



Brazilian gauchos moving an Angus herd.

How's your grasp of foreign affairs?

By Jim Cotton
Editor

When the young lady boarded the Greyhound bus in her wedding dress, it stirred considerable interest. Was she coming from, going to, anticipating, or disappointed with the big event?

Similar questions are addressed by the writers following this piece. They delve into our curiosity regarding foreign marketing. Across the range of experience with this topic, there are breeders who consider it a rewarding part of their business and look forward to future transactions. Others have left the field vowing never to return.

Our contributors have surveyed the length and breadth of this iceberg for us while cautioning there's still much beneath the surface that must be skirted to avoid a collision.

The atmosphere of foreign marketing is continually changing as protectionism

ebbs or flows, as cultural climates resist or invite change, as technology leaves new patterns in its wake. One of the best forecasters for selling seedstock overseas is the demand for beef in developing markets. The Third World is generally conceded to be continually hungry, but there are pockets where rising incomes spur greater appetite for beef. Can U.S. beef channels capture that market and will the demand translate into new markets for Angus seedstock?

No easy, crystal-clear answers in this state of constant flux, but here are a few hopes and hurdles across the national and international export terrain.

Across the back fence

This winter's preliminary agreement freeing trade between Canada and the United States is hailed as a breakthrough in some quarters. U.S. products that are

supposed to benefit immediately include "raw meat," hides, and leather products. According to Scott Morse, writing in "Food Industry Review," it's expected by 1991 that trade barriers for certain types of meats will be low enough to induce an increase in U.S. exports. Morse says the accord will favorably affect one-quarter of Canada's food and ag exports to the United States. Included are beef and live meat animals.

Canada will have free access to a market 10 times its national population. Exports of Canadian beef are expected to climb by 43 million pounds destined primarily for the California metropolitan markets, considered a competitive area for Western Canadian packers.

NCA's listening in

It might appear a "you buy mine, and I'll buy yours" horse-trade is taking shape

According to National Cattlemen's Assn. analysis, the agreement is designed to phase out all tariffs on cattle and cattle products over the next 10 years and to exempt each county from the other's meat import law.

Improvements are expected in technical and inspection procedures at the border. Canada has agreed to modify its testing for Bluetongue which should encourage U.S. seedstock producers seeking new markets up north.

It may come as a surprise, but ag trade between the two very similar neighbors accounted for just three percent (almost \$5 billion) of the total value exchanged in fiscal 1987. This, according to Carol Goodloe writing in "Farmlines," would climb to only 10 percent if farm machinery, fertilizers, and pesticides were lumped with traditional farm products.

There's been friction before

Goodloe notes Canada is the third largest export market for the United States and the U.S. is Canada's largest. Canada used to claim a bigger share. In 1970, Canada bought nearly 65 percent of its agricultural imports from the United States, but since slipped to 35 percent by the end of 1986. The balance of trade has concurrently shifted in Canada's favor, though the United States is still ahead according to Goodloe's estimates.

The neighbors have been congenial mostly though countervailing duties—those tariffs imposed to offset the subsidies and protect domestic producers—have been erected when frictions grew high. Goodloe says supporters of the agreement claim the pact's overall advantages will offset any possible dislocations for individual sectors. It's expected to stimulate each nation's economy and eventually create thousands of new jobs. NCA will wait and see.

NCA has not taken a position on the Free Trade Agreement, preferring to "wait until the implementing language is completed," says Tom Cook, director of NCA's industry affairs. Citing recent history has imposed few restrictions on the amount of trade of either beef or live cattle. Cook points out there's been harmonious effort by both sides trying to observe the other's import laws. "It seems unlikely there will be any significant change in trade volume between the United States and Canada," he concludes.

Contemplating the Land of the Rising Sun

Japan, however, is another and more nettlesome matter.

A nation where farms average three acres and are farmed by 5.5 million (3.3 million more farmers than in the United States), food security is a national cornerstone. Japan feels continually vulnerable.

According to Takuo Matsumoto, executive director of the Central Union of Agricultural Cooperatives—Zenchu, nearly half of all caloric intake of the Japanese comes from abroad. When U.S. beef pro-

Understanding world trade barriers is focus of publication

If you'd like more information and back-ments to exporting, a book entitled **Foreign Trade Barriers** is available from the Office of United Trade Representatives. It's a 384-page report printed by the U.S. Government Printing Office.

The report's main purpose is to identify and analyze the most important barriers of major U.S. trading partners. Barriers are described in detail by country. Their distorting impact is analyzed. Actions to be taken to eliminate these measures are also outlined.

This report covers the largest export markets for the United States including 40 nations and two regional trading bodies.

The report classifies foreign trade barriers into 12 different categories. These categories include government-imposed measures that restrict, prevent or impede the international exchange of goods and services as well as the absence of appropriate policies.

The price is \$17, and orders may be directed to the U.S. Government Printing Office, Dept. SSMC, Washington, D.C. 20402.

New beef for foreign markets

In the future, you may see a variety of new beef products manufactured in a different way. That is what researchers at the University of Illinois hope to develop now that they have successfully adopted the "surimi" process used with fish for use with beef.

"We are working to wash out pigments, connective tissue and fat from low value cuts to create a concentrated protein substance that is a functional food product for the beef industry," says Dr. Floyd McKeith, department of animal sciences.

