

## **VSM features for 2009/10**

Average price per grade paid for the season

All grades accepted

Quantity no barrier to entry

Strictly confidential

Installments payable 18th Dec, 26th Feb, 31st May, final payment asap after May (est. June)

## **Benefits for producers**

Reduces volatility

No need to hold on farm waiting for market signals. Velvet can be collected, graded and insured.

Cash-flow over the season with set payment dates

VSM suppliers exclusively benefit from the niche & premium sales during the season

## **Benefits for buyers**

Restore confidence in taking a position without having to worry about prices running up or being undercut.

VSM allows the NZVM team to create consistent, quality packages that satisfy the individual buyer and market needs.

The right grades going to the right buyer in the right market at the right time

A consistent grading standard installs confidence when buying sight unseen, especially needed when committing to a contract for multiple future deliveries.

## **Benefits for the industry**

Confidence and stability will lead to more participation in the channels of distribution, especially so by committed participants rather than speculators and traders.

Diversification across the key processing and consumption markets will reduce volatility allowing longterm, sustainable investment right through the farm-gate to consumer chain.

## **FAQ**

### ***Does it matter when my velvet is collected and graded?***

All grades are accepted all season, the delivery date doesn't effect the final average result per grade. However, the sooner the velvet is into the system the sooner it is graded, insured and safely stored. The experienced team can then get about selling the VSM product the best way they can with the confidence of your support behind them.

### ***Is there a cut-off date for delivery before installments?***

Yes, velvet should be in Christchurch no later than the following dates. Talk to your local agent or 0800 4 VELVET for any further info regarding consignments.

#### **Cut-off Dates**

Installment 1: Wednesday 9th December

Installment 2: Wednesday 17th February

Installment 3: Friday 14th May

### ***How are the VSM installments calculated?***

100% of the net revenue will be distributed at each of the installment dates. Payment will be weighted per grade, based on sales made of each grade.

e.g. (figures exemplary only)

#### **DEC Installment**

##### *DEC example 1*

20,000kg A Short (AS) graded up to the Dec cut-off

5,000kg AS sold up to Dec cut-off, 25% sold, averaging \$100 net

Producers who supplied AS will receive \$25/kg

##### *DEC example 2*

5,000kg B Short (BS) graded up to the Dec cut-off

2,000kg BS sold up to Dec cut-off, 40% sold, averaging \$95 net

Producers who supplied BS will receive \$38/kg

#### **FEB Installment**

##### *FEB example 1*

25,000kg AS graded up to the Feb cut-off

12,500kg AS sold up to FEB cut-off, 50% sold, averaging \$105 net

Producers who supplied AS will now have received \$52.50/kg in total

##### *FEB example 2*

3,000kg Spiker 1 (SP1) graded up to the Feb cut-off

2,000kg SP1 sold up to FEB cut-off, 66% sold, averaging \$110 net

Producers who supplied SP1 will have received \$73/kg in total

### ***Can I supply VSM and the Spot/Pool option?***

Both options are available to all suppliers and for all grades. VSM is the way of the future, we encourage producers to support this option with as much product as the can. The Pool/Spot option remains available and is a fully managed system with a mix of tender, private sale and contracts. Just indicate which sale option you wish to sell under using a separate advice note for each.

### ***If I miss the 1<sup>st</sup> installment, will the 2<sup>nd</sup> installment be a catch up from the 1<sup>st</sup> installment?***

Yes, each installment is re-calculated from the start of the season.