



Development of
**Niche European
venison markets**

**A report for the Rural Industries Research
and Development Corporation**

by Chris Tuckwell
Rural Industry Developments

November 2000
RIRDC Publication No 00/172
RIRDC Project No DIA-2A

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ISBN 0 642 58203 3
ISSN 1440-6845

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Published in November 2000
Printed on environmentally friendly paper by Canprint

Foreword

This report provides information on the three phases of a venison marketing research project funded by RIRDC and the Deer Industry Association of Australia. Initial phases of this broad project were to (i) investigate new distribution channels for Australian venison products in Europe and (ii) investigate new methods of marketing venison in Europe.

Mr Rudy Keller undertook initial phases of the project work, RIRDC project number DIA-1A (Venison Market Development in Europe),

While Australian rural industries are typically based more on a competitive spirit than on active cooperation and coordination, there are a number of instances where a particular industry or section of an industry has adopted a successful collaborative approach to the export or domestic marketing of their produce.

Collaborative marketing groups have the potential to be an effective alternative to other marketing arrangements.

This publication considers some of the features of group marketing together with general features of membership groups and how they influence the effectiveness of collaborative marketing groups. It analyses data from case studies and surveys collected from representatives of 13 primary industry groups and other industry representatives in Western Australia.

This project was funded from industry revenue which is matched by funds provided by the Federal Government.

This report, a new addition to RIRDC's diverse range of over 600 research publications, forms part of our Deer R&D program, which aims to foster an Australian deer industry as a profitable and efficient mainstream agricultural enterprise.

Most of our publications are available for viewing, downloading or purchasing online through our website:

- downloads at www.rirdc.gov.au/reports/Index.htm
- purchases at www.rirdc.gov.au/eshop

Peter Core
Managing Director
Rural Industries Research and Development Corporation

Acknowledgments

The project's principal researcher would like to acknowledge and thank those who gave their time freely to assist the development of business relationships with potential European clients.

I thank and on behalf of the Australian deer industry acknowledge, those who assisted with the itinerary planning and tour activities of the European venison processor who visited Australia during February 2000. They include: Robert Cavendon; Colin Cleak; Lindsay and Lindsay Cunningham; Guy Dockrill; Rudy Keller; Eric and Helen Loft; Terry and Joan Mahoney; Jim Moir; Henry and Solange Shapiro and Garry Smith.

In particular I acknowledge and gratefully thank Horst Middel who, at short notice and at times under great pressure, provided interpretation services during the week researchers hosted visiting European partners for no fee.

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Executive Summary

The future of the Australian deer industry is dependent, at least in part, on the development and maintenance of stable domestic and international markets for Australian venison.

The Australian deer industry's most important output is venison (if there is no commercial market for venison, the collection and processing of other commodities in isolation is unlikely to be profitable while the industry is more likely to be able to survive if there is a profitable market for venison and other products are unsaleable).

The marketing of Australian venison has evolved principally through individuals and companies identifying opportunities for profit from the sale of venison. From the beginnings of the industry in the 1970's until the mid 1990's those involved in purchasing animals, contracting their processing and selling venison produced was relatively profitable.

Venison market research and development work undertaken by Lynelle Tume combined with promotional information produced during project work during the early 1990's helped expand market opportunities for Australian venison and encouraged interest in venison marketing and an increase in the number of groups involved in venison marketing.

However most of those involved in the international and domestic trading of venison had little or no capital and financial infrastructure and support and farmers only received their payments after product was sold. The lack of infrastructures meant that most trading of venison could only be described as selling rather than marketing as little or no investment was made in the development and maintenance of trading markets.

Until the mid 1990's, the Australian venison industry has generally targeted European markets that are competitively supplied by the world's biggest producer of farmed venison, New Zealand. Downward pressure on international prices caused by within industry competition for market access led to decreasing farmer returns, an increasing time between sale and payment and continuing production of poor quality stock.

Both venison and velvet prices declined sharply in 1998 and in response to this the Deer Industry Association of Australia (DIAA) and The Deer Industry Research and Development Advisory Committee elevated the priority of market development research from its seventh to its second rated priority.

Both groups recognised that the stimulation of sustainable market demand for venison had been frustrated by a number of issues including a lack of continuity of industry programs or campaigns to assist market development. The recognition of these issues led to support for this project to investigate and initiate European venison market opportunities that would increase and help stabilise farmer returns and subsequently encourage the expansion of the Australian industry.

The project has assisted the initial negotiation of commercial, potentially long-term venison marketing business relationships between Australian deer farmers and a European venison marketer. An initial shipment has been made and negotiation of a second shipment is almost complete. The European client identified by the project has indicated their interest in obtaining venison from the Australian industry during periods of traditional annual demand downturns. Provided negotiations with the selected European partner continue to develop and reach a satisfactory end point, this market outlet will contribute to the stability of demand and price for Australian quality assured product across normal supply cycles.

Information gathered by the project has also demonstrated that clients do exist who are willing to purchase venison directly from international suppliers rather than through traditional importers. These

importers suggest that they are concerned about the dominance of venison importing by traditional venison importers and the obvious control that the dominance imposes over their own businesses.

However, the ongoing development of this commercial opportunity and establishment of mutually acceptable business relationships must be undertaken directly between the project partners and in a commercial environment unfettered by inefficiencies imposed by reporting requirements of this RIRDC project.

Further, the RIRDC project DIP-3A reported that venison consumption in Australia appears to have remained stable and that available information suggests that a significant percentage of venison that is consumed is imported from New Zealand.

In the short term Australian venison marketers are unlikely to have the financial ability or profit incentive, compared to immediate opportunities from international markets, to compete with New Zealand venison marketers in the development of the Australian domestic market.

Industry managed projects similar to this project that aim to investigate and develop 'niche' domestic market opportunities for Australian venison based on regular supply of quality assured product appears to offer new market opportunities for the Australian industry.

Objective development of domestic market opportunities and control of supply to those markets that ensures consistent availability of quality assured products should improve returns to farmers and rebuild domestic consumer confidence in the Australian deer industry.

If the industry is unable to quickly develop market outlets for its products that give price confidence to its farmers, its immediate future is in doubt.

The ongoing development of opportunities identified by this project should give farmers improved confidence in the availability and accessibility of new markets and subsequently encourage confidence to investing in the Australian deer industry's future. Farmer contracts that result from this project will encourage adoption of the industry quality assurance program by rewarding those who produce to specifications and penalise those who do not.

1. Introduction

Research undertaken by Lynelle Tume (research projects VMD-1A and VMD2-A) and other industry researchers, facilitated the ability of Australian venison exporters to access venison markets throughout various areas of the world and predominantly in Europe. Farm gate prices achieved by deer farmers from 1994 to 1997 provided returns to producers that allowed enterprises to remain profitable and the industry to continue its healthy growth.