Researchers are working with the USDA on how the new material should be labeled. "We don't intend to create another steak," says McKeith. "But rather, find new market niches and ultimately in-

crease the demand for beef." The potential for market growth could be great; surimi fish product sales have increased 75 percent since 1981.

ducers ask for more access to the Japanese market, farmers there become nervous. Japan claims to buy 78 percent of all American beef that's exported presently.

Alan R. Middaugh, president of the U.S. Meat Export Federation (MEF), states the

potential exists for more U.S. beef sales.

He cites a 21 percent increase in Japan's beef quota in 1987 and dramatic projected increases by the year 2000.

Middaugh h says should the price of beef in Japan fall by 40 percent in the next 12 years, consumption there could increase by 3,000,000 MT or 13.5 million head.

Will hamburgers prevail?

Zenchu counters, issuing a statement labeling as "wild claims," the American supposition that its beef will lure people away from the traditional fish and rice diet. "An expectation that is not realistic."

Zenchu points out the Japanese beef prices often quoted are for the Wagyu beef, source of the famous Kobe delicacy, or that of higher quality found in hotel restaurants. This, it asserts, represents only a small percentage of the beef consumed in Japan. Zenchu says beef for home use accounts for half of the national usage and is approximately one-twentieth of the price of that served in a restaurant.

Yet, a Japanese tour by John Meetz, executive vice president of NCA and accompanied by Bill Armstein of Kansas, representing the U.S. Meat Export Federation, found the average per capita consumption of beef in Japan to amount to only 10 pounds annually. Two pounds is the highly finished Wagyu beef, five comes from relatively fat dairy beef, two is imported from Australia, and one pound is of United States origin.

It may as well be American

So, in the opinion of these observers, there's opportunity for a greater U.S. wedge of the pie. "We should look for some rather dramatic growth during the balance of this decade," says Middaugh.

However, some other students of international trade and meat export think the developed world will be a flat market, not nearly as buoyant as in the 1960s and 1970s.

Concentrate on bigger targets

John H. Costello, executive director of the Citizens Network for Foreign Affairs, has recently advised the important U.S. markets for the last 40 years will no longer "provide the engine for export growth. Those industrialized countries, mainly Western Europe and Japan, are well fed and their populations are growing slowly."

Costello views the Third World as potentially more dynamic than ever as its income improves. According to his research, U.S. ag exports to those nations increased from \$1.1 billion to \$15.4 billion between 1970 and 1981. This year, he expects sales to developing countries to reach 43 percent of the total U.S. farm exports.

"Three-fourths of the world's people are in the Third World countries. And 94 percent of global population growth between now and the end of the century will take place there." Costello warns opportunities will come for American farmers only if Third Worlders have money to buy.

"Economic assistance provides the tools to generate income growth."

Don't count on the developed

A study by World Hunger, Development & Trade summarizes the findings of most international hunger agencies: that more than 500 million people in the Third World are hungry or malnourished, a problem linked to poverty. The study agrees with Costello's forecast, expecting Third World growth to increase by one billion in the next 12 years.

Analysts of the study project West European countries will boost their purchases of U.S. farm products by less than \$200 million. They suggest Japan is a well-fed nation with slow population growth and will not drive U.S. exports in the future as it did in the 1970s. Japan, says the study, will buy 10 percent more farm products in 1987 than in 1988 to top out at \$6.1 billion.

American farmers tend to be suspi-

cious of economic development in the developing nations. In their view, it's veiled as agricultural development, prelude to self-sufficiency. They point to nations who were formerly importers and now capable of exporting a little through economic development.

What really happens

Says John Costello: "That's the rub, so far as some U.S. farmers are concerned." Lost markets and more competition for U.S. products are the cry.

"The facts are that agricultural development in poor countries has quite a different result from that feared by many American farmers. What happens is that economic development and income growth generate new demand for more diverse, better tasting, and greater quantities of food, beyond what their own farmers can produce. A \$ 100 increase in income will typically lead to an additional expenditure of about \$60 for food.

He adds while a nation may become self-sufficient in meeting food security needs, "it is unlikely to become self-sufficient in a 'market sense'. Japan, Korea, Brazil, and Taiwan are all countries where demand for imported food has increased as incomes have risen. Perhaps the United States is its own best example. Who would argue the United States is not self-sufficient? Yet last year this country imported \$20 billion worth of farm products.

"Farmers should be among the strongest supporters of foreign development assistance. Poor people just don't buy much."

It appears there are jots of forces playing out there in foreign fields. Some are complementary, some antagonistic. Like the girl at the Greyhound in her wedding gown, the picture may never be totally clear, the situation constant or predictable, or the outcome totally known. Perhaps that's the mystique of foreign shores.

Exporting for fun and profit?

"Be Prepared"

There seems to be a certain glamour surrounding the business of exporting and selling livestock to foreign buyers, Breeders take pride in completing an export sale, perhaps justifiably so because of the income received and the prestige that follows an international transaction. Among those who have not benefited from such sales there arise a feeling of envy and a wish to get some of the "pie" from what they evidently regard as an easy sale and lots of money.

Over the years I have had requests from people such as: "I want to get into the export business. How do I 'go for the gold'?" Or, "I have some cows I want to sell. How can I get a foreign buyer?"

There have been instances wherein a U.S. breeder promises to sell some semen to a foreign buyer apparently unaware there are numerous regulations to meet, that the donor bull must be qualified for semen shipment, and much paperwork must be completed. Evidently, those so ill-informed believe all they must do is to alert the semen storage firm to ship the product and then wait for the check's arrival. It just doesn't work that way.

