



By Jim Cotton
Editor

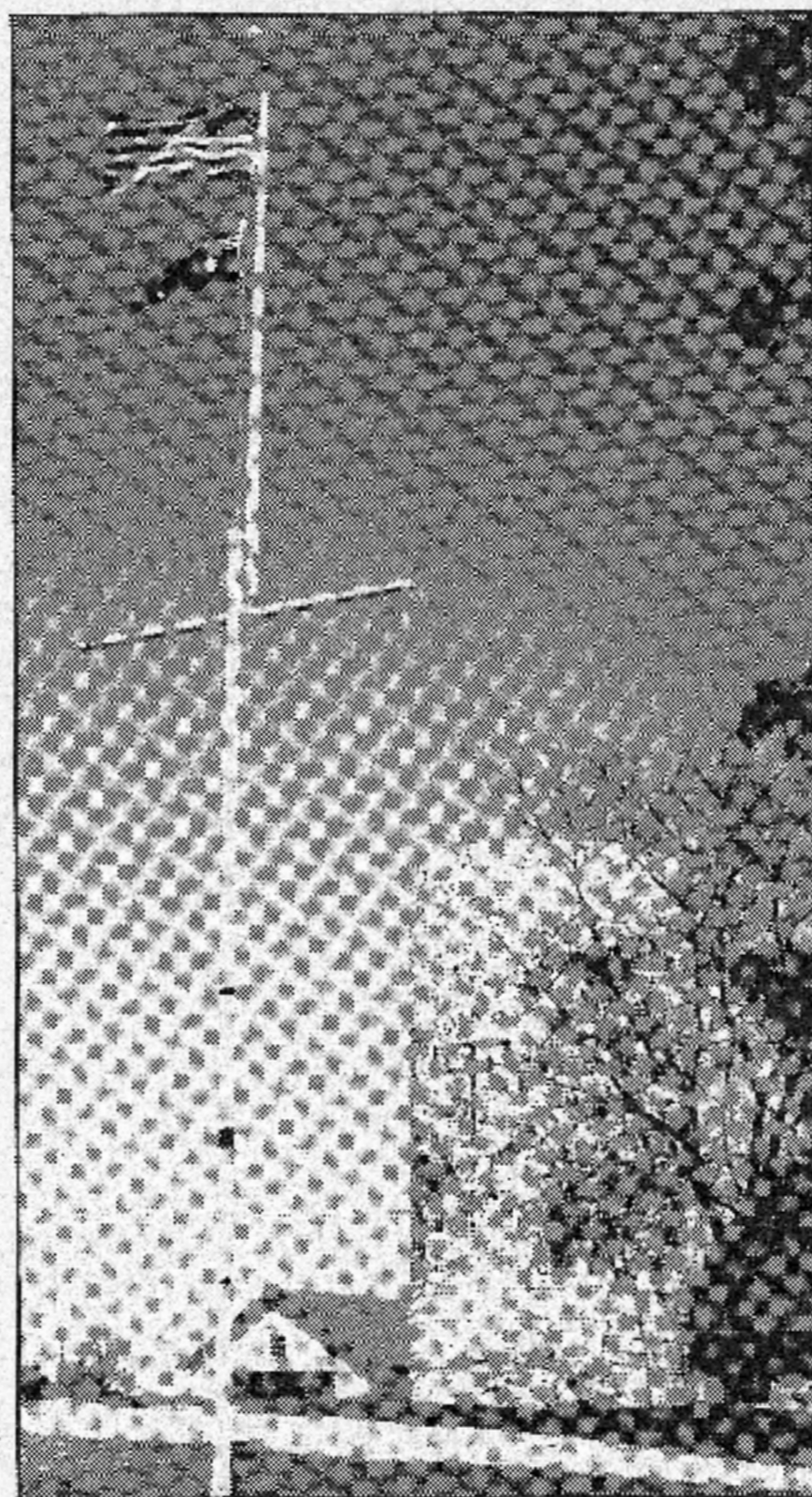
IS EXPORTING ANOTHER MARKETING OPTION?

When asked if he misses the Angus business, Jerry Helgren registers surprise.

"Guess I'm still in it. But we're so busy, we have so much going on with this," he says of the new era at Picket Fence Farm. "We still go to the shows, I'm still on the board of the Futurity. We're still involved. But, this is a lot of fun as you meet a whole new bunch of people."

Picket Fence is renown for its high visibility in the exciting decades of the 1960-1980 period when the breed was experiencing new challenges and changing in important directions. Jerry Helgren was part of a triumverate exerting a lot of influence on the new Angus and new possibilities for the future. Jerry, A. Harold Anderson, and Elliot Frank were shaping Picket Fence Farm into a dynamic force sending ripples across Angusland, and folks became well-acquainted with the road to Grayslake, Ill., one of the epicenters of the breed's moving and shaking in the late 1960s and into the 1970s.

Now, since its dispersal in 1980, Picket Fence is no less a factor in today's beef industry. It simply deals with a different segment as Helgrens operate the only North American pre-embarkation quar-



Old Glory shares the honor with the Australian stars and bars.

antine station for shipments to Australia. They are the North American co-ordinators for importers and exporters of beef and dairy cattle, sheep, goats with the possibility of horses in the future. Any shipments destined for Australia must come through Picket Fence.

