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**VIABILITY AND PROFITABILITY OF THE  
CHILEAN DEER INDUSTRY**

Patricio A. Tuset

2000

# **VIABILITY AND PROFITABILITY OF THE CHILEAN DEER INDUSTRY**

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Patricio A. Tuset

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Supervisor:

Prof. W.C. Bailey, Chair of Agribusiness, Massey University

Palmerston North

New Zealand

## Table of Contents

<b>ACKNOWLEDGEMENTS.....</b>	<b>xii</b>
<b>ABSTRACT.....</b>	<b>xiii</b>
<b>1. CHAPTER 1: INTRODUCTION .....</b>	<b>1</b>
<b>1.1 PROBLEM STATEMENT .....</b>	<b>1</b>
<b>1.2 HYPOTHESES .....</b>	<b>3</b>
<b>1.3 RESEARCH OBJECTIVES .....</b>	<b>4</b>
1.3.1 <i>GENERAL OBJECTIVES .....</i>	<i>4</i>
1.3.2 <i>SPECIFIC OBJECTIVES .....</i>	<i>5</i>
<b>1.4 METHODOLOGY.....</b>	<b>5</b>
<b>1.5 LIMITATIONS OF THE STUDY .....</b>	<b>6</b>
<b>1.6 ASSUMPTIONS .....</b>	<b>7</b>
<b>1.7 THESIS OUTLINE .....</b>	<b>8</b>
1.7.1 <i>CHAPTER 2: LITERATURE REVIEW .....</i>	<i>8</i>
1.7.2 <i>CHAPTER 3: CHILEAN BACKGROUND .....</i>	<i>8</i>
1.7.3 <i>CHAPTER 4: THE AGRICULTURAL SECTOR IN CHILE .....</i>	<i>9</i>
1.7.4 <i>CHAPTER 5: DEER BACKGROUND .....</i>	<i>9</i>
1.7.5 <i>CHAPTER 6: THE NEWZEALAND DEER INDUSTRY .....</i>	<i>9</i>
1.7.6 <i>CHAPTER 7: THE CHILEAN DEER INDUSTRY .....</i>	<i>10</i>
1.7.7 <i>CHAPTER 8: CONCLUSIONS .....</i>	<i>10</i>
<b>1.8 IMPORTANCE OF THE RESEARCH .....</b>	<b>10</b>
<b>2. CHAPTER 2: LITERATURE REVIEW .....</b>	<b>12</b>
<b>2.1 FIVE COMPETITIVE FORCES OF THE INDUSTRY .....</b>	<b>12</b>
2.1.1 <i>BARGAINING POWER OF SUPPLIERS .....</i>	<i>14</i>
2.1.2 <i>BARGAINING POWER OF BUYERS .....</i>	<i>15</i>
2.1.3 <i>RIVALRY WITHIN THE INDUSTRY .....</i>	<i>16</i>
2.1.4 <i>THREAT OF NEW ENTRANTS .....</i>	<i>18</i>
2.1.5 <i>PRESSURE FROM SUBSTITUTE PRODUCTS .....</i>	<i>20</i>
<b>2.2 GENERIC COMPETITIVE STRATEGIES .....</b>	<b>20</b>
2.2.1 <i>OVERALL COST LEADERSHIP .....</i>	<i>21</i>
2.2.2 <i>DIFFERENTIATION .....</i>	<i>22</i>
2.2.3 <i>FOCUS .....</i>	<i>22</i>