After having been involved in several export sales of breeding stock and semen, I'm convinced that some people have a vast misconception of the whole business and its frustrations. Fact is, you can depend on it that the business of exporting will surely present a test of one's patience. It's not a scheme for sudden wealth but if handled in a disciplined, orderly fashion, the export trade can be a valuable adjunct to a breeder's overall merchandising program.

It's true that many nations of the world are looking to North America for breeding stock and particularly to the United States which presently has a greater supply of performance-tested purebred breeding stock of all breeds than any country in the universe.

In recent years, demand from foreign countries and resultant export sales of semen from top caliber U.S. bulls has increased as individual breeders and the bull studs enjoy a good share of the trade. It seems likely traffic particularly in export semen and embryo sales will increase, especially if U.S.



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breeders make the effort for this business. Several other nations are offering strong competition. We must follow sound business and public relations practice and provide fair treatment to our overseas customers as the principles of good business dictate.

The fact techniques and equipment in artificial insemination have become so much-improved, and coupled with the high cost of transportation, prompt this onlooker to believe the export trade will be mostly for semen and embryos as opposed to jive animals. This does not mean live cattle will not be shipped. There will be such transactions, but they will become more the exception based on protocol or the personal preference of the buyer.

Since exports are likely to increase as we approach a "turn-around" in the economics of our business. (Incidentally, other countries of the world are evidently experiencing the same price-cost squeeze as the American cattlemen are facing.) Because more breeders express an interest in pursuing the market, it may be in order to review some of the details in exportations. Remember, of course, that each importing country has its own requirements.

First, let's dispel some of the misconceptions which, it seems to me, are:

1. Foreign customers can select from a variety of offerings, not just American.
2. Foreign customers are possibly more careful with their spending than American counterparts.
3. The uninformed foreign buyer is the exception. American breed journals are well-read overseas and passed around.
4. Many foreign customers come from a culture where shrewd trading and bargaining is an honored skill. Remember, though their English may not be perfect, they understand it well enough that its subtleties and nuances do not escape their attention.

One may ask, "How can I attract some of this export business?" The answer is, as I see it, *make the effort*.

Visit some countries that offer the best opportunities for sales. Attend shows and other cattle events in these countries. Make acquaintances and avoid being too eager-same set of rules for attracting business at home. Getting to know your potential customers' conditions and herd profiles is very helpful. You might be able to plug the gap in their breeding program. And, as indicated earlier, you must do your homework on the mechanics of exporting.

A breeder who has received foreign inquiry about selling semen from his herdsire and is asked to quote a price might quickly respond with something like, "Yes, I will sell semen and the price will be \$30 per unit." Rather than be premature, it would be wise to learn just what volume of semen and obligations are involved. Breeders who have made price quotations are sometimes embarrassed to find the semen in storage will not qualify for shipping into the country of the prospective customer. Sufficient health tests were not made in advance of semen collection, the quality of semen is inadequate, inaccuracies or incomplete records prevent officials from completing necessary declaration documents—these are some of the reasons why a particular bank of semen will not be eligible for overseas shipment.

The breeder should learn his complete obligation and set the price accordingly or make allowances for his costs and expenses that are involved.

In my own experience if I were to advise any breeder who owns a truly outstanding herd bull and who might wish to enjoy some export semen business, I would suggest he establish a semen bank and reserve it for export sales. Obviously there is some gamble in that some extra expense would be involved but it could pay off very well if he:

1. Removed the sire from natural service for at least three months (some countries require this before exporting semen).
2. Held the bull in a qualified semen collection center until health tests could be made that would qualify the semen to be shipped to any and all countries. On-farm collections will not typically qualify for export.
3. Arranged for semen collection and storage that would make up a substantial bank for foreign export and held it for such trade. Most countries prefer that semen be furnished in units of one cc ampules, but straws are generally acceptable. Incidentally, a foreign customer may refer to a unit in such terms as "dose", "tablets", etc.

Once the bank is established with adequate health tests, the owner can proceed with merchandising with the knowledge he can finally quote and deliver a certain volume of semen that will meet the particular health regulations of the importing country.

Now, let's say you have made a contract and you have received a definite order for a live bull or an order for semen. Either one requires about the same procedures to export.

The buyer may outline what must be done to accomplish shipment. Or, he may leave this for you to find out. Here's where you might be tempted to "give up" and say to yourself, "forget it." If it appears you cannot handle this task, you can turn it over to professionals which could be the best solution. These folks handle shipments regularly and routinely take care of the details involved.

Whether or not you decide to handle the purchase and shipment yourself, it is well to become acquainted with what you must do to complete an export.

At the outset, let me stress the importance of following exactly and "to a T", the buyer's instructions and his country's regulations. That is, if you want to collect your money.

The sequence of these items may vary as well as the particular documents, but these are the main ones you'll encounter.

1. **PROFORMA INVOICE.** Usually this is required and is furnished to the buyer or his importing firm by the seller or

exporter. In many countries, export-import firms act as agent for the buyer. The invoice can be prepared on your own letterhead stationery and simply lists all of the merchandise you are selling which could mean the live cattle or donor bulls identified by name and registry numbers and if semen, the number of ampules or units from the respective donor bulls and the corresponding prices.

