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News Release

PGG WRIGHTSON AND TASMAN VELVET ANNOUNCE A MULTI-PARTY INITIATIVE TO IMPROVE NEW ZEALAND VELVET MARKETING

PGG Wrightson Limited and Tasman Velvet Processors Limited today announced a major initiative to improve the performance of the New Zealand velvet export supply chain.

The parties, with velvet producer support, intend to incorporate a new company, the New Zealand Velvet Marketing Company Limited (NZVM), with a focus on marketing New Zealand's quality deer velvet to world markets.

Through the commitment of producers, NZVM will become responsible for the marketing of two-thirds of New Zealand velvet sales and will have the critical mass to drive further efficiencies and targeted marketing initiatives.

Conrad Wilkshire, General Manager of PGG Wrightson's Velvet Division, said: "This exciting development is the first step towards improving returns for New Zealand's velvet producers through a focus on marketing rather than commodity selling."

Critical to success will be the development of robust commercial partnerships with both Korea and China.

"Consumer demand for New Zealand's quality velvet product remains strong in these markets, but we need to satisfy their demand in a more focused and efficient manner if we are to obtain the best possible returns for producers," Mr Wilkshire said.

Chris Taylor, a Director of Tasman Velvet, agreed. "Particularly at a time when the world economic outlook remains uncertain, it is imperative that we seek out strong partnerships with the distributors of New Zealand's quality deer velvet. We intend NZVM to focus on relationships. There is an interdependence between sellers and buyers which has been underestimated in the past, and this has led to missed opportunities for mutual benefit."

"Producers have been galvanised by low velvet prices in recent years to create structures to drive industry reform, but the key element missing has been a link to a proven marketing company," Mr Taylor said. "NZVM will fill this void."

"This is a totally commercial solution. It brings together two key players in the industry while leaving the door open for producers to share ownership and take part in the marketing principles, strategies and decision making. NZVM will have a similar structure to other marketing organisations in the rural sector, and already proven in the fine wool industry in particular."

Ownership will be split three ways, with PGG Wrightson and Tasman Velvet each expected to take a one-third share in NZVM and the remaining third open to producers.

Messrs Wilkshire and Taylor said they recognised that the initiative would succeed only with the support of producers – both as suppliers and through a role in establishing NZVM’s governance structures.

“The aim of Tasman Velvet and PGG Wrightson is to demonstrate the value of NZVM in the coming months as a prerequisite to building producer support. We are open-minded about the form of producer participation. We believe that existing producer co-operatives and interest groups are well placed to become involved if they wish to do so.”

Messrs Wilkshire and Taylor said the VSM Supplier Council – comprising 12 velvet suppliers from around the country with significant investment in the deer velvet industry – had shown strong support for the establishment of NZVM.

The initial NZVM board will comprise seven directors – two each from PGG Wrightson and Tasman Velvet and three producer directors.

NZVM has already been welcomed by Tie Ling Ji Da Deer Products of China, one of New Zealand’s largest buyers of velvet.

“Interest is also coming from Korean buyers, who need a reliable supply of quality product with delivery matched to their business requirements,” Mr Wilkshire said.

Tasman Velvet has considerable experience in the international velvet market, a niche processing capability and a strong presence in China.

PGG Wrightson provides collection and grading services to New Zealand producers and operates the spot sales pools and VSM™ sales service for producers.

NZVM is a registered company effective 5 December 2008. Operations will commence ahead of the New Year, with the early priority being further communication with producers.

For further information.

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