<b>2.3 INDUSTRY LIFE CYCLE .....</b>	<b>23</b>
2.3.1 <i>LIFE CYCLE STAGES .....</i>	23
<b>2.4 THE EXTERNAL MACRO-ENVIRONMENT .....</b>	<b>26</b>
2.4.1 <i>DEMOGRAPHIC ENVIRONMENT .....</i>	27
2.4.2 <i>MACRO-ECONOMIC ENVIRONMENT .....</i>	27
2.4.3 <i>POLITICAL AND LEGAL ENVIRONMENT .....</i>	28
2.4.4 <i>SOCIO-CULTURAL ENVIRONMENT .....</i>	29
2.4.5 <i>TECHNOLOGICAL ENVIRONMENT .....</i>	29
2.4.6 <i>NATURAL ENVIRONMENT .....</i>	30
2.4.7 <i>COMPETITION ENVIRONMENT .....</i>	31
<b>2.5 SWOT ANALYSIS .....</b>	<b>32</b>
<b>2.6 GROSS MARGINS ANALYSIS .....</b>	<b>33</b>
<b>3. CHAPTER 3: CHILEAN BACKGROUND .....</b>	<b>35</b>
<b>3.1 CHILEAN GEOGRAPHY .....</b>	<b>35</b>
3.1.1 <i>THE NORTH OF CHILE .....</i>	36
3.1.2 <i>THE CENTRAL VALLEY IN CHILE .....</i>	37
3.1.3 <i>THE SOUTH OF CHILE .....</i>	37
3.1.4 <i>CLIMATES .....</i>	38
<b>3.2 ADMINISTRATIVE DIVISION OF CHILE .....</b>	<b>39</b>
<b>3.3 AGRICULTURAL LAND IN CHILE .....</b>	<b>40</b>
<b>3.4 CHILEAN ECONOMY .....</b>	<b>40</b>
3.4.1 <i>INTRODUCTION .....</i>	40
3.4.2 <i>EFFECTS OF THE ASIAN ECONOMIC CRISIS ON THE CHILEAN ECONOMY .....</i>	42
3.4.3 <i>CHILEAN ECONOMIC INDICATORS .....</i>	44
<b>4. CHAPTER 4: THE AGRICULTURAL SECTOR IN CHILE .....</b>	<b>62</b>
<b>4.1 INTRODUCTION .....</b>	<b>62</b>
<b>4.2 GENERAL DESCRIPTION OF THE SECTOR .....</b>	<b>62</b>
4.2.1 <i>AGRICULTURAL SECTORS .....</i>	69
<b>4.3 AGRICULTURAL TRADE .....</b>	<b>77</b>
<b>4.4 AGRICULTURAL POLICIES .....</b>	<b>79</b>
<b>4.5 PHYTO-SANITARY SITUATION IN CHILE .....</b>	<b>79</b>
4.5.1 <i>AGRICULTURAL AND LIVESTOCK SERVICE, SAG .....</i>	80



<b>5. CHAPTER 5: DEER BACKGROUND .....</b>	<b>83</b>
5.1 INTRODUCTION .....	83
5.2 GEOGRAPHICAL LOCATION OF DEER.....	83
5.3 CERVUS SPECIES .....	85
5.3.1 RED DEER ( <i>Cervus elaphus</i> ) .....	85
5.3.2 SIKA DEER ( <i>C. nippon nippon</i> ) .....	85
5.3.3 SAMBAR DEER ( <i>C. unicolor</i> ) AND R USA DEER ( <i>C. Timorensis</i> ).....	85
5.3.4 DAMA ( <i>D. Dama</i> ) AND AXIS DEER .....	86
5.4 REPRODUCTIVE CYCLE .....	87
5.5 DEER HEALTH .....	89
5.6 DEER FARMING BACKGROUND .....	89
5.6.1 DEER FARMING FACILITIES .....	91
5.6.2 PRODUCTIVITY OF FARMED DEER.....	94
✓5.7 DEER PRODUCTS .....	95
5.7.1 DEER VENISON .....	95
5.7.2 DEER VELVET ANTLER .....	97
5.7.3 DEER CO-PRODUCTS .....	102
✓6. CHAPTER 6: THE NEW ZEALAND DEER INDUSTRY.....	107
6.1 INTRODUCTION.....	107
6.1.1 NEW ZEALAND GEOGRAPHY .....	107
6.1.2 THE NEW ZEALAND CLIMATE .....	107
6.1.3 THE NEW ZEALAND ECONOMY .....	108
6.1.4 AGRICULTURE IN NEW ZEALAND .....	108
6.2 THE DEER INDUSTRY IN NEW ZEALAND .....	110
6.2.1 INTRODUCTION .....	110
6.2.2 NEW ZEALAND DEER VENISON .....	112
6.2.3 NEW ZEALAND DEER VELVET ANTLER .....	133