You would also list any conditions of the sale whether FOB or CIF, special charges that may apply, cost of shipping container-if semen is being shipped—charges for veterinary expense, documentation and other expense for which the buyer is obligated. The exporter should learn the expenses involved for fees, freight, etc., plus bank fees for collecting payment.

The proforma invoice should be sent immediately upon notice from the buyer for this is an essential item in most countries for his securing an import permit and arranging a letter of credit.

2. **DESCRIPTIVE INFORMATION.** Accompanying the proforma there should be pedigrees of each animal or donor sire of at least five generations, preferably certified by an official of the breed association. Photographs of the animals or donor sire, pertinent performance records, show winnings and any additional information may be desired and if available should be forwarded along with any other information or documents required by the buyer or importer.

3. **HEALTH CERTIFICATES.** Along with the letter of credit, or they may be outlined separately, there will be a listing of health requirements which means certain tests must have been made and official health certificates secured before shipping. Or, it may be up to you and your vet to find out through our own Federal vets, what requirements are involved for particular country. Here absolute compliance is required. Of course, health certificates must accompany the shipment in transit.

4. **LEGALIZING DOCUMENTS.** Individual countries require that certain documents be "legalized" which means they must be endorsed by the consulate of the importing country. Usually there is a fee for this service and the consulate may require prior notarization of the signature of the originator of the document. There may even be the requirement that the notary's stature be verified by the county court and further endorsed by the Secretary of State of the state of origin.

Sound foolish? Perhaps it is, but if it's required, you have no choice but to comply if you wish to complete the sale.

5. **LETTER OF CREDIT.** International exchange of money is not simple as just writing a check. The buyer, once he has all needed documents, will arrange through his and your bank (the one you designate on the proforma) an irrevocable letter of credit. This instrument will outline the merchandise being purchased and any conditions of the sale, documents to be provided, method of shipping, whether insurance is included, etc., and insures the seller that if he lives up to the requirements, he will be paid by the designated bank.

Once this letter of credit is in hand, the seller can get on the ball and get the shipment made. Payment is guaranteed if he will do or provide exactly what the letter outlines.

6. **SHIPPING** Shipment can be made as conditions warrant or as the letter of credit requires. Live cattle can be hauled by truck to the port of embarkation where they can be placed in the hands of a freight forwarder who can arrange for transportation and holding at the port quarantine, veterinary inspection, delivery of documents to the plane or ship, and load the animals aboard. He will also secure the needed Bill of Lading or Airway Bill. For live cattle his services are almost essential for most shipments.

Semen shipment is much easier in that the storage firm can pack the container and start it on its way from any airport. However, it can also be routed through a freight forwarder at the departure point.

7. **COLLECTION OF MONEY.** This very important phase of the export is accomplished by presenting the letter of credit

to the designated bank with the required items accompanying. Usually these will include the original copy of the airway bill, health certificates, certificate of semen preparation by the storage firm when semen is involved, certificate of insurance, and a commercial invoice.

Usually, the bank will also require a draft drawn by the seller for the amount due. There may be other items, but these are the primary ones.

8. **COMMERCIAL INVOICE.** Again this invoice can be prepared on your letterhead stationery with the caption "COMMERCIAL INVOICE" at the top of the sheet and directly under the letterhead. This invoice is much the same as a bill or statement to the customer listing the items furnished and the amount and total due. Your bank representative is a good man to know for he can guide you through the collection process and help prepare the necessary documents needed to collect on the letter of credit. Your freight forwarder can also expedite this process.

All this may seem simple but there are sure to be delays and problems. Semen or documents may be "lost" in shipment. Accidents do occur and cattle get sick or hurt in transit. They may die enroute and the inspecting vets at the shipping point may disqualify an animal even though the animal may be 1,000 miles from home. A bull can prove to be a non-breeder in his new country and bred heifers have proven to be open after arrival. These situations are encountered in domestic business, but they can be real problems in export trade.

HOW NCA views exports

Government affairs and politics are the primary activities of the NCA in Washington, D.C. Whether we like it or not, the politicians and the government, in general, impact the cattle business at many different levels. This is not different when we get involved with trade, whether it's imports or exports, live cattle, semen, embryos, or beef.

We are very busy in many fronts on trade. A high priority for the Association is to seek access and reduce or eliminate trade barriers into other markets. The NCA does not get involved in the actual marketing of cattle or products overseas. Many breed associations, such as the American Angus Assn., have their own market development plans for breeding cattle. The U.S. Meat Export Federation has the industry responsibility for product promotion and market development for red meat. Many individual firms have their own sales programs.

The problem is that marketing and promotion efforts do not do much good if you don't have access to the market because of restrictive quotas, high tariffs, unreasonable health and sanitary regulations, or other impediments.

Currently NCA is focusing on beef trade problems with Japan. The current high quality quota agreement expires on March 31, 1988. It's unlikely that a new arrangement between the U.S. and Japan will have been reached by the end of this agreement. The debate has been hot and furious and will continue so through the spring of 1988.

The U.S. Trade Representative, Ambassador Clayton Yeutter, has determined not to continue quota agreements as in the past. He believes it is time for the Japanese to dismantle their quota system. We agree and support this position.

The Japanese market is our number one market, with about 75 percent of our total beef exports. You may ask, why are we pressing the Japanese so hard if they are already our best export customer? The answer might be, compared to what?

The high quality quota this past year was 58,400 metric tons. It is almost exclusively filled by the United States. As part of our U.S. beef production, this is not a lot of beef. But more importantly, we believe it falls very short of the potential that could go to Japan if there were not restrictions.

