.

Rather than just comment on the different markets and products I should therefore like to try to put my remarks into the context of the strategic plan by which the Board currently operates.

Like all good strategic plans it starts with a relatively straight forward primary objective **'to achieve long term optimisation of net returns to the industry from all deer products sold in New Zealand and overseas.'**

In pursuit of this objective the Board must determine appropriate plans and marketing and distribution strategies to ensure that market demand for New Zealand venison, velvet, and deer by products, at satisfactory price levels, exceeds supply.

The broad objective can be broken down further into several components the first of which is the co-ordination of the marketing of venison so as to create maximum demand at premium prices. Several strategies are being followed to this effect and we can relate the first of these namely **'segmentation of markets and of products to extract the optimum price in each market or market sector'** to an examination of our major venison markets.

Growth in venison exports has occurred both in traditional markets where consumers are familiar with game and also in affluent new markets.

In the last four years the industry has succeeded in doubling the value of its venison exports. Europe remains the major volume market, taking 67 per cent of venison exports in 1987, with Germany accounting for the bulk of sales. The United States and Japan are also important and growing markets.

During the year ended December 1987, exports to Germany totalled 1,310 tonnes, or NZ\$7.2 million.

Germany is largely a commodity market, absorbing high volumes at lower returns than some of the newer export markets. Some 40,000 tonnes of game is consumed there each year. The 20,000 tonnes of this which is imported includes some 12,000 tonnes of venison. The market takes the full range of venison cuts, mostly in frozen primal form, and is founded on a tradition of eating wild game. Germany is a particularly important market for forequarter and

boneless B or trim which is utilised in game goulash in particular - most developing markets have little ability to use these cuts.

Until recently New Zealand venison was not differentiated from the hunted venison traditionally supplied by the Eastern Bloc countries.

However, the Chernobyl disaster pointed graphically to the need for identification of New Zealand venison.

Following Chernobyl, consumption of game in Germany dropped by as much as 40 per cent and prices fell to almost half of the high levels of the previous season. New Zealand was not in a position to capitalise on its contamination-free venison in the short term, however, for the following reasons:

- 1 At the request of the German game trade, the New Zealand origin of our product had not been widely publicised in Germany. Furthermore German consumers, who have traditionally eaten feral venison, were not aware that they were in fact consuming farmed venison in increasing quantities.

- 2 Even if the identification problem could have been rectified by substantial expenditure on a media campaign, the Board and New Zealand exporters who, it should be remembered, supply only 10 per cent of all game imported into Germany, would have been very vulnerable to retaliation from suppliers and distributors of Eastern Bloc venison.

However, the GIB did take the first careful steps in positioning New Zealand farmed venison in the wake of Chernobyl.

- 1 After consulting with all the major German importers of New Zealand venison it ran a small campaign drawing attention to the existence of New Zealand venison and identifying its positive attributes.

- 2 The GIB authorised its marketing agency, Kommunikation, to counter misleading claims that all game is potentially contaminated by publishing the result of tests carried out in Germany which showed New Zealand venison to be completely free of radioactive contamination.

If the Board had been able to organise Chernobyl it would have arranged for the reactor to self destruct one or even two years after the event actually occurred so that the marketing strategy recommended by Kommunikation prior to Chernobyl would have already been in place. Even so, Chernobyl did serve as a powerful catalyst to the adoption of the strategy and programme recommended by Kommunikation.

Through its current marketing programmes the GIB is looking to position New Zealand farm raised venison as being distinct from the feral product. However promotion concentrates on the positive qualities of farm venison rather than making comparisons with feral product.

The giant ANUGA Food Fair in October last year provided an excellent opportunity to publicly promote New Zealand "ranch raised" venison to the German trade and was in fact the culmination of a six month public relations build up. It appears that New Zealand exporters are already receiving enquiries for this coming season from a range of countries and potential distributors with whom they have never dealt in the past and some at least of this growing interest must be attributable to the marketing activities undertaken in Germany last year.