<b>7. THE DEER INDUSTRY IN CHILE .....</b>	<b>157</b>
<b>7.1 HISTORY OF DEER FARMING IN CHILE .....</b>	<b>157</b>
7.1.1 NATIONAL DEER FARMERS ASSOCIATION IN CHILE (ANCC) .....	162
<b>7.2 INTRODUCED DEER IN CHILE .....</b>	<b>162</b>
7.2.1 FREE DEER POPULATIONS .....	163
7.2.2 SEMI-DOMESTICATED POPULATIONS .....	164
7.2.3 DOMESTICATED POPULATIONS .....	164
<b>7.3 DEER FARMING REGION IN CHILE .....</b>	<b>165</b>
7.3.1 X REGION IN CHILE .....	165
<b>7.4 DEER FARMING REGULATIONS IN CHILE .....</b>	<b>168</b>
7.4.1 SANITARY REQUIREMENTS FOR IMPORTED DEER IN CHILE .....	169
7.4.2 SLAUGHTER AND COMMERCIALISATION OF DEER MEAT IN CHILE .....	172
<b>7.5 PROFITABILITY OF THE CHILEAN DEER INDUSTRY .....</b>	<b>174</b>
7.5.1 DESCRIPTION OF CHILEAN DEER FARMS .....	177
7.5.2 GROSS MARGINS ANALYSIS OF DEER FARMS .....	179
<b>7.6 PORTER'S FIVE FORCES INDUSTRY ANALYSIS FOR THE CHILEAN DEER</b>	
<b>INDUSTRY .....</b>	<b>181</b>
7.6.1 THREAT OF NEW ENTRANTS .....	181
7.6.2 POWER OF SUPPLIERS .....	183
7.6.3 BARGAINING POWER OF BUYERS .....	183
7.6.4 RIVALRY WITHIN THE INDUSTRY .....	184
7.6.5 SUBSTITUTE PRODUCTS .....	185
<b>7.7 MACRO-ENVIRONMENTAL FORCES IN THE CHILEAN DEER INDUSTRY .....</b>	<b>185</b>
7.7.1 DEMOGRAPHIC ENVIRONMENT .....	185
7.7.2 MACRO-ECONOMIC ENVIRONMENT .....	186
7.7.3 POLITICAL AND LEGAL ENVIRONMENT .....	187
7.7.4 SOCIO-CULTURAL ENVIRONMENT .....	187
7.7.5 TECHNOLOGICAL ENVIRONMENT .....	188
7.7.6 NATURAL ENVIRONMENT .....	189
7.7.7 COMPETITION ENVIRONMENT .....	189
<b>7.8 SWOT ANALYSIS FOR THE CHILEAN DEER INDUSTRY .....</b>	<b>190</b>
7.8.1 STRENGTHS .....	190
7.8.2 WEAKNESSES .....	191
7.8.3 OPPORTUNITIES .....	192
7.8.4 THREATS .....	193
 <b>8. CHAPTER 8: CONCLUSIONS .....</b>	 <b>194</b>

<b>9. REFERENCES AND BIBLIOGRAPHY.....</b>	<b>201</b>
<b>10. APPENDICES .....</b>	<b>205</b>
<b>APPENDIX 1: SOVEREIGN RATING LIST, BY STANDARD &amp; POORS, (20/10/1999) .....</b>	<b>205</b>
<b>APPENDIX 2: CHILEAN TRADE PARTNERS, 1996 AND 1997. (US\$ MILLION) .....</b>	<b>207</b>
<b>APPENDIX 3: PINE AND EUCALYPTUS PLANTATIONS IN CHILE. 1990 –1996. ....</b>	<b>208</b>
<b>APPENDIX 4: MODERN DEER FAMILY CERVIDAE.....</b>	<b>209</b>
<b>APPENDIX 5: DEER DISEASES. ....</b>	<b>212</b>
<b>APPENDIX 6: GRADING OF RED DEER AND WAPITI VELVET IN NEW ZEALAND AND CANADA.....</b>	<b>218</b>
<b>APPENDIX 7: MARKETS FOR NEW ZEALAND CHILLED AND FROZEN VENISON, 1997.....</b>	<b>220</b>
<b>APPENDIX 8: NEW ZEALAND VENISON PRICES (US\$ DOLLAR). SEPTEMBER 2, 1999.....</b>	<b>221</b>
<b>APPENDIX 9: VELVETING PROCESS .....</b>	<b>222</b>
<b>APPENDIX 10: NEW ZEALAND VELVET POOL PRICE COMPOSITION, 1995 – 1998.....</b>	<b>225</b>
<b>APPENDIX 11: DEER CO-PRODUCTS PACKAGING, LOWE PRODUCTS NEW ZEALAND.....</b>	<b>226</b>
<b>APPENDIX 12: NEW ZEALAND DEER CO-PRODUCTS MARKETS, 1997 - 1998 . ....</b>	<b>228</b>
<b>APPENDIX 13: CHILEAN DEER FARMS AND HUNTING OPERATION LIST, 1996 . ....</b>	<b>229</b>
<b>APPENDIX 14: COST AND INCOME FROM CHILEAN DEER FARMS AND NEW ZEALAND MODEL DEER FARM, 1998/99. US DOLLAR. ....</b>	<b>230</b>
<b>APPENDIX 15: GROSS MARGIN ANALYSES .....</b>	<b>231</b>
<b>APPENDIX 16: DEER SLAUGHTERHOUSE IN NEW ZEALAND .....</b>	<b>234</b>