Japanese consumers like beef and their appetite is growing for more of it. However, at this time the government of Japan determines how much they can have, at extremely high prices.

We do not know how much more beef we could sell to Japan if the quotas were lifted. Some say the market could double. Regardless, we will take our chances in an open market. If our industry simply has the opportunity to compete in a fair and open market we can reach our potential. With the current quota system, we will never know.

There are other trade barriers for beef into Japan than the quotas. The tariff on imported beef is 25 percent *ad valorem*. The Livestock Industry Promotion Cor-

It is easy to understand why some breeders who have undertaken the business of handling an export transaction themselves say—"Never again."

Those items mentioned above are some of the basic elements of exporting, and I would not want to infer that by reading this article you can become a qualified exporter. There are other details, and there are variations in procedures and requirements between countries to consider. Securing the services of a professional exporting firm would be wise if the export is a one-time or only an occasional project.

If, however, you undertake a do-it-yourself approach to shipping live cattle, semen, or embryos, before making any final agreements, it would be advisable to seek the guidance of someone who has experience in the field. Usually your breed association personnel can help locate reliable professionals or sources of sound advice. Regulations in foreign countries (as well as our own) change from time to time so it is imperative you have current information.

Several breeders who have handled their own shipments have accumulated considerable experience and expertise. Exports have become a valuable part of their merchandising programs so they are well-organized and familiar with the details and requirements involved. Even so, the experienced was once a beginner. It gets easier with practice so the mysteries kind of disappear and procedures become almost routine. Exporting, nonetheless, takes work, great attention to detail, and above all, patience.



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Cook's role in Washington is to work with NCA officers and other staff members in implementing NCA policy positions on public issues. He deals with numerous issues and with various agencies and branches of government.

He is a member of the Secretary's Agriculture Technical Advisory Committee for Livestock and Livestock Products on trade issues. He is also coordinator for the Meat Industry Trade Policy Council.

Cook was with the former American Cattlemen's Assn. and with NCA in the Denver office prior to 1981, before assuming his role in Washington. Prior to joining NCA, he was regional manager for the American Angus Assn.

He's a native of North Dakota and an animal science graduate from North Dakota State University.

poration controls 80 percent of all imports. They buy it, then resell it to a very limited number of quota holders in Japan who in

turn distribute it. These barriers must be removed along with the quotas.

My experience in dealing with the Japanese is that they are hard-nosed, tough negotiators. It will be a battle to the end until a mutual agreement is reached. They will not give ground until they absolutely have to.

Negotiations never yield results that make both sides totally happy. That is why, while we have a trade representative who is willing to be aggressive and take a tough stand, it is necessary for us to be 100 percent behind him. We have the Japanese in the best position ever to get them to liberalize their market. We will not respond publicly to proposals advanced by the Japanese in the media, nor will we at NCA speculate what the outcome will be.

If the Japanese see a crack in the armour as to our solidarity, they will seize the opportunity to further split our efforts. We must stick together.

The U.S. Meat Export Federation is the industry organization responsible for market development and product promotion for red meat. It is doing an outstanding job in Japan. The USMEF is funded by private sector dues, USDA-Foreign Agricultural Service Cooperator funds, and Targeted Export Assistance monies. This past year the Cattlemen's Beef Board funded a special project in Japan to make the consumer aware of American beef. These are your check-off dollars at work.

NCA is also working to reduce trade

barriers in other current or potential markets primarily in the European Economic Community and Korea.

Many people seem to think there is certain glamour or mystique in exporting to foreign markets. In most cases, exporters work very hard and go through a lot of red tape before they realize any sales to foreign markets. Obviously exporters most likely make it worth their time and effort, but I doubt they will share many stories of glamour or mystique.

Health regulations are usually the biggest problem faced with livestock, semen, and embryo exports. They are often complicated, too restrictive, always changing or worse yet, not even available from the importing country.

Because of these problems, the NCA formed a new subcommittee on Livestock, Semen, and Embryo Exports. The subcommittee is making recommendations on how to simplify health regulations. It is also concerned that importing countries do not make their regulations more restrictive than necessary. This is where our own APHIS officials must be alert and assure that other countries health requirements are legitimate and based on sound science. Health regulations should never serve as barriers to trade.

A disease sometimes claimed more political than real is bluetongue. Our exports of breeding stock to Canada have been limited because of unusually strict

testing requirements. Canada's rigid bluetongue requirements set the criteria for exporting to other markets as well. The NC-A and the Canadian Cattlemen's Assn. have worked closely in recent years seeking modification in the testing requirements.

I am pleased to report progress is being made. The U.S.-Canada Free Trade Agreement includes changes in bluetongue requirements. Since the FTA, even more changes are in the making. These changes are the direct result of producers from each country telling their respective government officials they wanted a change.

As we learn more about bluetongue I believe we will see the restrictive test requirements, in most cases, modified to make it easier to ship cattle to other countries.

The role of the NCA and its Livestock Export Subcommittee is to help facilitate the exporting of cattle, semen, and embryos for our members. This means identifying the problems and working to solve them.

We will continue to seek ways to make it much easier to export cattle and beef from the United States. We welcome your suggestions.

Trade is becoming increasingly more important at the NCA. As staff director of the Foreign Trade Committee, I get most of the trade related inquiries, and they are on the increase.