"This foreign market is nothing to sneeze at," says Jerry. "The Brahman people flat get with it."

"Getting with it," involves more than just a sale to an Australian stockman. There's a respectable amount of paperwork that must be organized, and Jerry and Edna expedite this process by coordinating, packaging, and trouble-shooting the testing and quarantine requirements of the importing nation. The schedule usually requires a 30-day on-farm test and isolation, a 60-day quarantine at Picket Fence, then another quarantine period off the mainland of Australia.

Exporting is ever new and exciting to the Helgrens, it would seem, and when they took on this responsibility, they had some background. It was Picket Fence who sent 93 Angus females and three bulls to the Soviet Union in the early 1970s.

That opportunity came through Jerry's casual visit to the United States attache'

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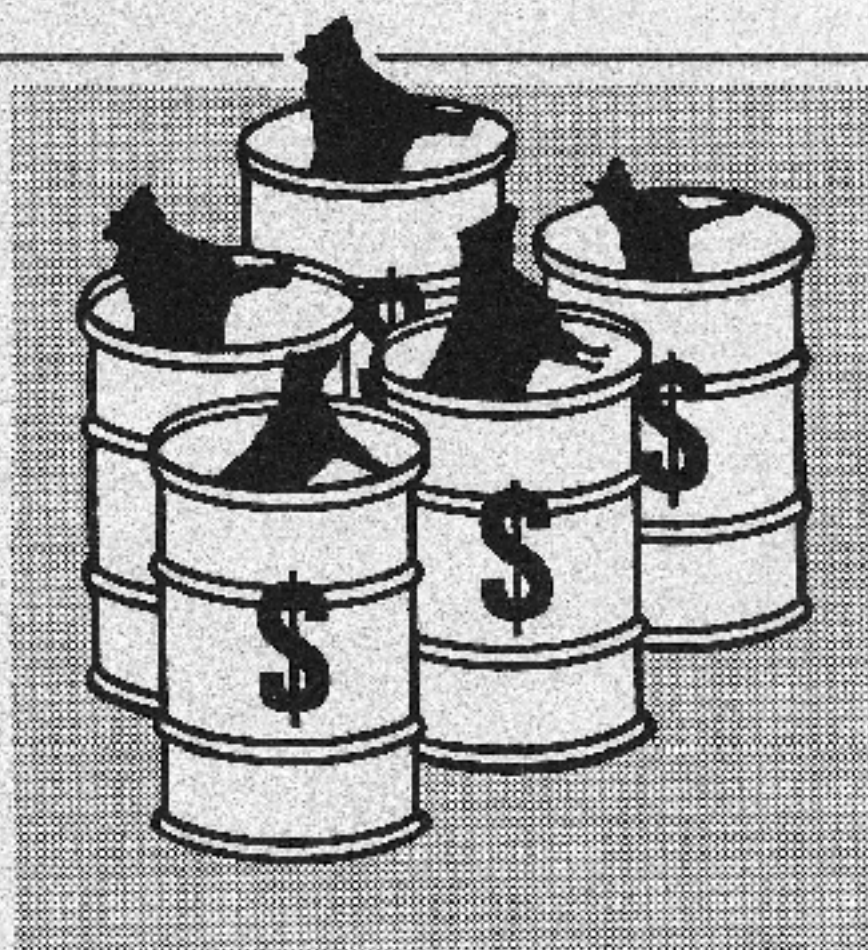


office in Brussels, Belgium. He left some farm brochures with personnel there which eventually resulted in a call from the Soviet embassy. A Dr. Victor Lyschenko was the attache' arranging for an American tour of highly placed Soviet officials.



