

# Industry overview from an international perspective

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## Introduction

Despite tough current market conditions, a recent market visit to Europe attending the SIAL food trade show and meeting with government authorities and customers in France, Holland and Germany instilled me with confidence for the future of the deer industry.

The market is the primary driver of profitability at the farm gate and so needs to be considered when developing nutrition and management strategies for the future. The big picture needs to be kept in mind as the future is not just about nutrition for healthy and productive animals. Understanding both nutrition and management provides the groundwork for a healthy, productive and sustainable industry which meets our consumers' needs.

## Industry overview

A brief industry overview covering production trends and our major market issues, with a brief description of the current market conditions for venison in Europe helps to put our production systems and targets in context. Growth continues in the deer industry (Figure 1) with current predictions for a national herd of between 3.5 and 4.5 million by 2006.

Figure 2 shows that apart from the lift last year, venison production has been relatively static, regardless of the increase in the national herd size. Production for the year to September was roughly 450,000 animals, down 11% on last year and only 9% higher than it was 10 years ago. Figure 3, showing monthly production, illustrates the low production throughout this year in response to the relatively low schedule. Production

Figure 1 National herd growth and forecasts since 1995.

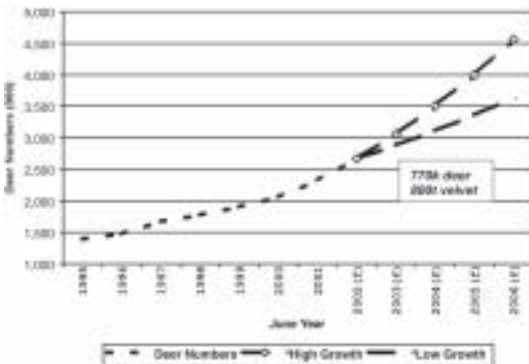


Figure 2 Annual venison production from 1993 to 2002 expressed as the number of deer slaughtered.

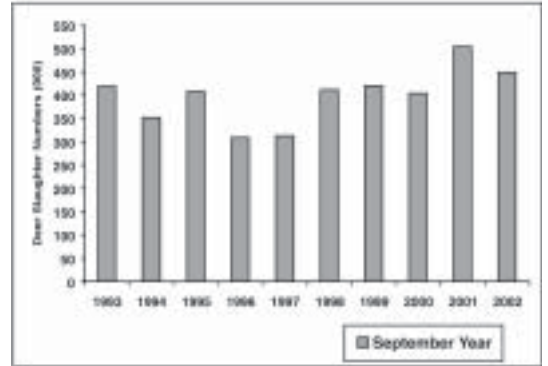
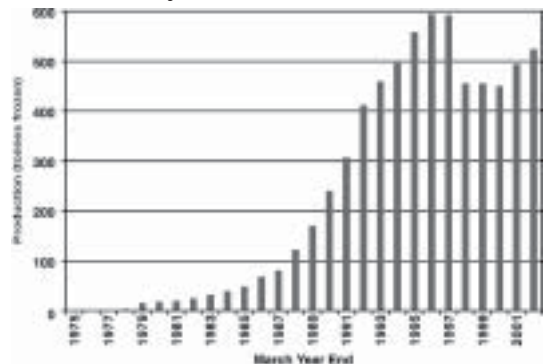


Figure 3 Monthly venison production in 2000/01 and 2001/02 expressed as number of deer slaughtered.



Figure 4 Annual velvet production illustrating the rapid growth during the late 1980's and early 1990's, until the Asian crisis in 1998.



picked up very strongly in September 2002, an increase of 70% on September 2001.

Velvet production (Figure 4) increased strongly from the mid 1980's. Growth slowed, but was still strong in the mid-90's, which saw prices steadily fall. Production and prices both fell right away as a result of the Asian Economic Crisis. Growth was flat for three years post-crash but picked up 7% last season on top of 9% the year before. Production for the year ended September 2002 is 524 tonnes frozen and expected to increase again this season with the hold over of animals from last year.

The big impact of the Asian economic crisis in the late 1990's highlights the biggest issue the velvet market faces. That is, dependence on New Zealand's traditional market for velvet of Korea which consumes an estimated 85% of all of our production.

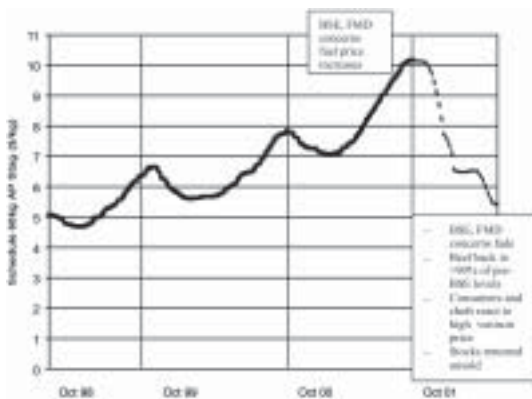
As a result there is now a two-pronged strategy for velvet. First the industry has a new programme aimed at removing some of the key access issues faced in Korea. The removal of these taxes and unfair systems would pay big dividends for our traditional market.