Is successful foreign marketing

Beef Associations have been involved in handling many export sales of breeding animals, frozen semen, or embryos. Yet, we know that some people have a vast misconception of the whole business and the many frustrations that can be encountered. Export business is not a scheme for sudden wealth, but if handled correctly with discipline, it can be a valuable extra income to breeders.

Many foreign countries are looking to the U.S.A. for beef breeding stock, frozen semen, and embryos of proven bulls and cows, due to the performance-tested purebred breeding programs sponsored by American beef associations.

In the last ten years, the demand semen sales of beef breeds has broken export records, producing the highest volume of sales. This will increase if U.S. breeders make an effort to provide fair treatment to our overseas customers following sound business practices and capturing repeat buyers.

Due to the fact that A.I. techniques, ova transfers, and shipping equipment have improved substantially, coupled with the high costs of overseas transportation it has created the false belief that all future

export trade will be mostly for semen and embryos and not for live animals. This statement is only true in part. Animals will be sold but the competition with frozen semen and embryos will be great. Keep in mind that to ship an animal from Miami to Buenos Aires (Argentina), the cost is \$1.84 per pound plus the weight of the container (\$6,000). Shipping a container with frozen semen or embryos is \$215.

Considering that many breeders have expressed an interest in pursuing the export market, it's important to review some of the details that everybody needs to reconsider in that market.

Expanding market potential is the key to many cattlemen in this country and is a good alternative to increase profits and enrich your personal lives. Export opportunities are not limited to giant corporations. Small companies, producers, breeder

associations, and many others can successfully reach foreign markets by being patient and doing it the right way.

Export business is unique in the beef industry. Behind an imagined facade of a world of glamour and intrigue, there really exists an island of business activity characterized by myriads of details and time-consuming paperwork and travel.

The very nature of international trade results in complications and complexities. There are unusual and strict health requirements and regulations, varying credit and payment procedures, all of which are peculiar but standard business practices when people of different countries are engaged in export-import transactions involving money that can be U.S. dollars or other foreign currencies. Terms like documentation, certifications, legalizations become commonplace in the every-



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day language/vocabulary of international trade.

First, let us dispel some of the misconceptions which sometimes arise:

Foreign buyers are "charging at the bit" to buy in U.S.A.

They are not, because there is real competition from many other countries.

Potential foreign buyers will pay any price you ask.

Wrong. Foreign breeders are just as careful with their money as we are in the U.S., if not more so, because when animals or semen and embryos arrive in their countries (two months later), the real final cost is 30 percent more. If anything goes wrong, it takes them a lot of time to recover what they spent.

Potential foreign customers will buy any critter or any semen or embryos we have.

Wrong again. All foreign breeders who buy in the U.S. are very familiar with performance records, size, type, show records, etc. They read US jour-

nals and are surprisingly well-informed.

It seems some people believe if a foreign breeder does not understand English, he must not be very smart.

Be careful. Anyone who proceeds with such a notion will likely find himself "out-traded" for nothing could be further from the truth.

How can breeders become more active in export and what should they do?

1. Keep in mind that export market is the result of careful planning and patience, and it cannot be opened overnight.
2. Contact a breed association.
3. Visit some of the countries that offer good opportunities for sales.
4. Attend foreign shows and other events in those countries,
5. Prepare a one-or two-page brochure with good pictures of sires with performance records and pedigree.
6. Request from the breed association a list with names and addresses of foreign breeders.

7. In your contacts with foreign visitors, avoid the "hard sell." Get to know their home herds, ranches, climate conditions, and their needs.

8. By all means, learn procedures and the mechanics of exporting.

9. Breed associations and private companies will find assistance through the Foreign Agriculture Service (FAS) in Washington, D.C.
10. FAS provides export briefs, a weekly publication where subscribers receive up-to-date information about products desired, and the name, address, and telephone number of the interested party.

It seems that the majority of Americans have never seriously considered exporting for our domestic market is so large that American marketeers just have not taken the time to learn exporting basics. Currently, things may change dramatically and exporting will be a natural necessity for the future of this industry.

Some observations here and abroad

"The Angus industry is becoming involved with the cattle industry of Japan."



Mitisuko Okuno with Northcote Farms owner Al Stroobants.

Investing in Angus genetics, Mr. Okuno paid \$250,000 for half-interest in Northcote Elegant Zara and \$65,000 for half-interest in Northcote Black Forest.

According to his host, Al Stroobants, Northcote Angus Farm, Forest, Va., Mr. Mitisuko Okuno will visit the Japanese equivalent of our department of Agriculture and secure the names of the beef breeding farms in Hokkaido.

"There are some Angus farms over there, but we don't know the size or quality," Stroobants said of the trip both he and Mr. Okuno are planning to explore export potential of this large and most rural island of the nation.

"He's sitting on top of cloud nine right now," said Stroobants, "because he owns a portion of Northcote Black Forest and Northcote Elegant Zara."

Mr. Stroobants pointed out: "We're going to be working on A.I. and exporting of semen or embryos and that's all related to the overall program. He doesn't know how advanced they are in the technique and he'll investigate that aspect then."

Stroobants stated he's found, from his business experience in Japan, that commerce for his product has enjoyed smooth and prompt response. Whether the same would be true of cattle transactions remains an unknown, he suggests.

"I've had very few problems in manufacturing (of bottling/canning equipment). Japan as a whole-and I have about 90 percent of their market as far as canmaking is concerned-they are some of my best customers. They give strict specifications and they pay on time-they're ideal customers. I expect to know quite a bit more about Japan and the cattle business there than I know today."