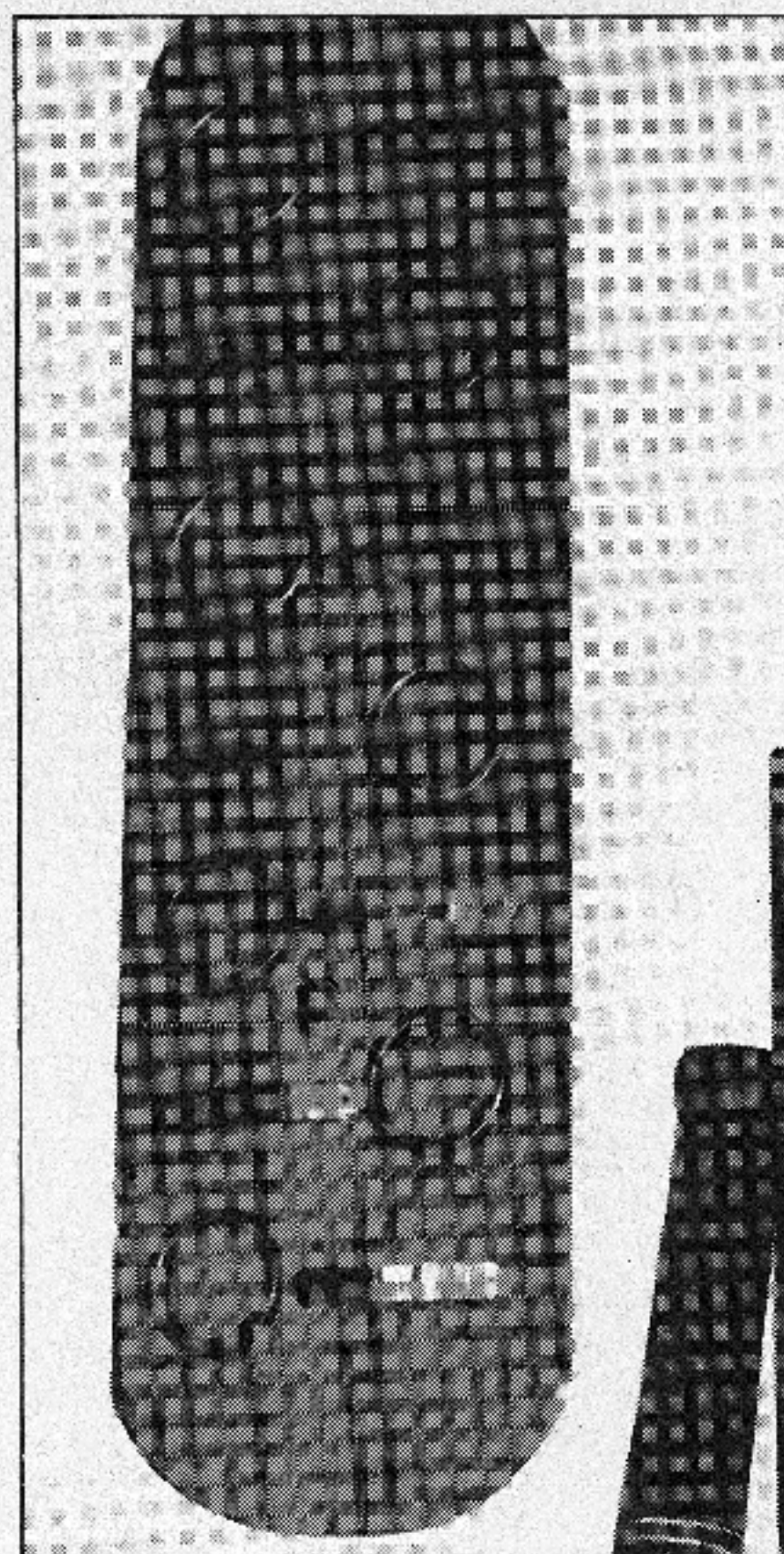
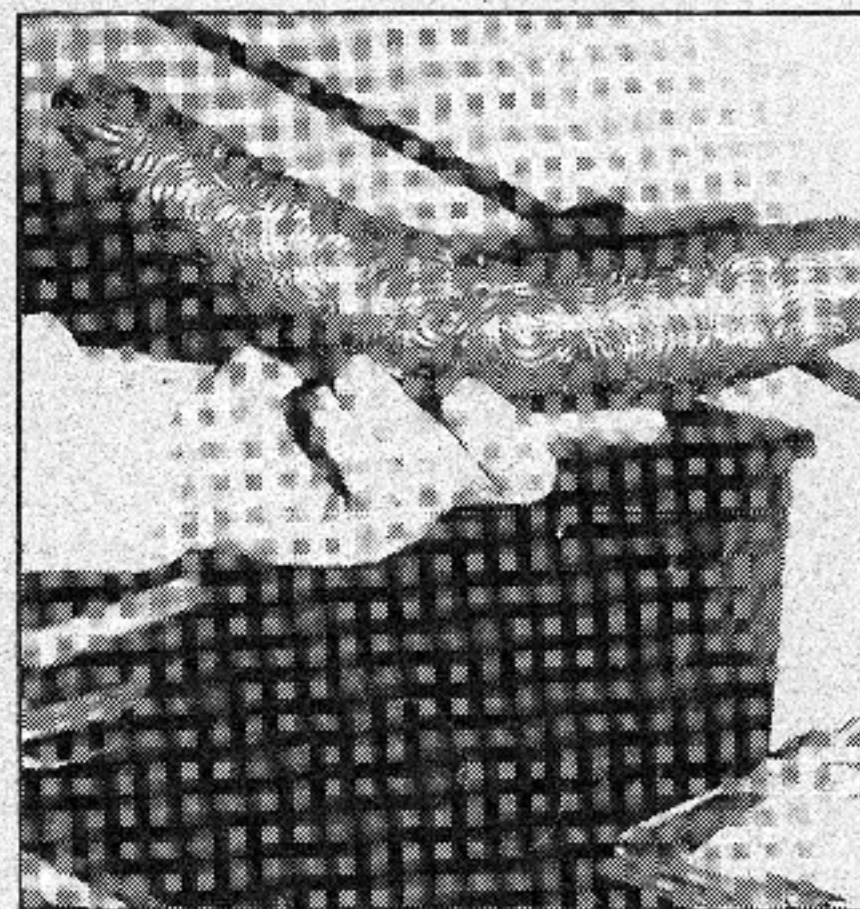
Picket Fence Farm is the sole North American pre-embarkation isolation station for seedstock shipments to Australia.

"Can you test some cattle for us?" was their query after visiting and viewing the Picket Fence herd. An order was placed for 30 head while the tour continued to other farms and the American Angus Assn. headquarters at St. Joseph, Mo. Jerry recalls another call, another order for an additional 30 head. "We wound up selling them 93 head of heifers and three bulls. Then, we sold 71 head to Spain." So the die was cast.



