

# Market warning for deer farmers

Skyrocketing venison prices due to supply shortages are causing headaches for one importer in Germany, **Gerald Pidcock** writes.

A major importer of New Zealand venison in Germany says the deer industry risks eroding its market share if export volumes continue their downward trend.

While there was steady demand for New Zealand venison in German restaurants or hotels, difficulties in sourcing the product was a frustration, importer Axel Miltzow said.

"If the availability is not there and it is a hassle for the chef to get the product, they will take it off the menu and substitute it."

Miltzow is responsible for importing a large range of products including New Zealand venison for German retailer Citti and their food service arm Chefs Culinar and is based at Kiel, north of Hamburg.

Citti and Chef Culinar operate large retail stores and offer logistic services targeting both the trade and consumers.

Germany is New Zealand's largest venison export market and is worth \$4 million. Total venison exports overall are worth \$188 million, up 9.7 per cent on last year, according to Deer Industry New Zealand (DINZ).

There has been a gradual decrease in New Zealand venison availability in Germany over the years. New Zealand exported 12,000 tonnes a year directly into Germany as well as venison entering Germany via neighbouring European nations when production peaked in the mid-2000s.

To date, New Zealand has shipped 4300 tonnes into Germany in 2016, a 7 per cent fall on the year before.

Hind kill numbers have also dropped 16 per cent in the 12 months to March, indicating that farmers were attempting to rebuild their herd numbers.

While Miltzow applauded the sentiment behind hind retention, it meant a short-term product shortage in the market and an

inevitable fall in price when the stock returned.

Retaining hinds was an investment in the future, "but this investment has a very high price", he said.

It would inevitably mean it would be tougher selling venison into that market over the next few years because the demand would not be as strong, he said.

"It will take time and during this time when there is low demand, prices will be low as well."

When supply picked up, there was no guarantee chefs would put venison back on the menu because their menus would be set, Miltzow said.

"Why should they change back to venison? It's a huge problem. Once it's off the menu it's a huge problem getting it back on."

"That's the market share [loss]. Increasing demand again took time because it meant finding new customers."

Apart from stocking venison during the traditional winter season, few supermarket chains apart from Citti had New Zealand venison all year round, he said.

"That makes it even harder. People try the product, think it's great and wonder where can they buy it and we say, 'I don't know'."

"We are lucky, we have a lot of space and are importing the product ourselves, so we will stock it and have it all year round."

The supply problems had also led to a price spike that had pushed it out of reach for some of his customers.

Sales were good on boneless loins last year he said.

Miltzow bought New Zealand boneless loins for €17/kg (NZ\$26.50) and it was bought by his customers at €24 (NZ\$37.41).

"Now I'm buying it at €27/kg (NZ\$42.08) and the customer will have to pay €35 (NZ\$54.58). It's just too expensive."

"It's crazy because at this price,



The reduction in venison exports is due to New Zealand deer farmers retaining their hinds as they look to build herd numbers.



Innes Moffat

no one will buy it."

DINZ P2P manager Innes Moffat said the industry had tried to signal to all venison importers there would be a reduction in volumes due to hind retention.

Farmers would be maintaining this policy this year, meaning less venison available this season. But this policy would pay off in the long-term with a gradual increase in the national deer herd and more venison available for export in about two years' time.

A gradual, well-signalled change in supply should not have a great effect on the market. As production began to slowly increase, it should not have too much of a dampening effect on prices, he said.

The latest schedule has venison at \$7.87 a kg, up 60-70 cents on last year. The New Zealand dollar has also lifted 6-7 per cent compared to this time last year.

The debate around supply and price was not a new issue, he said. It was also the reason the venison industry had developed a reputation for volatile prices, despite the last collapse taking place in 2001.

Buyer demand had more influence on the market than a seller's ability to push the price up and while there had been a substantial

price lift this year, there had been price spikes in the past, Moffat said.

"It has been unfortunate that over the years when we have talked to European importers, we have said the price of venison is not high enough, farmers are getting out of the industry and European importers have said: 'The price is what it is.'"

Venison price volatility was driven by circumstances beyond the control of New Zealand and much of that volatility in the trading product was driven by European buyers. Nobody wanted to lose customers, but exporters were looking to sell their product at the highest price, he said.

"I'm not saying it's all them and not us. New Zealanders have put their price up this year because they have seen the dollar go up and they want to continue to reward New Zealand venison farmers for producing a good quality product, there is a substantial reduction in the amount that is available so they are able to ask for higher prices."

There are also buyers willing to pay those prices and while some were saying the price was too high, the lack of product left buyers with few options.

There were also others in the high-end food service market who believed they could still make a margin by having venison on their menus, he said.

He expected all venison stocks to be consumed this year. While

production had slowly declined each year, exports had remained steady and slightly increased last year. This indicated some companies were holding some frozen stock back from the market.

"This year we had seen a 20 per cent fall in production since the beginning of October but exports are only down around 7 per cent, so New Zealand companies have basically emptied the freezers."

Consumer awareness was fickle and he said there was no point in creating demand if there was not the volume to supply it.

German consumers still largely treated venison as a traditional food to be eaten in the autumn during hunting season despite some success in pushing venison as a summer barbecue option. The lift in price had seen it return to being a specialty meat item.

"It is much more traditional than a spontaneous spending decision," he said.

Germany would remain New Zealand's No 1 market for venison although exporters had tried to reduce its reliance on Germany over the years by increasing sales outside the traditional game season in the spring and summer.

Another was to expand into new markets such as North America which was now New Zealand's second-largest venison market.

There had been more demand for grinding venison meat rather than just the expensive cuts in this market with the American food service industry selling gourmet venison burgers.

"Exports this year are up 6-7 per cent on last year," Moffat said. While this reduced the exposure to market volatility in Europe, it was tempting for companies to stay in this market to take advantage of the high prices, he said.

"But long term, this is the way of avoiding the boom and bust that have characterised New Zealand meat exports."

■ Gerald Pidcock travelled to Germany courtesy of funding from the New Zealand Guild of Agricultural Journalists, Deer Industry New Zealand and Silver Fern Farms.