The Australian deer industry's lack of competitive advantage in influential markets coupled with the Asian currency downturn, the revaluation of the Australian dollar relative to the German Mark and the within industry processing/marketing competition combined to create a considerable decline in farm gate returns from mid 1997.

The decline in farm gate returns saw an increasing number of producers leave the industry.

To assist the industry's survival, encourage it to grow and provide producers with an ability to realise profitable returns, the DIAA sought to investigate market opportunities that could not only directly benefit individual producers, but the Industry generally.

In particular, on behalf of industry the DIAA undertook research to investigate and encourage the development a long-term relationship with a European partner, based on a branded Australian product, firm supply agreements, guaranteed supply of quality assured product, scheduled delivery dates, firm year round price and an open book financial relationship.

Development of stable, long-term demand for the guarantee of supply of consistent quality product will increase returns to producers. In turn, improvement in producer returns and forecast stability of the returns will attract new participants to the industry and encourage existing producers to expand their production.

2. Objectives

The project had three distinct parts.

Part 1.

An initial investigation carried out by AUSTRADE.

Information provided by AUSTRADE along with that available from intensive searches of the Internet for: (i) relevant connections and consumption data and; (ii) government and other regulations impacting on the export and marketing of Australian venison product was compiled to form a data base for part two of the project.

Part 2.

An exploratory trip to Europe undertaken by the principal researcher of Part 2 (RIRDC project DIA-1A) of the project, Mr Rudy Keller, to meet with contacts identified by AUSTRADE and those he identified personally.

The object of Part 2 of the project was not to simply find markets, or gain orders. The purpose was to discover partners in Europe who are willing to enter into long-term relationships with Australian producers. The basic premise of any such arrangement is to be that all parties can gain sufficient margin to be profitable.

Part 3.

The implementation or commercialization of any opportunity identified by parts 1 and 2 of the project.

The aim of Part 3 of the project was to oversee development of niche markets opportunities identified in the Parts 1 and 2 of this project (RIRDC project DIA-1A) to investigate new niche market opportunities in Europe. The principal investigator of Parts 1 and 2 of the project, Mr Rudy Keller, identified potential clients who are interested in developing long term relationships with DIAA identified Australian venison marketers.

Requirements for the development of potential clients identified by Parts 1 and 2 of the project are: (i) the negotiation of agreements to ensure clients only source products from DIAA approved suppliers; (ii) the determination of client product specifications; (iii) the identification of suppliers who are prepared to service the clients on behalf of the DIAA and according to strict quality and specification standards; (iv) assistance with the development of strategic alliances between producers and the selected marketers; (v) development of mutually acceptable contractual arrangements (particularly related to quality and availability of stock for slaughter) between producers and marketers; and (vi) the encouragement of producers to adopt the industry QA program and to seek accreditation by it.

3. Results

Part 1 - AUSTRADE

AUSTRADE were asked to investigate small to middle sized marketers, and made their enquiries through their Hamburg and Paris offices. They reported on the prospects for venison sales in those regions, provided some statistical information, and suggested some contacts worthy of further contact.

Part 2 – European Research

The principal researcher for Part 2 (RIRDC project DIA-1A) of the project, Mr Rudy Keller, was able to substantially add to the AUSTRADE contact list through desk research undertaken while still in Australia and by reference to personal European contacts.

Mr Keller identified 58 companies in Europe (particularly Germany) and was able to arrange interviews with eleven of the companies most likely be able to meet the Industry's needs.

European companies were visited in person and presented with the Australian proposal as requested by the Australian deer industry. The Australian proposal included an extension of the arguments for international venison market development presented by the Australian speakers at the Deer Congress in Ireland.

The Standard Broad Proposal

The broad terms of the DIAA proposal to potential partners in Europe were:

- (i) The broad terms of any relationship are strictly delineated and monitored.
- (ii) That Australian farmer's enter into a long term relationship with a European partner, based on a branded Australian product.
- (iii) Firm supply agreements, guaranteed supply of quality assured product, scheduled delivery dates, firm year round price and open book financial relationships.

Australian Supply

While negotiating interest in contracts with potential European partners the DIAA recognized that continuity of supply by Australian farmers could be an impediment to fulfilling the Australian obligations pertaining to the quality assurance arrangement. To meet the Australian quality assurance obligations, it will be necessary for participating farmers to enter into supply agreements to mirror and support any agreement with the overseas partner.

Farmer contracts should specify the following minimum parameters: (i) breed type; (ii) number of animals; (iii) delivery date; (iv) QA and residue status; (v) age; (vi) carcass weight range; (vii) price; (viii) body condition score; and, (ix) penalties for non-performance. Initial contracts would be available only to DIAA members or farmers who join.

Potential partners

A result of these approaches was that a number (six) of European organizations indicated that they would be willing to enter into long-term arrangements with the Deer Industry Association of Australia acting on behalf of Australian deer farmers provided initial supply contracts were based on relatively small volumes of product.

DIAA support

The initiation of Part 2 of the project generated very little interest from either farmer or processor members of the DIAA. However, the return from Europe of the principal researcher for Part 2 of the project generated significant interest.

Most immediate interest in Part 2 of the project originated from existing processors wanting to know specific details of the investigation and details of contacts identified, rather than interest in and commitment to, the long-term objectives of the project. Various propositions were put to the project's researchers to release information compiled by the research with a common reason that, "since the trip was RIRDC funded, researchers were obliged to divulge all information to the whole of industry".

Under the terms of the DIAA contract with RIRDC, all intellectual information generated by Part 2 of the project is owned the DIAA. The DIAA executive pledged that the information would be used to improve the standing of the industry as a whole, and its profitability.

The DIAA sought, and gained, agreement from its executive council for financial support to undertake the final stage of the project in partnership with RIRDC. The DIAA's executive council and RIRDC jointly agreed to fund Part 3 of this market development project and in particular, to oversee development of a preferred niche European venison market opportunity selected from a list of potential partners identified by Mr Rudy Keller in the RIRDC project (DIA-1A Venison Market Development in Europe).

Selection of an Australian venison exporter to supply venison on behalf of the DIAA

The DIAA does not have direct involvement in either venison purchasing, processing or export marketing of venison and this project did not intend to change that situation. Rather, the project aimed to research and encourage development of new market opportunities that could provide direct, long-term benefits for farmers.

To meet these objectives for Australian deer farmers and to meet contractual obligations of the purchasing European client, the DIAA needed to contract a preferred Australian venison exporter to supply the European client on its (and the broad industry's) behalf.

DIAA executive council members Mr Henry Shapiro and Mt Rudy Keller undertook the selection of a preferred Australian export supplier on behalf of the DIAA. The process involved:

- (i) Agreement on a specification to tender for the opportunity to supply venison on behalf of the DIAA (a copy of the specification is provided in the appendices).
- (ii) A copy of the specification was mailed to all known export venison processors and some domestic venison processors, inviting each recipient of the information to tender for the venison supply contract according to the specification provided.
- (iii) A total of eight replies were received from those invited to tender. Two of the replies indicated that the supply tender required did not fit with existing company business plans and so the invitation to tender was declined.
- (iv) A decision matrix was developed to assess each tender (a copy of the matrix is provided in the appendices).
- (v) Messer's Shapiro and Keller independently assessed each remaining tender (six) using the decision matrix they developed.
- (vi) The results of the two assessments were combined and the selection of the preferred supplier was made from the combined results.