(A curious footnote to the Russian sale includes the loss of 12 head aboard ship on the journey over. The Soviet officials found they could buy loose hay cheaper from a Virginia source than baled hay and therefore packed it on board along with nearly 280 head of livestock purchased from Americans. Autopsies of the dead heifers revealed the loose hay harbored rattlesnakes.)

Picket Fence seemed to have an international destiny to fulfill, so weaving one's way through exporting requirements is not intimidating to the Helgrens. They've been there and react comfortably towards the process. It's likely those who deal with them and the others of the Picket Fence team appreciate the unassuming manner

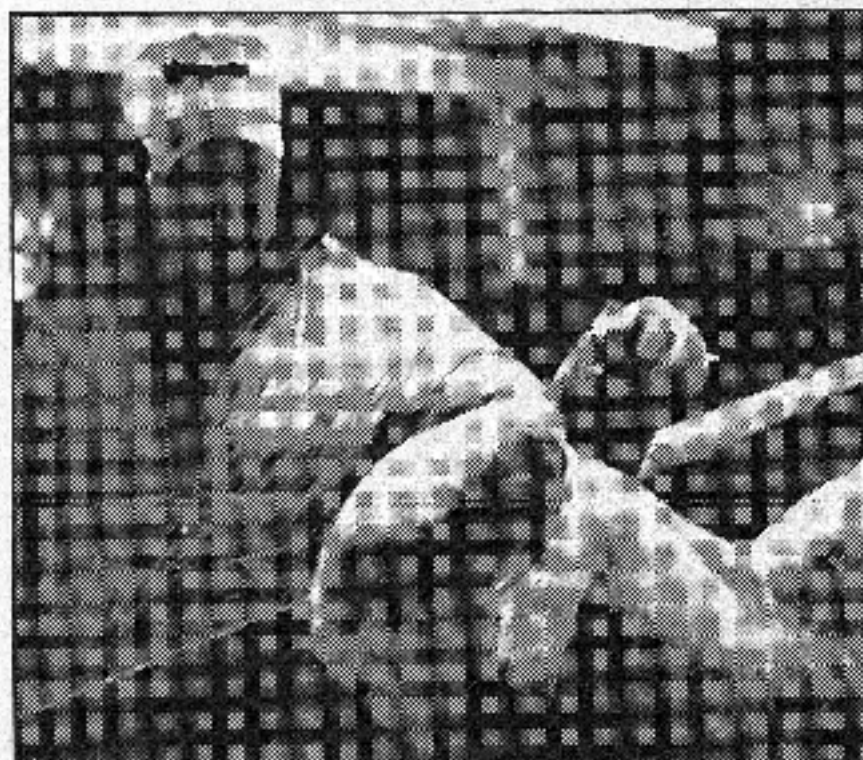


Some mementoes from the Picket Fence office, a treasure trove of Angus history and memorabilia. A library of Angus Journals, hundreds of sale catalogues, and these nose rings from historic Picket Fence bulls are samplings of the collection. Item at the right and the aboriginal message stick are the artifacts Jerry's collected from his travels to Australia.



Principals at the station: David Pierce, quarantine herdsman; Edna Helgren, Jerry Helgren. David is the son of Norris Pierce and grandson of Lewis B. Pierce and Angus-born and reared at "Woodlawn Farms" near Creston, Ill. Woodlawn was established in 1881 and reigns as one of the nation's oldest continuous Angus farms. Lewis B. Pierce was Association president in 1959.

The Helgren's son John is beginning his civil engineering career after graduation in Colorado. Their daughter is a small animal vet at a clinic in Lake Forest, Ill.



and down-home hospitality. They're the link between American exporters and Australian importers, a role they've earned through being such a respected fixture of the American Angus industry.





Early on, folks recognized the big guy from Wakefield, Neb. had a sense of stockmanship, his 4-H career standing him in good stead when he helped out in 1954 with one of the then "big-time" herds, J.C. Penney's Homeplace. Jerry was attending the National FFA Convention at Kansas City's American Royal at the time, and later went to bull-brushing for the legendary Tim Pierce. When he left for the army in 1955, Jerry and his brother had built up their own herd to 50.

Enter fate, and the fortuitous opportunity of signing on as manager of the new Angus herd of A. Harold Anderson at Grayslake. It was 1962. Jerry began assembling the foundation picking Woodlawn daughters from the Lewis B. Pierce herd, 85 cows from the C.V. Whitney herd, and acquiring the famous O Bardoliermere 2 herdsire at the Whitney dispersal in 1964. The Whitney cows were campaigned vigorously as their progeny began commanding top prices at state and regional sales. More expansion brought in 70 cows from the Walt Hoover herd in Iowa and 150 head from the Woody White herd in Signourney, Iowa, in 1967. This same year, the trio acquired the Sinkola interest in the noted bull, Dor Mac's Bardoliermere 60.

