

Caution Recommended in Export Dealings

Global demand for registered seedstock has exploded around the world in recent years, but the work that goes into it is not for the weak at heart. Last year at least 13,000 head of registered Hereford and Angus cattle were purchased by Kazakhstan producers, of which 2,000 head were registered Hereford heifers from the U.S.

Thousands more than that were purchased by Russian producers, most of which were commercial Angus cattle from the U.S. and Australia. The majority of the Hereford cattle heading to Kazakhstan were purchased through the KazBeef group, a joint venture between North Dakota producers and Kazakhstan partners.

During the last six months, the American Hereford Association (AHA) has been inundated by requests from a variety of exporters from around the world wanting to purchase registered females, and Hereford and Angus seedstock are the breeds of choice for Russia and the satellite countries surrounding Russia. Several producers here in the states have focused on both Russia and Kazakhstan, and the trade of cattle across the globe has been a steep learning curve for some.

In late March, I received a letter from the Kazakhstan Ambassador to the U.S. In his letter he requested AHA assistance in meeting the goals for rebuilding his country's beef industry. Kazakhstan as a country has the ninth largest landmass in the world, and much of the country's geography is reminiscent of the Great American Plains. It is wealthy with oil, natural gas and mineral resources; in fact, more than 75% of its GDP comes from these industries. Its climate is very similar to the Dakota plains, and its winters can be as harsh, if not more harsh, than North Dakota's.

In the next five years, the Kazakhstan government has a goal of subsidizing the purchase of more than 72,000 head of registered Hereford and Angus cattle to improve the quality

of cattle and increase the volume of beef produced that can be exported to Russia. Kazakhstan officials are attempting to buy them from the largest populations of seedstock in the world including here in the U.S., Canada and Australia.

The Ambassador invited me to his country along with a trade delegation representing a private company called Brandt Holding Co. (BHC). Brandt Holdings is one of the largest John Deere franchise owners and service dealers in the U.S., selling and servicing both new and used farm equipment. BHC handles a massive number of trade-ins when farmers upgrade their equipment typically every two to four years.

BHC has developed a large export trade for used tractors, planters and combines that are redistributed into 17 countries. The Ambassador asked that together AHA and BHC meet with government officials to discuss 1) securing the purchase of quality registered females in the U.S., 2) assuring that payments of cattle are completed and 3) advising them on the opening of a breed registry office in Kazakhstan.

Our trade team met in the capital city of Astana with several branches of Kaz Agro, a government agency similar to our U.S. Department of Agriculture (USDA).

We also met with the Minister of Agriculture, the Deputy Prime Minister and No. 2 in command of the country, the Sultan or Governor of a northern state, and more than 200 farmers interested in equipment and cattle. I felt it important to inform all AHA producers of what was learned in our short visit and to share a few thoughts that we, as a staff and the AHA Board, have talked about while evaluating this opportunity:

- 1) The Kazakhstan people are extremely motivated to rebuild their industry, and they are spending amazing amounts of money per animal, from \$4,000 to \$5,000 per bred heifer,



- to purchase, quarantine and transport by cargo plane.
- 2) There is an enormous education gap in the understanding of profitable beef cattle management and production in Kazakhstan. Their understanding of the purpose of proper animal identification, performance recording, and basic management strategies is limited.
- 3) There is limited infrastructure in the country at this time to support a modern beef system like we have in America, and they are desperate for education.
- 4) Ninety percent of the population speaks Russian and not very many speak English, a language barrier that can make business dealings a challenge.
- 5) The country's current government has been sovereign and independent from the former Soviet Union for just 21 years. Democracy is in development and very different from ours here in the U.S.
- 6) The government pays qualifying producers a 50% subsidy on the value of the cattle and transport, and the balance is financed on a low-interest-based government loan program. Kazakhstan producers are reimbursed by the government after the cattle arrive. This process brings up a major question of how cattle will be paid for here in the states.
- 7) The growing price of Hereford cattle due to relatively low U.S. inventories and the heightened demand for Hereford range bulls and females has challenged Kazakhstan producers' ability to purchase Herefords not just from the U.S. but from other countries as well.
- 8) Because of the harsh winter climate, Kazakhstan producers may want only to purchase cattle from temperate or colder winter climates so that the cattle are well adapted.

After returning from our trip and evaluating the opportunity in its entirety, the AHA Board has had excellent discussion regarding what the AHA's role should be in these types of marketing opportunities. Here are a few thoughts from those conversations:

- 1) The AHA should inform the entire membership of these opportunities as they arise and remind our breeders of the risk and how to avoid risk in foreign trade.
- 2) The AHA should communicate the value of Hereford cattle to exporters and caution membership against under-pricing cattle that may have more opportunity value in them here at home than what the export bid might be.
- 3) It is recommended that AHA members work with professional state-side export agents such as BHC or the KazBeef group and make contract assurance that payment will be secured or guaranteed either before or within 24 hours of shipment.
- 4) Members should make sure they have discussed freight to the quarantine facility as they are negotiating price. Is it figured into the price or freight on board, which makes it the seller's responsibility, or will the buyer assume the cost of shipment to quarantine?
- 5) Members must ensure they understand the health regulation. What are the tests, should cattle be tested before they leave each farm or ranch or after, and who is responsible for the testing cost?
- 6) Members should make no warranty or guarantee of cattle performance. On the one hand, producers should never send cattle to a customer that would not meet minimum standards for functionality and quality, but management and stress can create problems in the best of cattle after a trip halfway around the world. Members should also not forget that Kazakhstan management expertise and facilities are not up to modern expectations yet.

Global demand for beef cattle is a real opportunity, but producers should remember some of these countries do not conduct business the way we traditionally do, so they should be cautious. Secondly, members must remember that the demand for Hereford cattle here in the U.S. is growing more rapidly than our ability to grow production, provided drought conditions do not alter that trend. As more information develops, the AHA staff and Board will make sure AHA members are informed of those opportunities. **HW**



A typical Kazakhstan livestock operation.