The preferred supplier identified from the selection process was the Victorian Venison Producers Cooperative (VVPC) that has subsequently been renamed the Australian Venison Cooperative Ltd.

Part 3 – Development of niche European market opportunities (this project)

Selection of a preferred partner

The first activity for this stage of the project was to assess the six organisations recommended for further consideration by Rudy Keller in Part 2 of the project.

Detailed consideration and assessment of the six recommended companies narrowed the field for immediate consideration to three. The three companies chosen for final consideration were contacted by fax to further negotiations and obtain new information to assist final selection.

Only one of the company's contacted responded, immediately, with project coordinators. The Managing Director (MD) of the company (SC – [Selected Company]) responded to project coordinators to advise of their 'in principal' agreement with the DIAA proposal.

MD advised that his company's forecasts for the year 2000 indicate the need for an extension of production and that he was keen to quickly arrange for long term supply contracts and proceed with cooperation agreements.

MD also advised of his intention to visit Australia to meet with DIAA representatives and inspect farms, abattoir facilities, meat packing facilities, cold storage facilities, deer transports and meat transports.

On the basis of the above, project coordinators selected the SC company as its preferred European partner and began negotiations to encourage MD's visit to Australia and to arrange a suitable itinerary for him while in Australia.

Visit to Australia by the preferred partner

The Managing Director (MD) of the preferred partner company (SC) visited Australia for a week during February 2000. The projects Principal Researcher, the president of the DIAA (Mr Henry Shapiro), the Chairman of VVPC (Mr Eric Loft), Mr Rudy Keller and other representatives of the DIAA freely contributed their time to help ensure that the Australian visit the MD from the preferred European partner (SC) was successful. A busy itinerary arranged for MD to visit and meet Australian producers, processors, transporters and industry leaders (a copy of the itinerary arranged for MD is provided in the appendices).

Detailed, and protracted negotiations with MD led to the mutual acceptance of a Memorandum of Understanding between the DIAA and the European company SC (a copy of the document is provided in the appendices).

In summary the parties agreed to the provision of an initial shipment of venison from the DIAA (through its nominated supplier the VVPC) for assessment by SC with a further agreement to investigate the development of a Joint Venture venison marketing company in Europe.

One of the most important understandings mutually agreed by the DIAA and SC was that all, current and future negotiations would be on an 'Open Book' basis that would ensure that profits were shared equally. The DIAA's, non-negotiable stance on this aspect of the agreement was part of its attempt to ensure that Australian deer farmers would have the best opportunity to maximise their profits.

Victorian Venison Producers Cooperative (VVPC) responsibilities

The tender to supply venison, on behalf of the DIAA to its preferred European client, was awarded to the VVPC.

As the successful tenders, the VVPC's responsibilities included responsibility for all matters involved in the performance of the supply contract, including but not limited to, contracting farmers, collecting animals, slaughtering, boning, packing and shipping product.

To encourage support of the this project broadly and to assess likely supply availability, the VVPC circularised all branch presidents (6) of the DIAA requesting help from their membership to quantify the availability of stock for processing and the interest from members to forward contracting the sale of their animals to the VVPC to help develop this new marketing opportunity. A copy of the letter sent to each DIAA Branch president is provided in the appendices.

Only one response was received to the request for information and support so the project research team agreed that the first venison shipment would be sourced from VVPC clients.

Sale Price Determination

A spreadsheet was developed to assist the transparent determination of processing and marketing costs associated with exporting venison to Europe. A copy of the outputs from the cost assessment spreadsheet and the farmer price schedules are provided in the appendices.

Cost data derived from the spreadsheet described above were combined into a spreadsheet developed by RIRDC project DIP-4A (*The Venison Price Schedule Calculator*) and used to develop a farmer price grid that related price to species, hot carcass weight and body condition score.

The use of *The Venison Price Schedule Calculator* ' ensured development of transparent venison price schedules for farmers that: (i) ensured that an acceptable 'across the board venison purchase price' was achieved for the European client (SC); (ii) an acceptable Standard Hot Carcass price was offered to supplying farmers; (iii) cost determinations met 'open book' requirements of the Memorandum of Understanding and; (iv) a suitable standard basis was available for future contract negotiations.

The determination of farmer returns for the trial shipment of venison was based on a cold carcass weight venison sale price (delivered to an agreed European port) agreed with SC during MD's visit to Australia. Adjustment of cold carcass weight prices allowed development of Hot Standard Carcass Weight price schedules offered to farmers (see appendices).

The first shipment

The DIAA and SC agreed to a first shipment of venison that would comprise a sea freight container (approximately 7.5 tonnes) of frozen venison. Venison in the shipment was to meet specifications set by SC and approximately 50% of the total number of carcasses in the container were from Red deer and 50% from Fallow deer. The total percentage of animals providing carcasses to the shipment more than 5 years of age could not be more than 10% of the total shipment

Although agreement on the first shipment of venison was reached prior the SC representatives leaving Australia, SC's representative visiting Australia (MD) requested an opportunity to discuss the Memorandum of Understanding with business partners in Europe before he could finally ratify it.

Protracted finalisation of an acceptable letter of credit and its payment saw the shipment finally depart from Australia on 20 March 2000 (a total shipment of 8.2 tonnes) and arrive in Europe during May 2000.

Subsequent activity

Work undertaken following the provision of the initial shipment of venison to Europe revolved around the preparation of, long-term venison supply contracts and associated business arrangements.

The development of contracts required the facilitation and management of ongoing negotiation involving the DIAA, the VVPC (as the DIAA's nominated supplier) and SC (the European partner) with a continuing consideration of RIRDC project requirements.

An added complication has been the need to negotiate with SC through their preferred Australian translator and adviser, Mr Rudy Keller. SC insisted that communication between the DIAA and themselves be undertaken through Mr Keller because: (i) They were unconfident of their ability to communicate in English and translate the real meaning of written English into their natural language; (ii) SC has confidence in and trusts Mr Keller's business ethics and; (iii) SC believes that Mr Keller has a good understanding of European culture and venison markets.

Despite management difficulties a second consignment of venison is currently being negotiated.

A proposal for a long-term joint venture with SC has been proposed and forwarded to SC for consideration and comment (a copy of the proposal is provided in the appendices).

Future

The ongoing development of this joint venture, venison, and marketing proposal is primarily dependent on:

- (i) Successful negotiation of supply arrangements between the VVPC (on behalf of the DIAA) and;
- (ii) Successful negotiation of long-term joint venture arrangements between the DIAA and the European company SC.