## List of Tables

<b>TABLE 2.1: MACRO-ENVIRONMENTS AND ELEMENTS .</b> .....	31
<b>TABLE 3.1: PRINCIPAL AGRICULTURAL ACTIVITIES OF THE MACRO-REGIONS IN CHILE .</b> .....	40
<b>TABLE 3.2: RELEVANT FIGURES OF CHILEAN ECONOMY, 1992 - 1997</b> .....	41
<b>TABLE 3.3: COMPETITIVE INDEX, 1999 .</b> .....	42
<b>TABLE 3.4: CHILEAN INFLATION RATE AND EXTERNAL DEBT, 1990 - 1998 .</b> .....	44
<b>TABLE 3.5: CHILEAN TOTAL GROSS DOMESTIC PRODUCT AND PER CAPITA GROSS DOMESTIC PRODUCT, 1990-1997 .</b> .....	45
<b>TABLE 3.6: CHILEAN GROSS DOMESTIC PRODUCT BY REGION 1990 - 1997, IN MILLION CHILEAN PESOS.</b> .....	46
<b>TABLE 3.7: CHILEAN GROSS DOMESTIC PRODUCT COMPOSITION BY ECONOMIC ACTIVITY, 1990 - 1998 (MILLION CHILEAN PESOS)</b> .....	47
<b>TABLE 3.8: EMPLOYMENT BY ECONOMIC ACTIVITY (1997, 1998, AND 1999)</b> .....	48
<b>TABLE 3.9: ANNUAL INDICATOR OF LABOUR MARKET, 1991 - 1999. (GROWTH RATE IN %)</b> .....	48
<b>TABLE 3.10: TOTAL UNEMPLOYMENT RATE (%) AND BY REGION, APRIL/JUNE 1998 - 1999.</b> .....	49
<b>TABLE 3.11: EMPLOYMENT DECREASES AND INCREASES BY SECTOR (NUMBER OF PEOPLE), APRIL 1999.</b> .....	50
<b>TABLE 3.12: PROJECTED INVESTMENT IN CHILEAN SEAPORTS (MILLIONS OF US\$)</b> ....	55
<b>TABLE 3.13: MAIN CHILEAN EXPORT PRODUCTS IN 1997</b> .....	57
<b>TABLE 3.14: GROWTH RATES OF EXPORTS (VOLUME), 1994 - 1997. (%) .</b> ..	57
<b>TABLE 3.15: CHILEAN STANDING TRADE AGREEMENTS</b> .....	58
<b>TABLE 3.16: IMPACT OF TRADE AGREEMENTS IN THE CHILEAN AGRICULTURAL SECTOR, 2005 .</b> .....	59
<b>TABLE 3.17: FOREIGN INVESTMENT D.L. 600 BY SECTOR, 1990 - 1997 (IN THOUSANDS OF US\$) .</b> .....	61
<b>TABLE 4.1: LAND USE CHANGE, 1986 - 1995 (III TO X REGION), IN THOUSANDS OF HECTARES</b> .....	64
<b>TABLE 4.2: CHILEAN GROSS DOMESTIC PRODUCT 1985 - 1998. (IN MILLION OF CHILEAN PESOS) .</b> .....	65
<b>TABLE 4.3: NUMBER AND TYPE OF ANIMALS IN CHILE, 1955, 1965, 1976 AND 1997.</b> ....	71
<b>TABLE 4.4: LIVESTOCK PRODUCTION, 1992 - 1997, IN TONNES</b> .....	72
<b>TABLE 4.5: CHILEAN PER CAPITAL MEAT CONSUMPTION (KG/YEAR), 1986 - 1997 .</b> ....	73
<b>TABLE 4.6: LIVESTOCK EXPORTS, PRIMARY AND INDUSTRIAL, BY PRODUCT, 1997 ..</b>	74
<b>TABLE 4.7: SLAUGHTERHOUSES IN CHILE BY REGION, 1993 - 1997</b> .....	74
<b>TABLE 4.8: PROTECTED AREAS BY COUNTRY (% OF TOTAL SURFACE)</b> .....	76
<b>TABLE 4.9: CHILEAN FORESTRY EXPORTS, 1997</b> .....	76