"Oh, never, never!" said the personable Okuno when asked if he had ever been on an American farm prior to his affiliation with the Stroobants and Northcote. "This is my first opportunity in the cattle business, though I had been on Mr. Stroobants' farm several times over the past

15 years. I am a city boy, born in Osaka which is comparable to Chicago in the United States.

"I've been acquainted with Mr. Stroobants for about 15 years. I've worked with him in the aluminum can business, and I've traveled for his company in Korea, Saudi Arabia, Iran, everywhere representing the equipment.

"I'm not at all acquainted with the beef industry in Japan... yet. But, I will be trying to present the Angus industry to the agricultural authorities there in Japan. It is a very closed society against any importing country. But, what I'm going to do through the help of Mr. Stroobants, is to introduce Angus into Japan in a greater way with more visibility.

"With the video tape I'm making here (at the National Western in Denver, 1988), I can show to the Japanese government and people what is available from the American cattle industry.

"We are a small island with small farms, yet we can raise more beef and better beef through new technology and breeding. To just produce the Kobe beef is no good.

"The Japanese industries are closely controlled by the government including the price paid for goods, including the imported price and the domestic price. Sometimes

there is a big difference between these two. Why?"

Commenting on his recently acquired half share in Northcote Elegant Zara for \$250,000 and half share in Northcote Black Forest for \$65,000, Mr. Okuno remarked: "Japanese investors need to know about opportunities in this area as their real estate investments in the United States have not been that successful.

"We need to create more partnerships," said Okuno. "Mr. Stroobants is coming to Japan this summer to tour Hokkaido and meet officials of the Japanese government. Perhaps this will help introduce the Angus breed to the country.

"The Japanese must export some items as we are an industrial country. And, we must buy almost everything we need and use from overseas. But the Japanese government is strongly bureaucratic and raises barriers to trade. Mr. Takashita cannot make a commitment now because of the bureaucracy."

His new-found interest will prompt new patterns for this quiet-spoken and gracious businessman for he notes: "The Japanese have livestock shows, but I have never attended. I will be paying much closer attention to these events in the future."

"When they come into our environment, they really explode."

MARTIN WILLIAMSON "A lot of our cattle down there have. Frame Scores of about 3. And we want to bring them up to about 6. But, with normal breeding it would take 15-16 years to do so. So with what we obtain here, we can shorten that time frame considerably.

"There are a lot of people thinking about it," said Williamson when asked the depth of interest by New Zealanders in American seedstock. "But we're very lucky to be tied with some folks here in the United States who are giving us a helping hand on it. The folks at Northcote and other studs have been very hospitable and helpful."

Paul Hill, manager partner of Northcote, described the New Zealand group as interested in several of the farm's bulls, Northcote Black Forest and Excitement among them.

"Cattle for export must stay in a U.S. approved center for 30 days," said Martinson of the export procedure. Then, they undergo another quarantine offshore New Zealand for at least 30 days.

"We're ultimately more interested in A.I. because we can use the superior bulls and it's more feasible financially.

"What we note as differences (among Angus breeders) is you've got sheer performance people who will not move away from that, and then you've got the show circuit guys, then you've got the ones who sit in the middle and play both ends.

"I believe soundness can be in the eyes of the beholder a lot of the time."

RICHARD MARTIN: "I'm looking at Simmental and Herefords as well as Angus. But, my impressions from my last visit would be more people of several breeds are working on the soundness issue, making it a priority. A year ago, they were still talking more towards volume. Now, they seem to be working more toward correctness."

MW:(On performance testing) "We don't actually have a feed conversion test as we're all on forage. We cannot pinpoint feed conversion on a hectare basis."

RM: "It's more of a budgeting point of view. We estimate the kilos of dry matter from the height of the grass and try to arrive at some figures that way."



Several Angus breeders from New Zealand have made at least two and some cases, several trips to the U.S., touring and comparing notes on different sires. At this year's National Western, Richard Rowe (left), Martin Williamson, and an unnamed man were observing the entries at Denver. Not pictured is another of the group, Richard Martin, whose comments appear in this interview.

MW: "When I was first here in 1974, the feed tended toward high-protein. Now, since the late 1970s and with the beef economy taking a slide, there was a reversion back to a high roughage diet with the protein actually declining. It was interesting to note the cattle have become bigger.

"There's some concern in New Zealand if we get our cattle too big, we'll be producing less beef per hectare. But, here, the experience in the States would indicate that's not necessarily so as the protein declines.

"We found that if you select a group of 30 bulls and test them on high concentrate diets, the top-gainer will also win the test on straight grass.

"In the United States you might average a 150-day growing season overall. In New Zealand, we'll average

250 days with no more variation than probably 40 degrees difference between high and low temperatures. Here, you'll double that. The cattle here are subject to such extremes and when they come into our environment, they really explode.

(On disease concerns) "Bluetongue and EDH which is a bluetongue-related disease transmittable in deer. That's what we've been tripped up on. We're finding now in the last two or three years that any cattle below the state of Indiana are very, very suspect to these diseases."

RM: "As a rule of thumb, we have to select cattle above that latitude. Chances of cattle qualifying below that line are pretty remote."

MW: "It's critical for us because of our sheep industry. It's been proven that bluetongue is not transmittable through semen and embryos. Difficulties now are because it's a protocol thing.