Jerry enlisted the help of Dr. Harlan Ritchie and Dr. Bryon Good of Michigan State University as they scouted the relatively unknown herd of the Erdmanns in Wetonka, S.D. Bulls purchased included Marshall Eileenmere 23, Marshall Pride 665 ("Upjohn"), Jack Rabbit, Black Revolution 777, Marshall Pride 799. Partners for some of the purchases included Summitcrest Farm, Premier Beef, and UT Farms. Bulls from the Montana Test Station consigned by Ellsworth and Gary Candee were viewed and the resulting purchase landed a half interest in Forever of Wye. Down the road at Green Valley Ranch, Hobson, Mont., Helgren and Ritchie

Australian veterinarians split the duties associated with exporting. Here is Jerry Helgren of Picket Fence Farm with Dr. Frank Doughty, director of animal quarantine and Dr. Ray Batey, quarantine veterinarian. One of the vet team will visit all the farms and ranches where animals bound for Australia have been purchased. There, he will inspect the animals and the on-farm isolation procedures for the 30-day initial quarantine.

After the tour is completed, that veterinarian will return to Australia and another will take up residence at Picket Fence during the pre-embarkation quarantine period and will accompany the animals on the flight to Australia.



also secured a half interest in Bonanza of Wye.

Canadian cows were purchased in 1972, and in 1975, more Wye bulls were found and purchased: Armo of Wye, Collaborator of Wye, Lowery of Wye. Aman of Wye was acquired at the Lost Creek Dispersion in Kansas.

"At one time, we had 17 Wye bulls. The early ones were different from what we were used to, but it really was a step in the right direction," Jerry says of those purchases.

Within one week in 1976, after much negotiation, Picket Fence added two bulls still of importance and influence today. Acquired were the Sir William interest in Great Northern and Hedgerow's interest in Pacesetter. In 1978 Contact of Wye was

added to the roster for \$115,000 and with him came Londonberry and Bianco of Wye. In 1979, Jerry secured Briarhill Bartman and Briarhill Jay.

Partners in several of these powerful and popular bulls were found, and often the bulls were leased to A.I. studs for a period of time.

Exciting days those, and Jerry by this time was well-respected for his merchandising savvy and his expertise and insistence on merchantable pedigrees.

This ability and the headlines drew international attention. He was invited to judge five major Australian shows in 1977. The affable Americans were well-received, and Edna was asked to cut the ribbon at the new Angus Association building in Adelaide.

"We were there six weeks, and I met with them at that time and asked about importing. There had been no cattle imported to Australia from North America for 50 years. Any cattle imported came from Scotland."

After the dispersion of the Picket Fence herd in 1980, planning was begun toward establishing the North American pre-embarkation for Australia. Stipulations included keeping the site free of cattle for three years. The first shipment from Picket Fence and O'Hare International at Chicago was in late 1983. The schedule has settled to two shipments per year. Picket Fence is only 45 minutes from the airport.





Another requirement of the Aussies concerns the location. The site must be north of the 40th Parallel and east of the 91st Meridian. Reasons include the importance of fly and disease control; a southerly locale may have presented more problems in monitoring bluetongue in particular. The Australian government is very particular about protecting its sheep industry, and bluetongue is especially feared.

"All of the cattle are purebred from herds that have good health records," Edna Helgren points out. "They're show cattle or embryo stock."

"They have to pass the 30-day on-farm test first," Jerry adds. "Pass that and they're eligible for the station."



Horns have a useful function after all. Taking blood samples is an important and rigid part of the protocol as disease control is paramount in exporting. Australia defends its sheep industry from bluetongue.

Helgrens have found most British breeds pass rather well, four out of five is typical. High titers from leucosis or IBR will cause a British beef to fail. Brahman cattle commonly have problems with bluetongue, and the ratio will run five tested to get one to pass at times. Bangs or brucellosis will usually present no problem. The Australians will accept only non-Bangs vaccinates currently, so the females being shipped are much younger than previously.

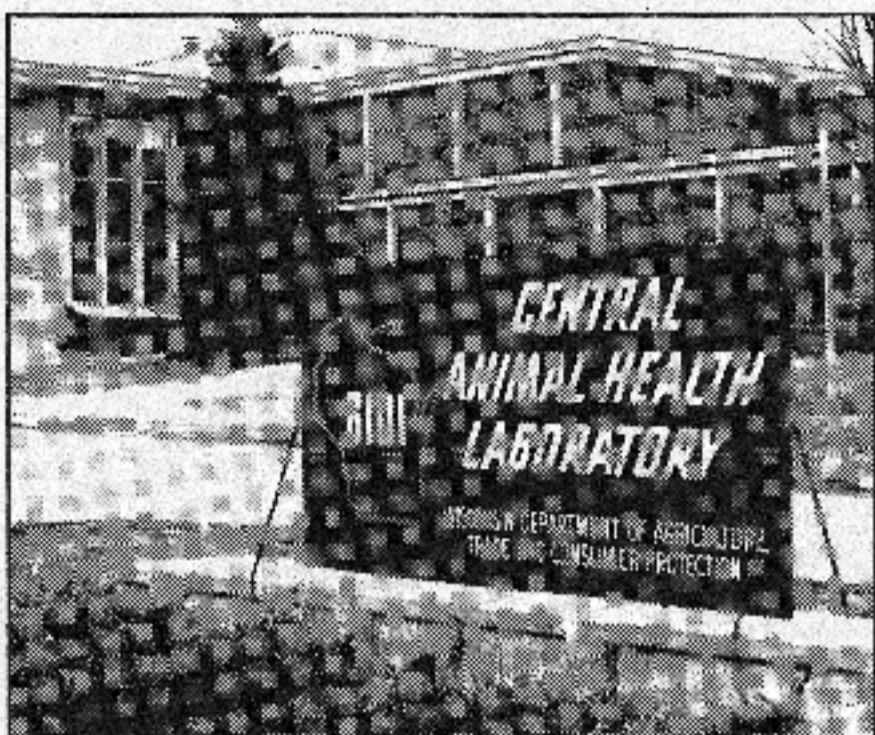
Of the Angus cattle shipped off, some of the herds represented include Summitcrest, Penn State, VPI, Michigan State, R&J, Premier Beef, Premier Angus, Shady Brook, Silvierra Bros., Empire, and O'Neill.