4. Discussion

This project was initiated during the time when the Australian venison industry was in its greatest downturn. Concern existed over the number of individuals and companies involved in processing and marketing Australia's venison and in particular the negative influence on farmer prices of intra-industry competition.

Importantly the project has identified interest from people involved in the European venison industry who are particularly keen to develop business relationships with the Australian deer industry. Reasons for the interest are difficult to quantify but in general terms those interested suggested a preference to source venison from Australia rather than New Zealand.

Information gathered by the project has also demonstrated that clients exist who are willing to purchase venison directly from international suppliers rather than through traditional importers. These importers suggest that they are concerned about the dominance of venison importing by traditional venison importers and the obvious control that the dominance imposes over their own businesses.

The project has assisted the initial negotiation of commercial, potentially long-term venison marketing business relationships between Australian deer farmers and a European venison marketer. However, the ongoing development of this commercial opportunity and establishment of mutually acceptable business relationships must be undertaken directly between the project partners and in a commercial environment unfettered by inefficiencies imposed by reporting requirements of this RIRDC project.

5. Implications

Since this project began, average prices paid to farmers for venison have improved significantly. An annual average, (per kg hot standard carcass weight before payment of the industry levy), of \$2.30 in 1998/1999 [average ranged from \$1.17 to \$3.38] to \$2.69 in 1999/2000 [average ranged from \$1.55 to \$4.30]. Major influences on the improvement in venison prices include:

- (i) A commercially induced rationalisation of the processing sector of the venison segment of the industry (a reduction in the number of competing processors);
- (ii) An upward revaluation of the Australian dollar on international currency markets;
- (iii) An increase in market price for velvet antler and a subsequent reduction in the number of male animals available for processing in Australian and New Zealand and;
- (iv) The entrance of a new venison processing and marketing company with skills and experience in the international marketing of red meat and the financial capability to paying farmers within commercially accepted time frames.

Although these factors have improved returns to growers in the recent past, results from this project suggest that opportunities for the development of domestic markets for Australian venison still exist for those who are prepared to commit to market development on the basis of consistently available, quality assured product supported by people who know and understand their product.

There are some within the industry that have criticised this project, particularly since the unexpected improvement in venison prices. Criticisms included comments that:

- (i) The DIAA should not be involved in marketing of venison and in particular use industry funds (RIRDC research levies) to compete with existing commercial operations;
- (ii) That selection of a preferred Australian venison supplier was not transparent and;
- (iii) That the RIRDC should not be involved in marketing projects.

This project sought to not only improve immediate returns to farmers at a time (i) of severely depressed industry venison prices and (ii) when existing venison processors did not have the financial capability of undertaking similar market development projects, but also sought to initiate the establishment of a basis for long term stability of venison prices available to farmers.

A project aim was to use industry funds to research, previously unconsidered, direct market opportunities that could benefit the whole of the Australian deer industry. The identification and development of potential long-term clients was to be on a basis of supply quality assured product that itself would encourage an improvement in the average quality of animals produced for processing by the Australian industry and will in turn improve returns to Australian farmers.

The European client identified by the project has indicated their interest in obtaining venison from the Australian industry during periods of traditional annual demand downturn. Provided negotiations with the selected European partner continue to develop and reach a satisfactory end point, this market outlet will contribute to the stability of demand and price for Australian quality assured product across normal supply cycles.

The DIAA's continued involvement with this project will be an 'arms length' supervisory one that ensures that its nominated supplier continues to meet strict standards of quality assurance and supply mutually agreed by the DIAA and its European client. If a nominated supplier is unable to continue to meet the strict standards set, the DIAA will have the right, in fact an obligation, to reconsider its choice of supplier to ensure supply client is not compromised. The DIAA has no intention and should not, be directly involved in venison marketing.

All known processors with export capability were invited to tender to supply of venison to clients identified by this project. Some chose not to submit tenders while others provided clearly unprofessional

tender documents. As evidenced by copies of documents provided in the appendices to this report, the tender process employed to select a preferred processor/marketer was transparent. The scores of the matrix assessment used to finally select the preferred suppliers are not provided with this document and are considered as commercial in confidence.

Outcomes and progress made in this project clearly demonstrate the opportunities that industry market investigation and development research can provide. They also demonstrate that industry organisations can have an objective input to market research that benefits the whole of industry and can assist market stability by encouraging the development of market opportunities based on the confident supply of quality assured product.

It is fair to say that, given the current state of the Australian industry (July 2000), if an application to undertake this research project were submitted for consideration by the RIRDC Deer Industry Research and Advisory Group today, it would be unlikely to be supported.

However, the state of the industry in 1998 encouraged the support and funding of this project, which in future hindsight is likely to be applauded.

6. Recommendations

The implications of this research project suggest that some industry market development projects are worthy of consideration and offer potential long-term industry benefits. This consideration could even extend to specific localised sections of the Australian domestic market, particularly where existing commercial operators are unable or unwilling to invest resources in the development of these markets.

To be sustainable, long-term development of Australia's existing and future, international and domestic venison markets must:

- (i) Continue to develop consumer confidences;
- (ii) Must provide consumers quality assured products and;
- (iii) Must be able to supply products that meet strict supply specifications.

The ongoing development of opportunities identified by this project should give farmers improved confidence in the availability and accessibility of new markets and subsequently encourage confidence to investing in the Australian deer industry's future. Farmer contracts that result from this project will encourage adoption of the industry quality assurance program by rewarding those who produce to specifications and penalise those who do not.

7. Appendices

7.1 Itinerary for visiting European venison processor

ITINERARY FOR VISIT BY EUROPEAN VENISON MARKETER TO MELBOURNE				
DATE	ARR / DEP	ACCOMMODATION	MEETING VENUE	ATTENDEES
Sunday 23.1.2000	Arrive Melbourne	All Seasons Hotel 9639 1639 Little Bourke Street	Meeting DIAA	Henry Shapiro President DIAA (Australia) Jim Moir President DIAA (Victoria) Chris Tuckwell DIAA Project Officer Horst Middel (Translator) Solange Shapiro (DIAA Secretariat Australia)
Monday 24.1.2000	Depart Melbourne 8.30 am	Myrtleford Golden Leaf Motel 5752 1566	Stanhope 5857 2463 Wunghnu 5826 9587 Myrtleford Dinner Savoy Club 5751 1296	Garry Smith (Transporter 0428 570 804) Horst Middel, Jim Moir Colin Cleak (Fallow Farmer) Horst Middel, Jim Moir. Eric & Helen Loft (Vic Venison Producers Coop) Horst Middel, Jim Moir, Chris Tuckwell.
Tuesday 25.1.2000	Depart Myrtleford 6.00 am	All Seasons Hotel	Abattoir Brown Bros Winery King River Café 5727 3461	Robert & Rick Cavendon (Owners/Operators) Eric & Helen Loft, Chris Tuckwell, Horst Middel, Eric & Helen Loft, Chris Tuckwell, Horst Middel,
Wednesday 26.1.2000	Depart Melbourne 9.00 am	All Seasons Hotel	Healesville Wildlife Sanctuary Afternoon & evening free	Chris Tuckwell, Horst Middel
Thursday 27.1.2000	Depart Melbourne 8.30 am	Gundooee Stud 5983 8727	Ostlers Hill Stud 5989 0909 Gundooee Stud	Yvonne & Lindsay Cunningham (Manager) Chris Tuckwell, Horst Middel Terry & Joan Mahoney (Owners) Chris Tuckwell,
Friday 28.1.2000	Depart Gundooee	To be determined	Meeting DIAA	Henry Shapiro, Jim Moir, Eric Loft, Chris Tuckwell. Solange Shapiro, Horst Middel

