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VELVET MARKETING – ONE OPTION

By John Smith

The following letter has been written by John Smith, Director of Tasman Velvet Processors, outlining his thoughts on how Australia and New Zealand may be able to combine their resources and market Australian velvet.

NZ Velvet Marketing Co Ltd

Two leading companies in the New Zealand deer velvet business have merged their assets to form a new venture and dividends are already flowing to deer farmers. The companies were PGG Wrightson Velvet (PGW), whose strength was in its collection network, and Tasman Velvet Processors (TVP) whose strength was in processing and marketing. In fact they have formed two new ventures. The first is the New Zealand Velvet Marketing Co Ltd (NZVM) in which they share ownership with a farmer's group. This company sets goals and strategies for the industry and co-ordinates with all other players to meet those goals. The second is Velvet Logistics Ltd (VLL) which has combined and rationalized the grading, packing and storage of velvet awaiting sale and delivery into the markets.

The benefits are already apparent. TVP had been developing distribution in the China market. PGW has provided the bulk of product to enable NZVM to work very closely with their serious Chinese partner. China is important as a processing hub for sales into Korea and Taiwan but is becoming more important as a consumption market in its own right. NZVM is working to see 50% of the velvet crop consumed in China within two years. The clear benefit is that the industry has two legs to stand on. Of course Korea remains a very important key market but now NZVM is able to see that only the best product mix goes in there and in quantities that that market can handle without severely depressing the prices. In the past season this marketing discipline has allowed the prices to recover from very low expectations to finish on a high. NZVM expects this trend to continue and the prices will be back to economic levels for producers within two years.

The key words in this success are control and discipline and these apply at two levels. Firstly, in the marketplace where supply is carefully placed in those markets which can best use the product and at the best price. Secondly, at the farm gate where the farmers recognize what is best for the industry as a whole and maybe not just the best price for them on the day.

NZVM is playing its part to the fullest. It knows that the current price levels do not vie a return to producers and have therefore pledged not to increase farm gate to wharf costs until there has been a significant increase in market returns. Further they have directed some of the merger savings into market development and have dedicated China and Korean experts as employees charged with developing both markets in concert in the most efficient way possible. The initial success has been identified by both Canadian and Australian farmer groups who have inquired into how NZVM may help their respective velvet businesses back to profitability. NZVM is keen to work alongside them in the same manner as for New Zealand.

COSTING

Australian Costs (covered by AU)

Consolidation into a Container in Melbourne
\$tbc

NZ Costs (Deducted after sold)

NZFSA Importation cost (Charged at cost, approximately \$1000)
VLL Grading \$3.50/kg
NZVM Marketing \$1/kg

Our recommendation would be that Australia is part of the VSM system or that Australia manages its own averaging system like VSM ie: VSM Australia.

We would be looking to sell at NZ levels.

Our contact in Australia will be Ian Dowsett. Ian can be contacted on :

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Regards,
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