"One of the Summitcrest bulls sent over two years ago is one of the top bulls in Australia now," Jerry notes. "We've had two shipments of sheep and goats—whatever Australia wants."

The interest appears to affirm American reputation as a source of predictable seedstock backed by records. American

records are respected across the waters.

Animals are not paid for until all tests are passed. "The importer pays for everything," says Edna Helgren. "They've been well-informed as to costs."



Most of the "blood work" is processed at this laboratory in Madison, Wis.

The protocol developing for A.I. shipments is almost identical to live animals, according to Jerry. Work has begun on the E.T. protocol as well. Won't A.I. and E.T. shipments disrupt the live animal traffic?

"It won't eliminate it because there are still many people who like the live animals on their property. The A.I. center at Hawkeye Breeders in Des Moines is approved, and there are 31 bulls of all breeds there now for semen collection for Australia. We hope the protocol for E.T. will be approved by the fall of '87."

Live animal shipment to Australia will commonly run around \$13,000. Those breeders wanting to cater to the export trade should first obtain copies of the protocol of the country or countries they wish to export to. "Remember, that protocol is your bull's passport."

Importers should plan on six months for the process to be completed for, after the North American quarantine, there is the Australian counterpart of 90 days isolation at Cocos Island, 1,500 miles off the west coast of Australia. "Cocos is an island a mile wide and seven miles long. The runway's right down the middle.

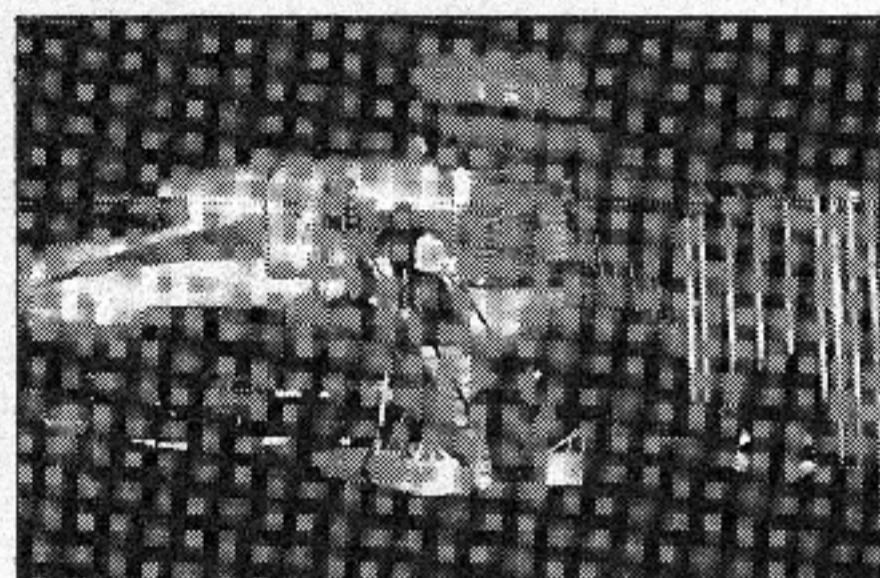
The world seems to shrink daily. Jerry's noticed such over the years when Picket Fence positioned itself to take advantage of foreign interest.

Competition from fellow countrymen and other exporters is keen, loyalty is usually not deeply entrenched. Sell stock to meet a nation's need this year and the breeders may not need you again for several years. Then again, rivalry between

neighboring breeders may keep the business going for several times around.

But still it's international economics, finance, and politics that often call the fickle tune.

"I've shipped cattle to nine foreign countries in the past," Jerry says of the Picket Fence Angus era. "It seems most imports are based on the country's economy and interest in agriculture. It moves



Flights to "Down Under" are normally via DC-8s outfitted with 11 pens. On most flights, 85-90 head can be accommodated. Airfare is based on weight, so importers like to have the cattle healthy but not gaining excessively. Airfare alone runs \$6,000 or more on the average, and the typical investment by the importer can amount to \$13,000 per head by the time his purchase arrives on his place.

Importers bear these expenses and come to North America understanding that as they've been informed of the costs and procedures.

Flight-time is usually 26 hours. After Australian quarantine, there is another five-hour flight to the mainland.

from country to country from time to time."

From his perspective as a principal in the Picket Fence Farm and now as a coordinator for live animal shipment, he sees more sophistication now than then.