7.2 Invitation to tender



Deer Industry Association of Australia

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27th August 1999

Dear _____,

RE : Venison Marketing in Europe

As you may be aware the DIAA has located venison buyers in Europe who would be prepared to enter into long-term arrangements for the supply of venison from Australia. It is anticipated that the European buyers and the DIAA will enter into a Joint Venture arrangement to facilitate the sourcing, processing, shipment and marketing of venison product.

The DIAA intends to contract an Australian Venison Processor to act on its behalf. The Nominated Processor will enter into supply contracts with farmers, process and ship the product in fulfilment of our obligations to the European partner. Details of these arrangements, which will be conducted on an open-book basis, are not yet completed. They will be negotiated in conjunction with the Nominated Processor to ensure all parties are working in harmony.

Your company is invited to tender for the position of Nominated Processor, and to this end the Tender Document and supporting information are enclosed here. Please read the information carefully, and feel free to contact me should you require clarification on any issue.

Yours faithfully,

Henry Shapiro
DIAA President

7.3 Tender details

TENDER FOR A NOMINATED PROCESSOR OF VENISON AND VENISON PRODUCTS

The following is a tender for the supply of venison and venison products for a period of two years commencing 1st October 1999.

This tender shall form the basis of an agreement between the Deer Industry Association of Australia Ltd and the successful tenderer. The successful tender may not be necessarily be selected on financial criteria, and the lowest or any tender need not be selected. Tender selection is at the sole discretion of the Deer Industry Association of Australia Ltd or its representative.

BACKGROUND INFORMATION

The Deer Industry Association of Australia Ltd has identified a number of European Venison Marketers who wish to enter into long-term relationships with the Australian Deer Industry. The DIAA intends to form a Joint Venture with one or more of these organisations, with the object of supplying and marketing venison and venison products in Europe.

The DIAA through its nominee will supply fresh chilled product to the European Partner, who will market that product within a specified region in Europe.

The Deer Industry Association of Australia Ltd and its Nominated Processor will undertake not to supply product to the European Partner, or any of its associated companies, other than that provided for in the Joint Venture Agreement and Contract. The European Partner will undertake not to purchase any venison products from Australia, other than that provided for in the Joint Venture Agreement and Contract.

OBLIGATIONS OF THE PARTIES

The Deer Industry Association of Australia Ltd on behalf of the Joint Venture shall be responsible for selecting and contracting the Nominated Processor, and ensuring that the Nominated Processor fulfils the terms of the contract, in respect to their obligations to both the Joint Venture and the Farmers.

The Nominated Processor will be responsible for all matters involved in the performance of the supply contract, including but not limited to, contracting farmers (using the 'farmer supply contract' provided by the Joint Venturers) collecting animals, slaughtering, boning, packing and shipping product.

The Nominated Processor will also be required to indemnify the Deer Industry Association of Australia Ltd against any and all claims in connection with their contract whatsoever, including securing coverage against currency fluctuations.

VOLUME OF PRODUCT REQUIRED

It has been agreed that in the first instance, the Joint Venture anticipates a volume of venison, equivalent to one airfreight container of chilled product per week, for forty-five weeks per year. For the purposes of this tender it should be assumed that venison is shipped as natural fall cuts, to Hamburg. It is expected that this volume will increase over time, in accordance with a schedule to be negotiated and agreed between the parties.

SUPPLY OF ANIMALS

The Nominated Processor shall contract with deer farmers for the supply of animals to the specification required, on the dates and at the locations as determined by the Joint Venture in consultation with the Nominated Processor. The Nominated Processor shall be responsible for enforcing the provisions of the contract, including the default provisions.

The specification and form of Farmer Supply contract will be supplied by the Joint Venture. See Attachment.

Supply Contracts will only be entered into with farmers who are members of the Deer Industry Association of Australia Ltd., and shall be valid only when signed by the Farmer, the Nominated Processor and a nominee of the Deer Industry Association of Australia Ltd as witness.

BRANDING AND QUALITY ASSURANCE

Product shipped under the terms of the Joint Venture shall bear the brand of the Deer Industry Association of Australia Ltd, and the industry's QA logo as this product becomes available. It is the objective of the Joint Venturers that all product exported will bear the QA logo within the timeframe of this contract.

ACCOUNTING

The arrangements between the Farmer, the Nominated Processor and the European Partner will be conducted on an 'open book' basis. That is, that all costs and charges will be disclosed by the parties to the arrangement, and fees, profit margins etc agreed. Windfall profits, and any profit arising out of value adding of product shall be shared by the parties as agreed.

TENDER REQUIREMENTS

Processors interested in tendering for the position of Nominated Processor to the DIAA should register their interest by writing to : DIAA Tender, PO Box 37 Lismore Vic 3324, with the supplying the following information.

Previous processing experience.

Capacity to contract farmers for the supply of animals.

Capacity and security of slaughtering and processing facilities.

Management, record keeping and accounting facilities, and personnel.

Names of two referees, and Banking contact.

Suggested 'open book' methodology for use.

Margin required for overheads and profit, expressed as a percentage to be added to the net costs.

DUE DATE

To be valid, tenders shall signed by a Principal of the company, and arrive at the above address by the last mail on Tuesday 14th September 1999.

7.4 Guide supply contract

PROCESSOR - FARMER DEER SUPPLY CONTRACT

This Agreement is for the supply of live deer, during the period 1st October 1999 and 1st October 2000. The Agreement will not be valid unless witnessed by an authorized representative of the Deer Industry Association of Australia Ltd.

The parties to this contract are :

Nominated Processor

.....

The Farmer

.....

RESPONSIBILITIES OF THE FARMER

The Farmer supply to the Nominated Processor, deer as described and in accordance with the provisions and Schedule below.

