



## Source and Age Verification: What We're Leaving on the Table

The boom in demand for Japanese beef exports is lining the pockets of a very few smart cow-calf producers and feeders who have found a way to take advantage of a growing opportunity. According to U.S. Meat Export Federation statistics, beef exports to Japan through October 2007 were up in both volume and dollar value by 440% and 402% respectively, compared to the previous year's figures. (Through October 2007, volume and value were reported at 38 million metric tons and \$195 million in sales.)

Once the U.S.' largest export partner in value, Japan is today our third largest beef export partner in total dollar value behind Mexico and Canada. Prior to the bovine spongiform encephalopathy (BSE) export blockade in late 2003, total volume of more than 375,000 metric tons of beef and variety meat product worth approximately \$1.4 billion was sold to Japan.

### Is there room for growth?

U.S. beef absolutely meets the Japanese consumers' high standards. Japanese consumers are some of the most demanding in the world when it comes to their expectations for safety, quality, taste and value. They will pay high premiums for product that reaches their expectations.

Reports from Japanese press agencies acknowledged early after U.S. exports resumed that the confidence in U.S. beef was strong and growing rapidly. That strength is evident in this past year's reported growth, but the opportunity is still 10 times larger than what we're supplying. U.S. beef importers have expressed frustration that they were unable to obtain enough U.S. beef to meet demand, even at the very low volumes needed for a slowly expanding market. So why are we not ramping up quicker? Today, there is a shortage of export-eligible cattle with documented age verification. Despite the high premiums paid to feedlots marketing export-eligible cattle, there is something missing in the value chain that is creating a lack of interest in participating in Quality System Assessment (QSA) programs designed to document age-verified cattle that are guaranteed to be under the 20 month age limit at slaughter. The U.S. Department of Agriculture (USDA) estimates that less than 3% of the entire 2007 beef placements are export eligible.

Today most beef packers are willing to pay between \$20 and \$40 per head just to have proper age verification through a QSA system. A lot of things could attribute to reluctance in participation.

The calf market has been so strong with the extended short supply cycle which may have kept producers disinterested in doing a little extra paper work since they've had such good times. Possibly cost pressures from fuel and feed have not gotten tough enough for cattlemen to look for ways to add value. The word "audit" often scares people away, and third-party verification is a major part of the process, or maybe we just haven't done a good enough job as an industry of communicating the hows and whys producers should participate. Knowing what feedlots are looking for source- and age-verified cattle and whom a producer can contact for help is vital information that could get us over the hump.

### U.S. beef breed organizations' role

Over the last three to four years, beef breed organizations have invested significant resources toward source and age verification programs. The Hereford, Angus and now Charolais associations are all investing in programs that will allow their membership to participate in the commercial marketing efforts of the cow-calf customer. In addition, USDA continues to press for a National Animal Identification System (NAIS) that would ultimately link the entire beef chain with source information in an effort to provide a food safety net that would be useful in the tracking and prevention of

**First quarter CHB sales are up 46% from a year ago. New food service and restaurant business, improved beef advertising at the retail store level, and the availability of ample supplies of cattle during the fall attributed to the boost.**

### QSA auditing companies

A list of companies that assist with the documentation and paperwork requirements for export verification.

**Aginfolink USA**  
www.aginfoink.com  
Longmont, Colo.  
303-682-9898

**IMI Inc.**  
www.imiglobal.com  
Castle Rock, Colo.  
888-343-4796

**MicroBeef Technology**  
www.microbeef.com  
Amarillo, Texas  
800-858-4330

**Tri-Merit**  
www.tri-merit.com  
800-235-9824

the spread of a catastrophic disease outbreak that could potentially shut down domestic commerce. Breed associations have been some of the first organizations along with private traceback companies to step up the effort of providing this service to the commercial industry. The great debate over NAIS has been ongoing for four years, and USDA is still pressing the issue toward being mandatory. Voluntary traceback systems that are value based were the recommendation proposed and adopted by the National Cattlemen's Beef Association in 2006, but these systems have been slow to grow. Breed associations have worked diligently to try to make these systems work with some progress but not to the level to quench the demand for Japanese trade and satisfy the need for a 48-hour industry-wide traceback.

### Hereford Verified system could be your answer

The American Hereford Association (AHA) has had a system in place for three years called Hereford Verified that helps producers to enroll their Hereford and Hereford-influenced cattle into a system that will allow the producers to participate in source- and age-verified programs. These are the first steps toward export eligibility. The AHA designed the program with many goals including:

1. Encouraging Hereford breeders to assist their bull customers in identifying a way to better market their cattle;
2. Identifying cattle that would both help to supply the growing Certified Hereford Beef (CHB) program as well as the export trade;
3. Developing export grid pricing arrangements with packers that wished to pay more for export-eligible cattle.

4. Developing a relationship with our CHB supplier and one of the top five largest beef processors, National Beef, to capture carcass data electronically, which allows AHA to build carcass data reports and send detailed carcass information back to the producer without the producer actually having to own the cattle in the feedyard.

Hereford Verified enrolled approximately 15,000 head into the system in 2007 and more than 6,500 of those 15,000 head (43%) went directly to National Beef Packing Company. The system has been very beneficial for many producers across the country.

No one likes the word "audit," nor does anyone ever wish to be audited, particularly when it comes to taxes; however, there is a certain level of auditing required on a very minimal scale in order to assure that producers have the proper documentation and assurance that the age of the animals is the age producers claim. These processes are very simple and cost-effective. There are several private auditing companies in the country (see "QSA auditing companies" sidebar) that assist with the documentation and paperwork requirements for export verification. AHA staff can help you make these contacts.

However, if you are not interested in participating in the auditing process, Hereford Verified cattle can be directed to feedlots interested in feeding for domestic CHB production. There is added value in either direction that is likely to grow over time. With corn reaching the \$4/bushel mark and fuel reaching record highs, we all need to think of ways to add value as costs escalate. **HW**