"The rules have been relaxed somewhat. When we first began trying to operate, we had to take cattle to Canada for six months before semen could be drawn, then there was a 40-day retest. Now, the USDA and the New Zealand Department of Agriculture have gotten together, broken down some of the protocol, and have reduced that period to two months. So, as breeders, we can't get too pushy—we've been very lucky.

(On other breeds) "The continental breeds have been making an impact in New Zealand, but if we breeders can get our Angus bigger, there'll be a swing back to black."

RM: "They're (the continental breeds) mainly used there as terminal sires for crossbreeding."

MW: "As the English and Angus breeds get bigger, there'll be less justification for the continentals. When you ask producers there why they're using Simmental or Limousine, they'll say: 'The Angus is not big enough.' It comes down to that.

"If we get our act together, they'll go back to the good old Angus-Hereford cross.

"They've indicated to me very strongly, 'You get your Angus bigger, we'll leave them alone.'

MW: "Certified Angus Beef won't work on the same magnitude/as it does here as we're a country of only three million people, the size of Colorado. So you can see what we're up against.

"Our prime cuts go to the Japanese market. Manufacturing beef comes this way. Seventy percent of all New Zealand beef produced is home-consumed. I think we rank among the world's leading consumers of beef."

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Dr. Eduardo Pampillo, secretary of the Argentine Angus Assn.

"My story extends back to 1932. And really, we became Angus breeders because of the Hereford breed. When my grandfather bought the farm, he knew nothing about cattle, not a thing. He just bought a farm.

"It's quite common in our country for people who are successful in other areas to buy land or a farm. He wanted the cattle to go with it, and there were a lot of Herefords plus a small group of blacks.

"So, the owner said, 'I'll sell you all the blacks, but not one Hereford.' Which was rather foolish, for if you keep all the females, where are you going to sell your bulls?"

After he bought the cattle, it seemed like 15 minutes later he had the Angus association offering all kinds of help.

Another farm was purchased in 1958 and then the elder Pampillo was advised by his physician to cut back with his activities including showing. "He went on buying herds, and in 1960 I came out of the university. I was mad about Angus ever since high school. In 1962, a chap from Russia came and tried to buy some Romaine rams from



Dr. Eduardo Pampillo with Argentina breeder Francesco Kelly.

us. The exporter invited me to take both cattle and these rams to Russia. By that time, I was essentially a veterinarian plus I knew the stock we were shipping.

"One thing came into my mind: the stock had to be delivered in January and Perth (The Royal Angus Show in Scotland) was just ten days later. So I said, I'll go whether you pay me or not. Took me 45 days aboard that ship. I had quite a time getting into Russia and getting out.

"That's when I met Les Leachman at the Station Hotel in Perth. This man was in my room all night with Myron Furest talking about buying Ballot of Ballandrum. They'd already purchased Banner of Ballandrum. I'd met many of the Scottish folks in Palermo and thought maybe I'd stay

in the country, but Les Leachman asked me why I didn't come home with Ballot and stay around Ankony and practice?"

"Clint Thompson intervened for me with a little passport problem I was having, so I came on and stayed at Ankony with Lee (Leachman) at the beginning. And then I spent some time with Les at Claverack, the Sir Williams Farm. It so happened I was visiting with George Fullones at Claverack two years ago, and I slept in the same room 22 years after that first experience."

Through his travels and several visits to the United States, he's observed eras he calls "The Romantic Angus" to the impact of the bull Great Northern. "I managed to see the bull Nobleman who was among several sires changing Angus in the country."

Commenting on Denver, 1988, he notes he had been absent from the States and its events for two years. The interim brought change.

"I really was impressed. Impressed in two ways. The quality and level of the animals—there were quite a number of # One bulls, let us call them, more than any other show I can remember in the last 15 years. This year, I could find five, six, eight # One bulls when in other years, I would find one or two perhaps.

"The other thing that really shocked me was the size. I think we've reached the limit or have gone beyond the limit in the case of some bulls. In our country, we finish our beef on grass, so we have to realize those steers coming out of those pastures need to finish toward the kind of carcass you want under these conditions.

"Then the problem of birthweights is also an important one."

Dr. Pampillo points out the Argentine herd is generally estimated to be 55 to 60 percent Angus-influenced. "The continental breeds entered the country in the 1930s and disappeared. They came back and have been re-discovered to some extent. The Charolais, Fleckvieh, and Limousine are the most common ones.

"The Argentines are interested in top genetics the world around. It was said at one time, Argentina had the best Scotland had to offer, and there's been a tradition or an attitude that it was no problem to go to Australia or New Zealand to get it.

"But now, the Argentines are interested in reciprocity and in getting their products into the other parts of the world. But, they have been very aggressive in purchasing American seedstock and will likely continue to be." According to John Crouch, director of performance programs at the American Angus Assn., 98 percent of the entries at the celebrated and highly-influential 1987 Palermo carried American breeding in their pedigrees as parents or grandparents.

"We've been performance-testing through ETA which is a government-sponsored program since 1962. The showing is a way of selecting bulls to be sold. In the United States that bull will be shown several times. In Argentina the bull is shown to be sold. It's very seldom that we keep it.

"The Argentine Angus Assn. is considering performing some tests all around the country with the basis being pasture and no concentrate.

"We've always enjoyed our visits to the United States as an official representative or just visiting with our friends here."

AJ