<b>TABLE 4.10:</b> AGRICULTURAL TRADE BALANCE, 1990 - 1996. (MILLION OF US\$)	77
<b>TABLE 5.1:</b> TERMS ASSOCIATED WITH DEER SPECIES	86
<b>TABLE 5.2:</b> REPRODUCTIVE PARAMETERS FOR WAPITI AND RED DEER	87
<b>TABLE 5.3:</b> AVERAGE GESTATION PERIODS AND BIRTH WEIGHTS OF SOME DEER SPECIES.	88
<b>TABLE 5.4:</b> FAWNING DATES FROM MATING DATES FOR RED DEER, HYBRIDS AND WAPITI	89
<b>TABLE 5.5:</b> NUTRITIONAL PROPERTIES OF VENISON AND OTHER MEATS	96
<b>TABLE 5.6:</b> PRIMAL CUTS FROM A DEER CARCASS	97
<b>TABLE 5.7:</b> CHEMICAL COMPOSITION OF VELVET ANTLER (PERCENTAGE)	99
<b>TABLE 6.1:</b> PER CAPITA CONSUMPTION OF NEW ZEALAND VENISON IN THE WORLD MARKET (1990 AND 1997).	113
<b>TABLE 6.2:</b> NORTH AMERICAN VENISON MARKET VOLUME (IN TONNES), 1993 - 1996.	119
<b>TABLE 6.3:</b> TOTAL VALUE OF NORTH AMERICAN MARKET, 1993 - 1996 (US\$ MILLION).	119
<b>TABLE 6.4:</b> STAG AND HINDS FARM GATE PRICES. (NZ\$/KG-GROSS) SEPTEMBER 1999.	123
<b>TABLE 6.5:</b> EXPORTS, PRICES AND PRODUCTION FORECAST FOR NEW ZEALAND VENISON, 1998/99 TO 2001/02.	124
<b>TABLE 6.6:</b> WORLD APPROXIMATE POPULATION OF FARMED DEER IN 1997, BY COUNTRY.	126
<b>TABLE 6.7:</b> DEER FARMING IN CANADA, 1997.	128
<b>TABLE 6.8:</b> ASIAN AND C.I. S ESTIMATED DEER POPULATIONS, 1997.	131
<b>TABLE 6.9:</b> DEER FARMING IN EUROPE 1997.	132
<b>TABLE 6.10:</b> NEW ZEALAND VELVET EXPORTS. VOLUME BY CATEGORY IN 1997.	142
<b>TABLE 6.11:</b> NEW ZEALAND VELVET EXPORTS VALUE BY CATEGORY IN 1997 (NZ\$FOB).	142
<b>TABLE 6.12:</b> NEW ZEALAND VELVET EXPORTS, PRICES AND PRODUCTION FORECAST 1997 - 2002 (NZ\$FOB).	144
<b>TABLE 6.13:</b> AVERAGE VELVET PRICES FOR DIFFERENT VELVET GRADES, 1998 SEASON.	146
<b>TABLE 6.14:</b> VALUE AND VOLUME OF NEW ZEALAND DEER HIDE, LEATHER AND CO-PRODUCTS EXPORTS, 1995 - 1999.	152
<b>TABLE 6.15:</b> NEW ZEALAND DEER HIDES EXPORTS (JANUARY 1996).	153
<b>TABLE 6.16:</b> NEW ZEALAND DEER LEATHER EXPORTS (1996).	153
<b>TABLE 6.17:</b> DEER CO-PRODUCTS EXPORTS, YEARS 1997 - 1998.	154



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<b>TABLE 7.1: HISTORY OF INTRODUCED DEER IN CHILE.....</b>	<b>157</b>
<b>TABLE 7.2: CLASSIFICATION OF THE DIFFERENT DEER POPULATION AND THE KIND OF MANAGEMENT APPLIED IN CHILE. ....</b>	<b>163</b>
<b>TABLE 7.3: REGIONAL GROSS DOMESTIC PRODUCT, X REGION IN CHILE. (TM CHILEAN PESOS).....</b>	<b>166</b>
<b>TABLE 7.4: EXISTENCE OF ANIMALS BY SPECIES IN THE X REGION IN CHILE. 1990 – 1996.....</b>	<b>167</b>
<b>TABLE 7.5: REGIONAL EXPORTS BY PRODUCT. X REGION CHILE, 1998.....</b>	<b>167</b>
<b>TABLE 7.6: DEER CARCASS EFFICIENCY. PERCENTAGE OF TOTAL CARCASS. ....</b>	<b>174</b>
<b>TABLE 7.7: SUMMARY OF COST/INCOME RESULTS (US DOLLARS). ....</b>	<b>175</b>
<b>TABLE 7.8: LIVESTOCK IN FARM B. ....</b>	<b>178</b>
<b>TABLE 7.9: NEW ZEALAND AND CHILEAN DEER FARMS' GROSS MARGINS ANALYSIS RESULTS 1998/99.(US DOLLARS). ....</b>	<b>179</b>