The United States is New Zealand's second largest market for venison and is significantly different from the traditional West German market. Higher prices are obtained for the most sought after saddle and hind primal cuts and at peak season as much as 50 per cent of the product goes to the US in chilled form. New Zealand currently supplies about 95 per cent of the venison imported into the US and can therefore exercise some control over the prices which are achieved. This is in direct contrast to the German situation in which game is a commodity and all suppliers including New Zealand currently have little choice but to accept the ruling market price on the day.

In approaching the US market the Board first appointed a locally based marketing agency, RAM Group, to undertake basic research.

Not unexpectedly it found that venison is customarily served at white tablecloth or top tier restaurants. The market research also indicated that American consumers are looking for exotic and different eating experiences and are increasingly nutrition conscious, so venison is well suited for promotion as an alternative healthy red meat for the 1980's.

Both opportunities and problems were identified during focus groups and telephone surveys of restaurant going adults:

1 Cost, availability and lack of general knowledge of farm raised venison are barriers to increased usage.

2 Many in the US have had adverse experiences with venison shot by hunters, and perceive it as tough with an excessively strong and gamey flavour. Consumers need to be educated about farmed venison to overcome these misperceptions.

3 Awareness of the farm-raising of deer and the healthy characteristics of venison, such as its higher protein and lower cholesterol levels than beef, and low calories, should increase the likelihood of consumption

4 The New Zealand origin is a positive selling point

5 Venison should be positioned as an alternative to other meats - the association with game is not necessarily advantageous when the relatively few specialist game distributors include amongst their wares such delicacies as buffalo, lion, bear, alligator, and rattlesnake meat.

Some basic marketing objectives and strategies were developed:

Objectives

- 1 Increase awareness and improve the perceived image of New Zealand farm raised venison among the moderate to upscale segments of the US foodservice trade.
- 2 Increase consumer trial of venison in restaurants that serve it.
- 3 Promote awareness of warm-weather uses and year-round availability of New Zealand Farm Raised Venison to build sales potential during lower-volume spring and summer months.

Strategies

- 1 Undertake public relations media efforts aimed at building interest and product knowledge.
- 2 Secure venison placement in leading trend-setting foodservice establishments and publicize the results.
- 3 Expand trade advertising to further increase product awareness.
- 4 Continue to capitalize on the growing American interest in "down under" to secure newspaper stories focussing on restaurants serving New Zealand farm-raised venison.
- 5 Provide cooperative merchandising funds to promote individual distributor/broker marketing activities.
- 6 Develop and execute a Cooking School Programme in 6 to 8 of the top metropolitan areas of the US to reach the "chefs of tomorrow".

Much as we would like to measure the success of our marketing efforts more exactly, we can still derive some satisfaction from the basic statistical details of exports to the US in 1987 - 464 tonnes, a 42 per cent increase on the previous year, worth \$NZ6.96 million, a 32 per cent increase in value. The US is a high value market, accounting for 25 per cent of the value of total venison exports though only 14 per cent by volume.

Japan is a similarly high value market and stands out as the next one for a Board funded and co-ordinated development programme. Venison's versatility, leanness and lack of odour by comparison with lamb all point to excellent potential in the Japanese market particularly as rising living standards increase the demand for exotic imported food products.

Switzerland is by contrast a traditional market, closely allied to the German market. The big growth area in 1987 was Sweden where NZ exporters have succeeded in positioning venison as an alternative to the reindeer meat customarily available from the annual cull. It seems that the effects of Chernobyl will be felt by the reindeer herders for many years to come.

Where the Board undertakes promotional expenditure it must be

cost effective and it must not facilitate any lowering of the price of the product. Freebies and give-away prices are out. Ideally, the Board would promote branded product - and that is genuine consumer brands not just manufacturers names - but not too many of them. The ideal of an industry brand proved unacceptable to the exporters when canvassed extensively last year, but in its stead the Board is developing an industry mark which it intends to imbue with many of the attributes of a brand.