"The importers are buying better quality stock now than in the past. The actual buyer is traveling here to see the livestock and not leaving it up to an agent. Also, most breeders receive the U.S. breed journals and are up-to-date on the latest champions and performance info. They're better informed than in the past."

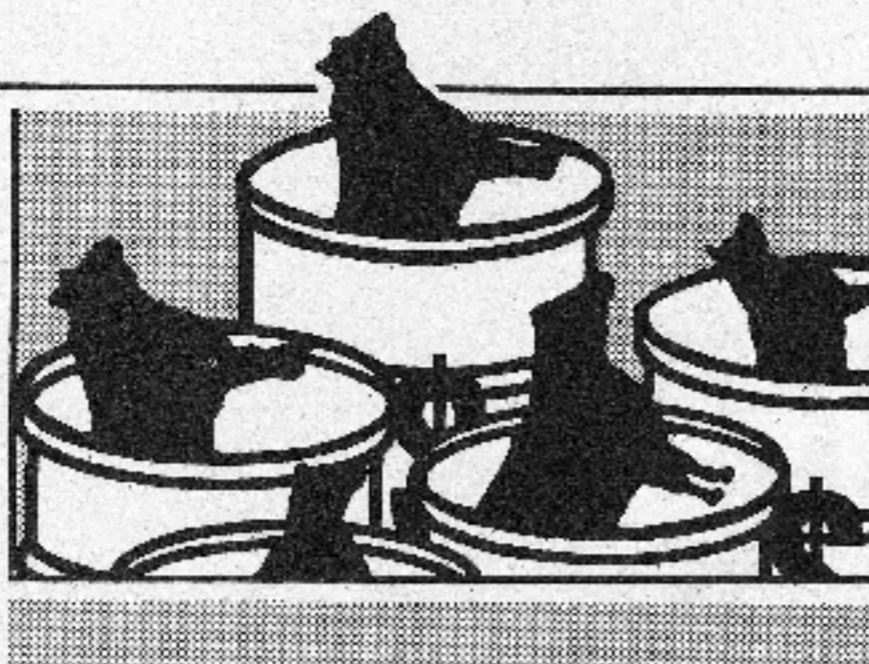
If a U.S. breeder craves to pursue this export market, what are the key steps?

- "You need the protocol for the country you wish to export to. (All are different.) You'll know then what tests and vaccinations are needed and those not needed."
- "Recognize the biggest problem in the export business is the fluctuation of the dollar. When the dollar is extremely strong against other cur-



rency, it is difficult to do business."

- "Breed quality livestock. Advertise on a national scale. Try to contact breeders in the countries you wish to export to."
- "Be aware it is quite costly, with a wide range depending on the type of transportation (air or sea), the type and extensiveness of the tests, and the days required for quarantine in the U.S. and when arriving in the country of destination. I foresee only top quality animals being exported."



There are no ironclad guarantees in the export business either, it appears, but the Helgrens at Picket Fence set a fast pace and appear confident for the future. One constant is change. They've experienced

such and expect it in the future. It's true of their Angus days and is likely true as they proceed through new phases in coordinating exports.

"We take it the way it comes," says Edna.

And Jerry seems content to enjoy the Angus era of Picket Fence as he remembers it and as it's displayed on the walls of the expansive farm office. His sights are set on things running smoothly across the waters. The past is prologue.

"The 'Good Ol' Days' are now," he says.

What is NCA doing about imports and exports?

The road to markets overseas seems ever under repair or construction. Frustrating to those trying to clear the way, their efforts no sooner open a trail when another becomes blockaded. Japan is a major hurdle presently; the import ban based on hormones threatened by the European Community is another. The detours are frequent and difficult because national interests are at stake.

Tom Cook is director of industry affairs for the National Cattlemen's Assn. and directly involved in expanding overseas marketing opportunities for beef and seedstock plus monitoring imports to these shores.

Last March, Cook testified before the House subcommittee on livestock, dairy, and poultry, outlining trade problems affecting the beef cattle industry.

A Section 332 study being conducted by the International Trade Commission to investigate increased cattle imports from Canada, and U.S. difficulties in moving cattle into Canada, because of restrictive health regulations. NCA will review the study, due to be completed by July, and will determine necessary action.

NCA is monitoring the increased movement of feeder cattle from Mexico into the United States. "There were 1,054,000 head of feeder steers imported in 1986. This compares to 466,000 head in 1985," Cook said. "The bunching of these imports appears to be a problem."

On the subject of foreign competition, Cook said, "The NCA opposes the use of any federal money to subsidize foreign agricultural competition. We oppose the practice of the World Bank and others who offer low interest loans to foreign agriculture entities."

Cook explained that, through efforts of the U.S. Meat Export Federation (USMEF), beef exports have grown in recent years and have been a bright spot in over-all U.S. agricultural exports. The USMEF was created because of the need for a single organization to address market development and promotion of red meat in foreign markets.

The USMEF receives matching cooperative funds from the Foreign Agricultural Service (FAS) to develop export programs.

The FAS cooperator programs are the only ones providing direct or indirect assistance to the cattle or beef industry, Cook said.

"With the exception of the beef sales in 1986 associated with the Dairy Termination program, there are

virtually no beef or beef cattle export sales with direct government assistance," he said.

Even though dollars have been allocated for ag export assistance programs, no money to provide the necessary manpower to carry out these programs is available.

