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AUSTRALIAN DEER HORN & CO-PRODUCTS PTY LTD VELVET SEASON 2011-2012

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We started out with high hopes for the 2011-12 season, but the situation quickly changed. These changes were due to velvet industry problems in New Zealand – the world's largest producer of deer velvet.

As one New Zealand velvet industry leader, Ross Chambers, General Manager of ProVelco, said "market discipline has gone out the window" in a marketing free-for-all that has dropped prices to make sales and generate quick turnover, stripping millions of dollars from deer farmers' pockets.

In Australia, ADH got very little support from velvet producers in the first pool, particularly the bigger producers.

I do thank those who did put their velvet into the first pool. Due to the small volume, ADH decided it was not economic to try and sell Pool One on its own. We are hopeful that the market in New Zealand will settle and some sanity and price stability returns in early 2012.

Political tensions in Korea due to the recent death of Kim Jong Il, and also the strong Aussie dollar, have not helped our Australian situation.

We will now combine both pools for sale in February. We already have a committed buyer but it remains to be seen what prices we receive. This will be determined once all of the velvet received is graded and catalogued.

A lot of effort goes into running the ADH Velvet Pools with the aim of benefitting all deer farmer velvet producers. Recently, the disappointing lack of support by farmers who try to make a few extra cents by selling elsewhere has not helped our cause. In reality, it only weakens our position of strength in the Australian market and assists buyers to "screw" our farmers for even lower prices.

UPDATE:

The 2011-12 Pools were sold in early February and growers paid before the end of February. ADH has cut costs this year by reducing their handling charges to only \$2/kg. This, combined with the reduction of the velvet levy to 1%, means substantial savings to the farmer.