## List of Figures

<b>FIGURE 1.1:</b> PARTICIPATION OF AGRICULTURE IN THE NATIONAL GROSS DOMESTIC PRODUCT (AGDP), NATIONAL GROSS DOMESTIC PRODUCT AND AGRICULTURAL GROSS DOMESTIC PRODUCT IN CHILE, 1985-1998.....	1
<b>FIGURE 2.1:</b> PORTER'S FIVE FORCES DRIVING THE INDUSTRY. ....	13
<b>FIGURE 2.2:</b> RIVALRY AMONG INDUSTRY PARTICIPANTS. ....	18
<b>FIGURE 2.3:</b> GENERIC COMPETITIVE STRATEGIES BY PORTER .....	21
<b>FIGURE 2.4:</b> FOCUS APPROACH, AS GENERIC STRATEGY .....	23
<b>FIGURE 2.5:</b> INDUSTRY LIFE CYCLE. ....	24
<b>FIGURE 2.6:</b> EXTERNAL MACRO-ENVIRONMENT OF AN INDUSTRY. ....	26
<b>FIGURE 2.7:</b> GROSS MARGINS FORMULA. ....	34
<b>FIGURE 3.1:</b> LOCATION OF CHILE IN AMERICA. ....	36
<b>FIGURE 3.2:</b> CENTRAL VALLEY GEOGRAPHICAL COMPOSITION. ....	37
<b>FIGURE 3.3:</b> CHILEAN URBAN AND RURAL POPULATION. ....	38
<b>FIGURE 3.4:</b> CHILEAN REGIONS AND THEIR CAPITALS .....	39
<b>FIGURE 3.5:</b> CHILEAN EXPORT DESTINATION, BY VOLUME, 1997.....	43
<b>FIGURE 3.6:</b> REGIONAL PARTICIPATION IN THE NATIONAL GROSS DOMESTIC PRODUCT, IN PERCENTAGE (1997) . ....	46
<b>FIGURE 3.7:</b> CHILEAN EXCHANGE RATE, FIRST SIX MONTHS 1999. (CHILEAN PESOS, IN RELATION TO US DOLLAR) . ....	52
<b>FIGURE 3.8:</b> EXCHANGE RATE FOR CHILEAN PESO (CH\$ v US\$), 1989 - 1999 .....	53
<b>FIGURE 3.9:</b> CHILEAN FOREIGN TRADE HISTORY 1990 - 1998 .....	56
<b>FIGURE 3.10:</b> TRADE STRUCTURE OF CHILEAN EXPORTS, BY SECTOR, 1998 .....	58
<b>FIGURE 3.11:</b> MAIN PROVIDERS OF CHILEAN IMPORTS IN 1998 . ....	60
<b>FIGURE 4.1:</b> CHILEAN LAND USE EVOLUTION, 1990 - 1998 . ....	63
<b>FIGURE 4.2:</b> EVOLUTION OF AGRICULTURAL ACTIVITIES, 1987 - 1997. (IN HECTARES AND HEAD NUMBERS) .....	64
<b>FIGURE 4.3:</b> CHILEAN NATIONAL GROSS DOMESTIC PRODUCT (NGDP), AGRICULTURAL GROSS DOMESTIC PRODUCT (AGDP), AND PARTICIPATION OF AGRICULTURE IN THE NATIONAL GROSS DOMESTIC PRODUCT (AGDP/NGDP), 1985 - 1998. (IN MILLION CHILEAN PESOS) .....	66
<b>FIGURE 4.4:</b> DISTRIBUTION OF AGRICULTURAL GROSS DOMESTIC PRODUCT BY REGION IN CHILE, 1990. (IN MILLION OF CHILEAN PESOS) . ....	67
<b>FIGURE 4.5:</b> NATIONAL AND AGRICULTURAL EMPLOYED LABOUR FORCE, 1990 – 1996. ....	68
<b>FIGURE 4.6:</b> NATIONAL LABOUR FORCE AND AGRICULTURAL PARTICIPATION (%) BY REGION, 1996 .....	69