"The Food Security Act of 1985 created 12 export programs, such as export enhancement, trade export assistance and the dairy termination program, but it has no provisions for more personnel," Cook said.

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How to benefit from export incentives

By Robert Feinschreiber and Margaret Kent
Attorneys at law, Key Biscayne, Florida

Exporting is becoming more profitable, thanks to a weaker dollar and stronger incentives. The federal government is providing tax benefits and antitrust exemptions to encourage American businesses to export, and as a result, Angus cattle raisers not yet exporting should consider entering the export market.

Many businesses, particularly small companies, would like to export if they can do so readily. They want their products to be sold in foreign markets, but they don't want to go overseas or establish a foreign corporation. This article shows you how to set up an export operation wholly within the United States and reap the antitrust benefits, the tax benefits, or both.

Obtaining an antitrust exemption

Your company can unite with its competitors in establishing an export cartel. If you join forces, you can secure an antitrust exemption and avoid antitrust penalties. You even can get the antitrust exemption in advance before you begin exporting.

The antitrust exemption is especially valuable to small and medium sized exporters as it enables them to join together to sell overseas. Large companies can join and benefit too, but they may already have their own export operations.

It is even possible to form one export cartel for a segment of your industry or the industry as a whole. You can work together with other Angus cattle raisers and fix prices on your overseas sales. You can also divide the world markets if you choose.

Tax benefits

A DISC—Domestic International Sales Corporation—provides a long term deferral for all or almost all of the taxes you would otherwise pay on your profits from export sales. Alternatively, a company willing to undertake overseas activities can establish a foreign sales corporation and receive a partial tax exemption on its export profits, but only a DISC can be established and operated wholly within the United States.

DISCs have been in use since 1972, but the DISC program was overhauled in 1984. Until that time, no interest was charged on the tax deferred amounts. Now, interest is charged, but a larger portion of the company's income is eligible for tax deferral. As a result of this change in the law, all DISCs that are now in operation are interest-charge DISCs.

A company can include up to \$10 million in export sales per year in its DISC. If its exports exceed this level, it can select the most profitable \$10 million and can do so after the fact when it files its tax return.

Interest is charged at the T-bill rate, so that low T-bill rates are reducing this interest cost. Now the interest-charge DISC provides exporters with an inexpensive source of borrowing. In essence, exporters can hold back a portion of their taxes and do so at very favorable interest rates. From a financial standpoint, a DISC provides two basic benefits for an Angus cattle raiser:

1. You can view your tax deferral as a "borrowing" from the IRS at the T-bill rate which replaces a loan from commercial lenders at conventional interest rates.
2. You can invest the tax-deferred funds and can profit from the difference between the amount you earn and the T-bill interest you pay the IRS. Incidentally, this income also qualifies for the DISC tax deferral.

Getting started

Here is how the DISC program works: The company pays a commission to its DISC and takes a tax deduction for the full amount of the commission. The DISC treats the commission as income, but the tax on the income is deferred. Thus, a DISC saves taxes because it provides an immediate tax deduction and a tax deferral.

All or almost all of the DISC's income is eligible for the tax deferral. If the DISC is owned by individuals, all of the tax is deferred. If the DISC is owned by a corporation, 94 percent of the tax is deferred. In either case, the tax can be deferred for many years.

The DISC need not have any employees or activities and does not have to make the sales itself. Even if the DISC has no activities whatsoever, it can receive a commission on sales made by its affiliates. In that case, the DISC earns a commission equal to half of the export income or four percent of export receipts, whichever is higher.

A DISC is easy to set up and operate. The DISC must be a corporation, but you can incorporate it in any state you choose. The corporate structure is simple as a DISC has just one class of stock.

Its capital must be at least \$2,500, but higher capital is neither necessary nor advantageous unless the company has immediate opportunities to invest the funds in high-yielding, short-term obligations. The DISC must have its own bank account, but no minimum level of activity is required. DISC benefits are available only if the company promptly files its DISC election with the IRS, but the election procedure is easy to utilize.

Maintaining your DISC

A DISC must derive substantially all of its revenue from exporting, so that at least 95 percent of its receipts are export receipts. However, exporting is interpreted broadly, and this test is relatively easy to meet. A DISC can earn a substantial amount of passive income without jeopardizing its special tax status. Its tax deferred earnings can be reinvested year after year, and net income from these investments also qualify for tax deferral as long as this net income does not exceed five percent of the DISC's entire revenues. When you make this computation, include all of the export sales, not just the DISC's commission.

A DISC must meet an assets test, but this test is usually easy to satisfy since it must be met only once a year. Substantially all of the DISC's assets must be devoted to exporting, so that at least 95 percent of its assets are export assets.

The DISC retains and reinvests its export income while its shareholders pay the interest on the tax deferral. Since individual tax rates are often lower than corporate tax rates as a result of the 1986 tax changes, it is often advantageous for the business owners to own the DISC stock in their own names.

Sales to Canada and Mexico qualify as exports, no matter how the goods are shipped. However, sales to Puerto Rico and the Virgin Islands are not treated as exports.

These export incentives are much weaker than those provided by America's trading partners and will not remedy America's trade balance. However, these incentives do facilitate exports and can be utilized effectively by Angus cattle raisers. **AJ**