Second, we are investing heavily in science alongside AgResearch, through the VARNZ (Velvet Antler Research NZ) joint venture, to prove velvet's health benefits. This will create the opportunity to move increasing volumes of velvet into markets outside traditional channels. The immediate opportunity is for velvet products in western natural health markets. This research will support the development of markets for new products to younger consumers in our traditional markets as well once access issues in Asia are addressed. This is a longer term programme and is addressed by Suttie *et al.* (this volume).

Just as New Zealand is dependent on Korea for the bulk of our velvet market, so too are we heavily reliant on Europe, and especially Germany, for most of our venison exports.

The venison industry grew on the back of the German

**Figure 5** An illustration of the factors influencing the current venison market.



game trade – a traditional and very seasonal market. There are opportunities to build new markets outside this narrow winter game season. The effort now focuses on building new markets for venison in new, younger, non-traditional restaurants and, especially into modern retail outlets and major supermarkets. Most importantly, there is a need to build year-round markets for venison through these channels.

Through DEEResearch the industry is focussing on the importance of investing in research to support this strategy. With the move into new retail markets we will need innovative solutions to a whole new range of issues and science will help deliver these as well as identifying totally new opportunities for our products.

### The current market situation

This has been well covered at a number of events and in a number of industry publications. However, it is critical not to lose sight of the unique events that brought about this current hiatus.

The outbreak of BSE (bovine spongiform encephalitis), combined with Foot & Mouth disease, in Europe led to a market looking for alternative protein options. All parts of the New Zealand meat industry capitalised on this situation resulting in high prices. However this unique situation was occurring in the European off-season.

As a result by the time the season started, BSE concerns were largely fading, European beef consumption was back to more than 90% of pre-BSE levels and Foot & Mouth was under control. As well as these factors, the ban on Argentinean beef was over and beef prices were relatively low. This combined with a strong resistance to venison prices from chefs and retailers to turn people away from New Zealand venison.

A significant volume of product remained unsold from this buy up of product and this dampened Easter 2002 sales and has continued to impact the market right through into the current chilled season in spring 2002. The problematic Germany economy is undoubtedly an issue, but fundamentally we are now experiencing the market correction following last year's unsustainable prices.

This correction has been exacerbated by the response of most of our in-market partners, many who have made significant losses because of the situation. Having their fingers burned for the third time in 10 years is making them reconsider their commitment to New Zealand venison in favour of Scottish, Spanish and other European feral product.

Clearly, lack of stability remains the deer industry's biggest problem. There is no easy solution, but the unity created in the deer industry of all companies and all

sectors represented through the Deer Industry New Zealand (DINZ) structure provides a solid platform for some robust debate and discussion about the issue.

### **Prospects for the deer industry**

There are three main reasons for confidence about the long term prospects for the New Zealand deer industry.

Firstly, there is significant breadth in the market opportunities available to the industry. The deer industry has experienced incredible growth in the last 10 years and this has been achieved primarily through a single and very narrow market niche in Germany, and in a very restricted winter game season. There is a range of new market and consumer segments for venison and this is very positive in terms of prospects for future growth. The industry cannot underestimate the challenge of changing hundreds of years of culinary tradition, but work is well underway to developing these new markets, and all companies are working together on this challenge.

Secondly, our products have premium market positioning and their inherent qualities mean they are ideally suited to meet changing consumer trends. Venison is well placed to meet the needs of quality and health conscious consumers. Velvet will benefit from increasing wealth in our traditional markets in Asia and the move in the west to look for new and natural ways to stay healthy and vital, especially by the ageing baby-boomer generation.

Thirdly, the people involved in the industry have the hunger and ability to tackle big challenges:

- whether and how the issue of stability and managed growth can be addressed
- turning around the culinary tradition surrounding venison as a game item in Europe
- breaking down trade barriers for velvet in Asia
- unlocking and demonstrating the power of velvet to unaccustomed western consumers through science
- and making sure there is the science capability and tools on-farm to ensure we can support this growth and meet consumers' needs.

The deer industry has thrived on challenges and now, if ever, needs to rise to the occasion to meet those challenges head-on.

### **Conclusion**

Animal nutrition has impacts on animal health and productivity, but it also impacts animal welfare and the health of our land. Our consumers are looking closely at all elements of our production systems to assure these issues are being addressed. We must ensure that our animals are happy and healthy, that our production systems are environmentally sustainable and that the products that we produce are clean and natural and safe. Nutrition and management goals must address both increased production, and building the groundwork for a healthy and sustainable industry.