<b>FIGURE 4.7: AGRICULTURE AND FORESTRY PRODUCTION STRUCTURE IN CHILE</b> 1990 – 1996 (%) .....	70
<b>FIGURE 4.8: FRUIT EXPORTS, 1987 AND 1996, IN THOUSAND OF CRATES</b> .....	71
<b>FIGURE 4.9: TYPES OF ANIMALS IN CHILE, 1955, 1965, 1967 AND 1997.</b> .....	72
<b>FIGURE 4.10: STRUCTURE OF THE AGRICULTURAL EXPORTS BY DESTINY</b> (AVERAGE 1990-1997) .....	78
<b>FIGURE 5.1: DEER NATURAL RANGES OF THE SUBFAMILIES: ODONCOILINAE (A)</b> AND CERVIDAE (B). .....	84
<b>FIGURE 5.2: RESOURCES REQUIRED TO GENERATE NZ\$1 00,000 NET INCOME</b> .....	90
<b>FIGURE 5.3: DEER SHED DESIGN, SHED A.</b> .....	93
<b>FIGURE 5.4: DEER SHED DESIGN, SHED B</b> .....	94
<b>FIGURE 5.5: MUSCLE WEIGHT DISTRIBUTION OF MALE WHITE-TAIL DEER</b> RELATIVE TO BULLS .....	95
<b>FIGURE 5.6: DEER CARCASS CUTS</b> .....	96
<b>FIGURE 5.7: DEER ANTLER CYCLE</b> .....	98
<b>FIGURE 5.8: ORIENTAL SYSTEM FOR CLASSIFYING THE SECTIONS OF VELVET</b> ANTLER.....	99
<b>FIGURE 5.9: DEER TAIL.</b> .....	102
<b>FIGURE 5.10: DEER PIZZLE</b> . .....	103
<b>FIGURE 5.11: DEER SINEWS (DRIED)</b> .....	104
<b>FIGURE 6.1: LAND USE IN NEW ZEALAND, 1996. (%)</b> .....	109
<b>FIGURE 6.2: FARMLAND BY TYPE OF FARM IN NEW ZEALAND, 1996.</b> .....	109
<b>FIGURE 6.3: NEW ZEALAND DEER INDUSTRY STRUCTURE</b> .....	111
<b>FIGURE 6.4: COMPOSITION OF THE NAME CERVENA</b> .....	114
<b>FIGURE 6.5: VENISON EXPORTS TO U.S.A (NZ\$ MILLION FOB, 1992 - 1998)</b> .....	116
<b>FIGURE 6.6: NEW ZEALAND VENISON EXPORTS, FROZEN AND CHILLED, 1997</b> .....	118
<b>FIGURE 6.7: NEW ZEALAND VENISON MARKETING CHAIN</b> .....	121
<b>FIGURE 6.8: NEW ZEALAND VENISON PRICES AND PRODUCTION, 1997/98 TO</b> 2001/02.....	124
<b>FIGURE 6.9: VENISON TOTAL EXPORTS, IN MILLION NZ\$ FOB, AND TONNES</b> (THOUSANDS), 1992 - 1998.....	125
<b>FIGURE 6.10: SPECIES RAISED IN THE USA, 1997</b> .....	129
<b>FIGURE 6.11: SLICED VELVET</b> .....	134
<b>FIGURE 6.12: NOGYONG LOGO FOR NEW ZEALAND DEER VELVET</b> .....	136
<b>FIGURE 6.13: NEW ZEALAND VELVET EXPORTS TO KOREA 1991 - 1997 (VOLUMES</b> AND VALUES).....	137
<b>FIGURE 6.14: NEW ZEALAND VELVET EXPORTS TO TAIWAN 1991 - 1997 (VOLUMES</b> AND VALUES).....	138