Fallow Deer :	Males -	Over 26 kg HSCW -	up to 27 months old
	Females -	Over 25 kg HSCW -	up to 27 months old
Red Deer: and Hybrids	Males -	Over 55 kg HSCW -	up to 27 months old
	Females -	Over 50 kg HSCW -	up to 27 months old
Rusa Deer :	Males -	Over 50 kg HSCW -	up to 27months old
	Females -	Over 45 kg HSCW -	up to 27months old

1. Deer shall show no sign of rutting behaviour when closely yarded. Deer exhibiting such behaviour will not be accepted under this Agreement, and may involve the Farmer in penalties. See item 4.
2. Deer from QA Accredited farms will be given preference.
3. Farmers signing this Agreement shall be paid up members of the DIAA.
4. A financial penalty as set out in 'Schedule A' will apply for animals contracted to be supplied but not supplied, or not meeting this specification. The penalty shall be deducted from funds due to the Farmer under this Agreement.
5. It shall be the farmer's responsibility to supply the deer at the location, and on the date as shown in 'Schedule A'.
6. Deer supplied shall be in 'Prime' condition, as described in the attached Condition Scoring document.
7. Deductions shall be made for injured, bruised or diseased carcasses, where the AQIS inspector cuts away part of a carcass, or condemns it.
8. All animals shall be clearly identified by farmer and animal number, on a clean and easily readable ear tag or similar approved devise.

RESPONSIBILITIES OF THE PROCESSOR

1. Acceptance of the deer from the Farmer or his agent, and certification that they have been delivered on time and in suitable condition.
2. Provision to the farmer of an abattoir feedback sheet, similar to that devised by Ausmeat, within seven days of the slaughter of the deer.
3. Payment to the Farmer of all monies owed, in accordance with a detailed record of animals slaughtered within thirty days of acceptance of the deer.
4. To accept the animals on the date agreed as noted on Schedule 'A' below.
5. To pay the statutory Venison Slaughter levy, on behalf of the farmer.
6. A financial penalty as set out in 'Schedule A' will apply for animals contracted to be accepted from the farmer, but not accepted. The penalty shall be paid to the Farmer within fourteen days of the due date of acceptance, or notification to the farmer, whichever is first.

SCHEDULE A

Breed

Numbermale
female

Delivery Address

.....

Delivery Date (to be agreed with the
 Nominated Processor)

Price per kg HSCW including levy.

DIAA Membership Yes / No

Farmer Penalty Applicable \$..... per head

Processor Penalty Applicable \$..... per head

Signed on behalf of the farmer by -

Signed on behalf of the Nominated Processor by –

Witnessed on behalf of the Deer Industry Association of Australia Ltd by –

Date

7.5 List of recipients of request to tender

Mr	John	Andrew	Australian Farm Game Pty Ltd	Meroo' Moores Road	UPPER MONKERAI	NSW	2415
Mr	Warwick	Denshire	Australian Deer Co-Op	3 / 21 Heather Road	HEATHERBRAE	NSW	2324
Mr	Eric	Loft	VicVenison Producers Co-Op	PO Box 359	CARLTON	VIC	3053
Mr	Rod	Maclure	Australian Game Meats Pty Ltd	64 Coonanbarra Road	WAHROONGA	NSW	2076
Mr	Alan	Rundle	Gamekeepers Australia	Beazley Road	CARDINIA	VIC	3978
Mr	Ken	Lang	Yarra Valley Venison	PO Box 206	HEALESVILLE	VIC	3777
Mr	John	Jansen	Sentosa Meats	Doongalla Road	THE BASIN	VIC	3154
Mr	Michael	Lane	Halal Meats P/L	PO Box 266	COTTESLOE	WA	6911
Mr	Ian	Milburn	Glenloth Game	RMB 1024	WYCHEPROOF	VIC	3527
Mr	Alan	Chapman	Bilby International	12 Onslow Road	MODBURY	SA	5092
Mr	Peter	Chilwell	Lachlan Valley Venison	PO Box 173	BOYUP BROOK	WA	6244
Mr	Des	Delaine	Hahndorf Venison	River Road	HAHNDORF	SA	5245
Mr	Alan	Johnson	Johnson Pty Ltd	272 Hawkesbury Road	MOGGILL	QLD.	4070
Mr	Clark	McGhie	Deer Traders	Manumbar Road	NANANGO	QLD.	4615
Mr	Hans	Thonic	Gateway Meats	14 Orleana Street	FLAGSTAFF HILL	SA	5159
Mr	Graham	Morrison	Margaret River Venison	PO Box 496	MARGARET RIVER	WA	6285
Mr	Tony	Berry	Lachlan Valley Venison	PO Box 705	COWRA	NSW	2794
Mr	Norm	Craig	Venaus Pty Ltd	5 Bellwood Avenue	PORT LINCOLN	SA	5605
Mr	Ivan	Coulter	Windy Hills Venison	PO Box 484	MAGILL	SA	5072
Mr	Peter	Mills	Mudgee Cooperative Meat Supply	PO Box 63	MUDGEES	NSW	2850
Mr	David	Hart	Deerco Australia	'Oakwood'	KANDANGA	NSW	4570
Mr	Barry	Dempsey	Meramist Pty Ltd	PO Box 285	CABOOLTURE	QLD	4510
Mr	Kevin	Barnes	Onkaparinga Venison	PO Box 140	BALHANNAH	SA	5242

7.6 Tender assessment matrix

VENISON MARKET DEVELOPMENT IN EUROPE

Processor Selection Decision Matrix

Points awarded strictly on the basis of the Tender submitted

Business consideration	Point allocation table	Name of tenderer					
Previous processing experience - Turnover in last 12 months	0-15 = 0, 15-30 = 5, over 30 = 10						
Capacity to contract farmers for the supply of animals	0 to 10						
Capacity and security of slaughter and processing facilities in all states.	0 to 30						
Management, and personnel	0 to 10						
Record keeping and accounting facilities (manual or computerised)	manual = 5, computerised = 10						
Name of two referees and banking contact	0 to 5						
Suggested open book methodology for use.	0 to 20						
Margin required for overheads and profit. % - age to be added to net cost.	0 to 30						
Credit rating with farmers	0 to 20						
Professionalism and capacity to perform.	0 to 20						
Company, sole trader or cooperative.	P/L no refs = 0, good refs = 5, Listed Co or Co-op = 10						
If company, ACN number stated and what legal form.	no ACN = 0, ACN or Co-op = 5						

Further plus or minus points are possible depending on referees replies.

7.7 Memorandum of understanding

MEMORANDUM OF UNDERSTANDING

THE DEER INDUSTRY ASSOCIATION OF AUSTRALIA (DIAA) SELECTED COMPANY OF GERMANY (SC)

JANUARY 2000

INTRODUCTION

As part of the program to assist the development of the Australian Deer industry, DIAA project consultants identified several German Game meat processor/marketers interested in sourcing 'Australian Venison' for German markets.

Three German companies were considered for detailed negotiation and consultation.

The Managing Director of SC, Mr MD, visited Australia during January 2000 to discuss a co-operative arrangement with the DIAA for marketing 'Australian Venison' in Germany.

Following the conclusion of acceptable negotiations, the DIAA and SC recognise an opportunity to jointly develop a mutually profitable, co-operative program to market 'Australian Venison' in Germany.