A second major objective is to position NZ venison at the top of the market in relation to both other venison and other competing food products. Our main competition should be other high interest occasional products - lobster, salmon, pheasant etc and we should avoid price comparisons with traditional menu staples such as poultry, fish and meat.

We have to expect growing competition from supplies of venison resulting from the expansion of deer farming in other countries - while this is an inevitable development, I can raise no enthusiasm for accelerating the process by exporting large numbers of live deer from New Zealand. The time available to us to capture for New Zealand venison the position of origin a' la French champagne or Hawaiian pineapple is relatively short.

A key positioning strategy will be to endeavour to control volumes in specific markets to retain premium positioning and optimum price. Important developing markets such as Japan must not be swamped with product diverted from existing commodity markets. By the same token, customers in new markets must be shown how to utilise cuts that they currently perceive as unattractive.

Establishment of a quality assurance programme encompassing all aspects of slaughter, processing, cutting, packaging and means of transportation and distribution is vital. It is also an area in which the skills and knowledge of the veterinary profession can assist considerably in raising producer awareness of the contribution which the farmer can make to quality.

Obviously the Board seeks to direct its support to those exporters whose products and marketing programmes are commensurate with the positioning sought. Its only real power lies in its ability to determine where its funds are applied and every effort will be made to keep excess volumes and commodity product from damaging markets for branded quality product.

A start has been made on putting in place a differentiated venison marketing strategy but there is no room for complacency in the face of ongoing increases in supply volumes.

Turning briefly to velvet, the prospects in this notoriously difficult to predict sector of the industry look good. Shortfalls in supply of Chinese velvet to the Korean market have left a gap which New Zealand product with its growing reputation for quality has readily filled.

In seeking to optimise returns for velvet the Board concentrates on promoting the importance of quality to producers, processors,

and exporters. It seeks to discourage the export of green velvet which is vulnerable to sub-standard processing in a third country or even being passed off as product from a competing supplying country.

Velvet exports returned \$NZ11.3 million last year or 28 per cent of total deer industry exports. The possibility of the Board funding promotional activity in the Korean market is regularly explored in the annual negotiations with the Korean Pharmaceutical Traders Association though the latter seem reluctant to encourage or even permit initiatives in this regard. Nonetheless the efforts in recent years to nurture a positive relationship with the KPTA appear to be justified by the gains New Zealand velvet has made against its Chinese and Russian competition.

And always just over the horizon lies the tantalising possibility of incorporating velvet into Western style products suitable for sale in a broader range of markets than just those where oriental medicine holds sway.

One further product of the deer industry has yet to realise its potential and that is deer skin. Exports of deer skins in dried or wet-blue form earned \$NZ 1.5 million last year but exports of finished leather made from deer skin amounted to only \$NZ 140,000.

This situation is changing. As the number of farmed deer slaughtered increases, more New Zealand tanners are beginning to work with deer skins and their achievements were graphically demonstrated in the fashion parade at the Deer Farmers Association Conference. Soft supple leathers in a variety of fashion colours and textures were presented in a striking range of garments.

However, for the full potential of deer skin to be realised the quality of hides must be improved. Deer hides seem to be particularly susceptible to scratching, grazing and bruising during handling on farms and at slaughter plants. Only 10 to 15 per cent of the skins currently produced are suitable for top quality leather. The Board would clearly share the enthusiasm of the veterinary profession for an improvement in the handling facilities on many deer farms.

While ensuring greater awareness of the problem of hide damage will help to counter it, the Board sees the need to encourage development of a payment system which rewards producers of top quality hides.

The New Zealand deer industry produces at least three products with exotic attributes that encourage consumers to pay a high price for them. All are currently enjoying strong demand at good prices, despite substantial increases in product supply. As vets you will be profoundly aware of the difficulties of the farming sector and, in the deer industry, the manifestation of these in prices for hinds which are the lowest for many years. Don't let anyone tell you that the future of the deer industry is in doubt. The industry has immense potential and the opportunity to realise

that potential by organised, co-ordinated, consumer oriented marketing.

Michael Pattison
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