<b>FIGURE 6.15: NEW ZEALAND VELVET EXPORTS TO CANADA AND THE USA, 1991 – 1997 (VOLUME AND VALUE)</b> .....	139
<b>FIGURE 6.16: NEW ZEALAND VELVET EXPORTS TO AUSTRALIA, 1991 - 1997 (VOLUME AND VALUE)</b> . ....	140
<b>FIGURE 6.17: NEW ZEALAND VELVET EXPORTS (% OF VOLUME AND VALUE BY COUNTRY) 1997</b> .....	141
<b>FIGURE 6.18: EXPORT PERFORMANCES (VOLUME AND VALUE) OF NEW ZEALAND VELVET PRODUCTS, 1991-1997</b> .....	143
<b>FIGURE 6.19: NEW ZEALAND VELVET PRICES AND PRODUCTION, 1997 - 2002</b> .....	144
<b>FIGURE 6.20: NEW ZEALAND VELVET EXPORTS 1992 - 1998</b> . ....	145
<b>FIGURE 6.21: VARIATIONS RESULTING FROM DIFFERENT TIME OF CUTTING VELVET</b> . ....	146
<b>FIGURE 6.22: NEW ZEALAND VELVET ANTLER MARKETING CHAIN</b> .....	148
<b>FIGURE 6.23: TOTAL EXPORTS VALUE OF DEER HIDES, LEATHER AND CO-PRODUCTS (1993 - 1999)</b> .....	155
<b>FIGURE 7.1: INCOME ALTERNATIVES FOR CHILEAN DEER FARMERS</b> .....	160
<b>FIGURE 7.2: CHILEAN DEER INDUSTRY MARKETING CHAIN</b> . ....	161
<b>FIGURE 7.3: X REGION OF CHILE EXPORTS DESTINATION, 1998</b> .....	168

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## ABSTRACT

Chile is located in the south-west corner of South America, with climates that vary from hot and dry in the north to mild cold in the south. This large range of climates enables Chile to produce a variety of animal and plant products. The Chilean economy is strongly based on the exports of agricultural products. Even though the economy was negatively affected by the Asian economic crisis in 1997/98, the economic sector is through a recovery process. Diversification is one important factor in the recovery process of the economy. The Chilean economy needs to diversify (products and markets), to spread the risk involved in the trade sector. Agriculture is one of the most important sectors in the Chilean economy. This sector is composed of fruit, crops, and livestock production. Within the latter sector, the main activities are beef cattle and dairy production. In the last few years, diversification of the current productive systems in Chile has been through the introduction of new animal species, such as ostriches and deer. These activities are considered to be very new, and consequently are unknown to a vast number of people. In addition to this, and in particular with regards to the deer industry in Chile, structure is almost non-existent, and its marketing channels and quality controls are unorganised. Deer farming is an opportunity to diversify the agricultural sector in Chile. As a new activity it must be developed either by domestic private or public institutions and/or by foreign investors. As any other business, this industry works within certain conditions, determined by the country's economy and situation of its sector, in this case agriculture. Deer have a highly efficient conversion rate from grass to protein when compared to other farmed animals. Deer products are commonly in demand in European and Asian countries. The farmed deer industry is a world-wide business, with New Zealand as the leader. In 1999 the New Zealand deer industry exported venison, velvet antler and co-products with a value of about NZ\$210 million. For the year 2002 is forecasted that New Zealand deer exports will reach about NZ\$270 million. The main markets for New Zealand deer products are Europe, USA and Asian countries.

The deer industry in Chile is in an embryonic stage, and is a growing activity. However, it still needs further development in areas such as processes, transport, management practices, etc. This industry does not present a fixed structure, and deer



products have to be marketed through traditional beef marketing channels. Regulations are almost non-existent, with the exception of minimal import, farming and slaughter regulations. Total farm gross margins results for deer farms in Chile suggest that deer farming in Chile is profitable (US\$20,982 for Farm A and US\$10,578 for Farm B). However, compared to New Zealand, the gross margins from Chilean farms are low. On a total farm and per hectare gross margin basis, New Zealand has higher gross margins compared to Chilean farms. However, on a stock units basis, Chilean farms have higher gross margins. This may be due to the fact that Chilean farms have a lower stocking rate than New Zealand.

Even though gross margin results suggest that Chilean deer farms are profitable, this activity shows important issues that need to be addressed. These issues are related to infrastructure and regulations for deer production, and marketing and promotion of deer products. Probable reasons for New Zealand's higher profitability in the deer industry compared to Chilean deer farms are management practices and know-how of deer farming. The threat of new entrants in the Chilean deer industry is weak. The bargaining power of suppliers and buyers also is weak, because production and demand in the domestic market are very low. Rivalry within the industry is between deer farms and hunting operations, and is related to quality issues. In Chile, substitute products for deer products are mainly other protein sources for venison, and other herbal tonics for velvet. Strengths of the Chilean deer industry are represented by geographical and physical factors, and include the fact there are no presence of natural deer predators in Chile. The main weaknesses are related to the size of Chilean deer farms, low production levels and lack of a complete legislation. Land availability, increasing meat and healthier product consumption trends in Chile, are the main opportunities for the Chilean deer industry. The main threat to the industry in Chile is the variability of venison quality and lack of quality controls in the marketing process.