AGREEMENT

- 1 DIAA agrees to supply and SC agrees to purchase an initial shipment of one twenty-foot container (approximately 7.5 tonnes) of venison to be delivered to Hamburg at the earliest possible date.
- 2 SC will assess the product, and on the basis of that delivery, draw up a venison supply specification for consideration by the DIAA. SC will also advise of its immediate supply requirements.
- 3 DIAA must advise SC of forecast minimum product volumes available to meet the specification provided by SC.
- 4 When the initial shipment of venison arrives in Hamburg, SC agrees to employ an Australian Venison Marketing Project Manager who has fluent German/English communication skills. At the same time the DIAA agrees to contract, on a part-time basis, a Project Consultant with fluent English/German communication skills. In the first instance, the joint responsibility of the German based Project Manager and the Australian based Project Consultant, will be to assist the DIAA and SC develop a joint venture Business Plan to market 'Australian Venison Products' within Germany.

Should the Business Plan show that a joint venture marketing project is likely to provide long-term commercial advantages to both the DIAA and SC, the Parties will formalise the Agreement on an Open Book and Shared Costs basis.

The Business Plan will describe in detail, partner responsibilities, cost and profit sharing arrangements, supply requirements (volume and specifications), detailed objective market assessments, financial arrangements, and any other information considered necessary by the DIAA and SC.

- 5 DIAA and SC agree that a Business Plan for the proposed joint venture marketing program should be completed by 31st July 2000. If the DIAA and SC agree to implement a formal joint venture agreement based on the Plan, a first target promotion for the joint venture should be the Dusseldorf Game Food Exhibition in September 2000.
- 6 The DIAA agrees that should the joint venture proceed, it will not supply venison to Germany other than through this arrangement with SC, provided that mutually acceptable profit margins

can be maintained. SC agrees not to purchase or market Australian Venison' from any source other than the DIAA.

INITIAL SHIPMENT OF VENISON

The DIAA will agree to arrange for shipment and SC agrees to accept a first shipment of venison on the following basis.

- | | | |
|---|---------------|--|
| 1 | Volume | One 20-foot container of approximately 7.5 tonnes of product. |
| 2 | Form | Frozen product delivered sea freight. |
| 3 | Description | Whole carcasses. Each carcase provided in three separate bags, one containing both shoulders, one containing the complete hind quarter separated from the body at the pelvis and the remainder of the carcase in a separate bag. |
| 4 | Product Mix | Approximately 50% of the total number of carcasses in the container will be Red deer and 50% Fallow deer but that the total percentage of animals more than 5 years of age is not more than 10% of the total shipment. |
| 5 | Age & Weight | The product supplied shall be a broad representation of age and weight ranges across the two species. |
| 6 | Price | An agreed price of [REDACTED] DM per kg Cold Carcase Weight. (CIF Hamburg, not including Import Duty) The contract to be written in the Euro dollar equivalent. |
| 7 | Payment | Payment will be by a "Letter of Credit" payable on presentation of the Bill of Loading, Insurance and AQIS Documentation. |
| 8 | Exchange Rate | This agreement is based on an exchange rate of AUD\$1.00 equals 1.30DM.
Any profits or losses caused by any variation in this agreed exchange rate shall be shared equally by both the Parties. |
| 9 | Delivery | Product should arrive in Hamburg no later than the 31st March 2000. |

.....
Henry Shapiro
President
DIAA
Date

.....
MD
Managing Director
Selected Company
Date

Witnessed by:

.....
Terry Mahoney
Managing Director
Deer Industry Company
Date

.....
Horst Middel
Date

7.8 Communication with DIAA branch presidents

Fax from : 0885233301

28/07/00 08:10 Pg: 2



VICTORIAN VENISON PRODUCERS' CO-OPERATIVE LIMITED Reg No. 1997

FACSIMILE TRANSMISSION

Attention: Henry Shapiro

Fax No: 035596 2313

To: DIAA

CC. State Pres., Qld, NSW, VIC, SA, WA & Tas plus C. Tuckwell

From: Eric Loft

Fax No: 613 9347 6906

Date: 15 March 2000

Pages: (inc this page) 1

Dear Bill,

Re: DIAA European Project

As you will be aware the DIAA EU Project is progressing steadily and as reported in the recent "Deer Farming" magazine, a Memorandum of Understanding has been entered into, and a trial shipment of venison is underway.

To meet it's supply requirements, the DIAA called for tenders from interested Processors and the Victorian Venison Producers' Co-operative was subsequently appointed as the preferred supplier.

VVPC's commitment to this industry project has always been based on an understanding that stock would be sourced throughout Australia to meet the requirements of the contract. While DIAA has much work to do to finalise the details of the "joint venture" in order to take the project to the next stage, we must start now to organize and plan our stock supply chain.

Part of this planning is to develop a better understanding of the nature of deer farming in your particular State so that stock collection can be scheduled in the most efficient and effective manner. Therefore, we are seeking your assistance and advice on the following:

- The deer species that are available and approximate numbers
- The time of year that;
 - a) Males are available
 - b) Females are available
 - c) Availability of castrates
 - d) Velvet harvesting occurs
- The name or names of people who may be interested in assisting in the co-ordination of the stock

Based on your advice, we will be able to develop a schedule of supply best suited to your State and issue Forward Contracts to participating farmers.

Our role in this Industry project is only one part and we look forward to the contribution from your State in reply, to help to ensure the overall success of the venture.

Kind regards

Eric Loft
(Chairman)

Victorian Venison Producers' Co-Operative Limited
98 Elgin St
Carlton Victoria 3053 Australia
(P.O. Box 359)

Tel: + 61 3 9347 7146
Fax: + 61 3 9347 6906
Mobile 0418 542 354

7.9 Production cost factors table

<u>PRODUCTION COSTS</u>
SLAUGHTER COSTS
Slaughter fee
Slaughter floor inspection
Loss
Processing equalisation
Coordinator
Bag and tag
Total Slaughter Cost
COLD STORAGE
Receiving and Blasting
Storage
Port Marking
Weight recording
Cold Storage Cost
LESS COST RECOVERIES
Skins (less salting of \$1.50)
Tails (50% to abattoir)
Pizzles 50% (50% to abattoir)
Sinews (\$0.50 each)
Total Cost Recovery
PROCESSING COST BALANCE
PLUS FREIGHT COSTS
Internal
Freight
Loading
To Port
AQIS Validation
Documentation
Port Charges
Agency Fees
Total
Total Freight Cost
TOTAL PURCHASE COSTS
PLUS Industry Levy
PLUS Overheads
PLUS VVPC Margin
PLUS DIAA
SUMMARY
PRODUCTION (CIF -cold carcass)
PRODUCTION (CIF -hot carcass)
FARMER PAYMENT (\$/KG cold cw)
FARMER PAYMENT (\$/KG hscw)

7.10 Farmer price schedule summary tables

RED DEER

Farmer Schedule (\$/kg HSCW) including the industry levy

Carcass Weight Range	Condition Score				
	1 Emaciated	2 Store	3 Prime	4 Fat	5 Over Fat
< 40.0	NV	NV	NV	NV	NV
40.0 - 44.9	\$0.48	\$1.98	\$2.29	\$1.98	\$1.53
45.0 - 49.9	\$0.78	\$2.29	\$2.59	\$2.29	\$1.83
50.0 - 54.9	\$1.08	\$2.59	\$2.89	\$2.59	\$2.14
55.0 - 59.9	\$1.38	\$2.89	\$3.19	\$2.89	\$2.44
60.0 - 64.9	\$1.38	\$2.89	\$3.19	\$2.89	\$2.44
65.0 - 69.9	\$1.38	\$2.89	\$3.19	\$2.89	\$2.44
70.0 - 74.9	\$1.24	\$2.74	\$3.04	\$2.74	\$2.29
75.0 - 79.9	\$1.24	\$2.74	\$3.04	\$2.74	\$2.29
80.0 - 84.9	\$0.93	\$2.44	\$2.74	\$2.44	\$1.98
85.0 - 89.9	\$0.93	\$2.44	\$2.74	\$2.44	\$1.98
90.0 - 94.9	\$0.63	\$2.14	\$2.44	\$2.14	\$1.68
95.0 - 99.9	NV	\$1.83	\$2.14	\$1.83	\$1.38

FALLOW DEER

Farmer Schedule (\$/kg HSCW) including the industry levy

Carcass Weight Range	Condition Score				
	1 Emaciated	2 Store	3 Prime	4 Fat	5 Over Fat
< 15.0	NV	NV	NV	NV	NV
15.0 - 19.9	NV	\$1.31	\$2.01	\$1.73	\$1.31
20.0 - 24.9	\$0.74	\$1.73	\$2.44	\$2.15	\$1.73
25.0 - 29.9	\$1.31	\$2.29	\$3.00	\$2.72	\$2.29
30.0 - 34.9	\$1.31	\$2.29	\$3.00	\$2.72	\$2.29
35.0 - 39.9	\$1.16	\$2.15	\$2.85	\$2.57	\$2.15
40.0 - 44.9	\$0.74	\$1.73	\$2.44	\$2.15	\$1.73
45.0 - 49.9	\$0.74	\$1.73	\$2.44	\$2.15	\$1.73
> 50.0	\$0.60	\$1.59	\$2.29	\$2.01	\$1.59

RUSA DEER

Farmer Schedule (\$/kg HSCW) including the industry levy

Carcass Weight Range	Condition Score				
	1 Emaciated	2 Store	3 Prime	4 Fat	5 Over Fat
< 20.0	NV	\$1.25	\$1.56	\$1.25	\$0.79
20.0 - 24.9	NV	\$1.56	\$1.86	\$1.56	\$1.10
25.0 - 29.9	NV	\$1.86	\$2.17	\$1.86	\$1.40
30.0 - 34.9	NV	\$2.17	\$2.47	\$2.17	\$1.71
35.0 - 39.9	NV	\$2.47	\$2.78	\$2.47	\$2.01
40.0 - 44.9	NV	\$2.78	\$3.09	\$2.78	\$2.32
45.0 - 49.9	NV	\$2.93	\$3.24	\$2.93	\$2.47
50.0 - 54.9	NV	\$2.78	\$3.09	\$2.78	\$2.32

7.11 Draft DIAA proposal

Copy of the proposal put to SC on behalf of the DIAA by its president.

I am writing to discuss with you the basis on which the DIAA and your company may form a joint venture to market venison in Germany. Fundamental to this association is the understanding that both parties wish to form a long-term business relationship based on equity, openness and the sharing of profits.

Both parties start from a position of having minimum equity to devote to the project, and this may shape the initial structure of the joint venture. The intention is to develop a venison **marketing** company in Germany. I am emphasizing the word marketing because it is not the intention of the DIAA that the JV own the product at any stage, but rather, that the limited funds available be used to source markets and facilitate the supply of product.

The objective of the JV is to reliably and consistently supply Australian venison as a branded quality product into a market supply chain that ensures the long-term viability of all its participants. For the joint venture to proceed, it is important that the farmer, the processor, the joint venture and the purchaser are all in a position of profit and sustained viability.

As a basis of the agreement the DIAA proposes that:

1. PW and the DIAA establish a joint venture venison marketing company, sourcing venison product in Australia and marketing to purchasers in Germany.
2. The joint venture will operate on an open book basis between the parties.
3. PW is going to provide a base order of 90 tonnes of venison per annum. This will form the foundation for the establishment of the company.
4. On behalf of the joint venture, the DIAA will source the product in Australia and arrange for slaughter, processing and shipping on receipt of a confirmed order and irrevocable financial instrument.
5. All business undertaken by the joint venture will be conducted on letter of credit or similar financial instrument, which is recognized by the banks and able to be discounted as maybe required to meet the payment terms of PW or any other purchaser.
6. Venison product maybe supplied in chilled form by air or sea freight, or frozen by sea. Product may be supplied by the joint venture as whole carcasses, primal cuts or boned out product, but always on the basis that the purchaser accepts the whole of the animal.
7. The DIAA would intend that its portion of the funding required for the establishment of the joint venture would be generated from its share of the profit gained on the first year's 90 tonnes of product. This profit would be left in the company to fund its start-up and cash flow requirements. A formula would be devised for future years and increased volumes of product on a sliding scale, which started to allow profits to be repatriated to the DIAA.
8. The calculation of profits due to each of the partners should be on the basis of simply dividing that portion left over from the purchase price after deducting all the costs incurred by the joint venture. Since the exercise is being carried out on an open book basis, this calculation should be a matter of arithmetic after we

jointly agree on the payment to the farmers and the operating costs of PW and the DIAA for the work they undertake as part of the joint venture arrangement.

9. A mutually acceptable company structure is to be devised. It may be preferable for the company to be registered in Australia to avoid some of the financial restrictions placed on German company structures. We would need some advice from you on the ability of foreign registered companies to trade in Germany.
10. The DIAA agrees that when the joint venture is established it will not supply venison into the German market outside the joint venture arrangement, and PW should not purchase or market Australian venison from any source other than the joint venture company. We cannot impose this restriction on the processing company, who are presently sub contractors to the DIAA (and later for the joint venture) as they are outside the agreement and have their own markets and arrangements.
11. The Manager(s) of the joint venture will provide monthly reports to the partners on all inventory and financial issues

Finally, please understand that the DIAA is conducting this project with the assistance of RIRDC, a government agency, which has strict operational guidelines and reporting deadlines. This means that we will have to complete **our** joint venture and all contract agreements early in August, in order to finalize the RIRDC report by the end of August. Time is therefore very limited so we would wish to press on as quickly as possible.

My Board and members are very enthusiastic that this project proceed and be successful, and I look forward to making this reality in the next couple of months.