

MARKET POTENTIAL FOR ALFALFA EXPORTS AND WHERE ARE THE MARKETS

Ron Anderson
President, Anderson Hay & Grain Co., Inc.
Director, National Hay Association
International Market Development Committee

The past few years interest in exports has become very strong.

Export markets have been the encouragement and hope for improving markets for our U.S. agriculture products.

Our federal government USDA Foreign Agriculture Service, I feel, has taken very aggressive actions to try and develop and improve foreign markets.

Many state governments have made numerous trips to the Far East to encourage farm exports.

The National Hay Association has been actively involved in a USDA Cooperative Market Development program since 1982.

Only a small percentage of hay producers become directly involved in exporting. However, every export market for hay that is developed or increased does help all hay producers. In many areas the export demand and movement has a definite effect on and strengthens the price the farmer receives for his hay.

Approximately 641,716 metric tons of baled and cubed hay products were exported in 1985.

Present markets are as follows:

<u>ALFALFA HAY CUBES</u> - in metric tons	<u>1/85-12/85</u>
Canada	34,753
Mexico	1,258
Panama	86
Netherlands Antilles	106
Venezuela	184
United Kingdom	12
Germany/Fed. Rep. of	5
Spain	10
Greece	49
Saudi Arabia	36
Thailand	158
Malaysia	285
Singapore	
Philippines	25
Hong Kong	352
China (Taiwan)	1,414
Japan	400,429
TOTAL	439,171

Other countries which sometimes import alfalfa hay cubes are El Salvador, Costa Rica, Bermuda, Bahamas, Jamaica, Haiti, Leeward-Windward Is, Barbados, French West Indies, Sweden, Norway, Netherlands, Kuwait, India, China (Mainland).

<u>BALED HAY & STRAW</u> - in metric tons	<u>1/85-12/85</u>
Canada	33,647
Mexico	8,035
Panama	52
Bermuda	284
Bahamas	15

Leeward-Windward Is	13
Netherlands Antilles	64
United Kingdom	325
Netherlands	12
Germany/Fed. Rep. of	249
Malaysia	8
Hong Kong	639
China (Taiwan)	105
Japan	159,097
TOTAL	202,545

Other countries which sometimes import baled hay and straw are Dominican Republic, Trinidad-Tobago, Venezuela, Brazil, Sweden, Ireland, France, Spain, United Arab Emirates, India, Singapore, Philippines, Macao.

The summary readily identifies Japan as the largest buyer of hay products from the United States.

Japan produces over 2 million tons of forage products and imports approximately 1 million tons of additional forage needs.

The following figures indicate the types and amounts of hay imported for 1985:

IMPORTS OF HAY AND FORAGES
1985

Cereal Straw and Husks	87,000 MT
Alfalfa Meal Pellets	260,000 MT
Cubed Forages	465,000 MT
Baled Forages	163,000 MT
Beet Pulp, Bagasse, etc.	660,000 MT
Others	65,000 MT
TOTAL	1,700,000 MT

ALFALFA PELLET IMPORTS BY COUNTRY OF ORIGIN
1985

Canada	242,000 MT
U.S.	2,000 MT
Chile	16,000 MT
TOTAL	260,000 MT

HAY CUBE IMPORTS BY COUNTRY OF ORIGIN
1985

Canada	39,000 MT
U.S.	424,000 MT
Australia	2,000 MT
TOTAL	465,000 MT

IMPORTS OF BALED FORAGES BY COUNTRY OF ORIGIN
1985

PRC	14,000 MT
U.S.	146,000 MT
Australia	2,000 MT
Others	1,000 MT
TOTAL	163,000 MT

Livestock numbers have remained strong and projections over the next 5 years indicate growth.

The Japanese are eating more red meat and consuming more dairy products. In my many visits to the country, each trip I see more steak restaurants and more families eating out on weekends enjoying beef and milk products.

Present livestock numbers are as follows

AS OF FEBRUARY 1, 1986

Milk Cows	2,103,000
Beef Cattle	2,639,000
Hogs & Pigs	11,061,000
Layer	170,202,000
Broilers	155,647,000
Horses	22,500,000
Sheep	26,200,000
Goats	47,500,000

The Island of Hokkaido is the larger hay producing area with the main type of hay baled being timothy and mixed orchard grass type hays.

Rice straw is also fed in large amounts to dairy and beef animals

Alfalfa cubes have been the most desired form of alfalfa imported

Baled hay imports have grown sharply the past 2 years, but I feel this increase was created by ocean container rates that dropped from \$800-\$1,000 per 40' container to \$300-\$400 per 40' container. Basically, with the lower ocean transportation costs, our USA hay products delivered into Japan far cheaper than hay produced in Japan.

The surprising thing to us in the hay exporting business is that the sharp increase in baled hay imports was not in high quality alfalfa hay but in timothy and mixed grass type hays, grass straws from Oregon and sudan hay from California.

The statistics we receive from Japan and USA government are not broken down as to type, but we who are involved in exporting can fairly well agree on the following breakdown for 1985.

Timothy and Mixed Grass type hay/standard bale	38,000 MT
Rye, Fescue & Other Grass Straws/dble compressed and standard bale	35,000 MT
Sudan/dble compressed and standard bale	75,000 MT
Alfalfa/dble compressed and standard bale	26,000 MT

These figures confirm that the rumor that Japan is buying a large volume of re-compressed baled alfalfa is not true.

I predict 1986 figures will show a 90% increase in timothy and mixed grass type hays, 100% increase of grass straw and a 20% increase in baled alfalfa, with sudan about the same as 1985.

Japan's quality standards have been mainly based on color. A bright deep green alfalfa cube independent of chemical analysis will be readily accepted, while a lighter green colored or low colored cube with a high analysis will be rejected or have an expensive claim presented against it.

The National Hay Association Export Market Development Committee in cooperation with the U.S. Feed Grains Council staff in Japan will be periodically sponsoring forage evaluation seminars. These will focus on the feeding value of the various types of roughages stressing the use of high quality alfalfa hay.

Japan, as the figures indicate, is our main market for hay products.

Taiwan is also becoming a potentially good market. At this time, there are only

about 45,000 head of dairy cattle, so I see this a slow growing market

Korea has great potential with ½ million dairy cows and 2 million beef animals.

The National Hay Association Export Market Development Committee has actively been doing market development in Korea in cooperation with U.S. Feed Grains and USDA FAS staffs since 1982.

The Korean Livestock Industry wants to import alfalfa hay products. However, the Korean Ministry of Agriculture & Forestry and higher government officials do not for fear it will discourage the Korean farmers from developing their own forage programs.

An import tax of 20% and a permit that cannot be obtained has created a strong import barrier that is successful in stopping imports of USA hay products into that country.

Last month I was in Korea representing the National Hay Association and with USDA Foreign Agriculture representatives met with a director of the Ministry of Agriculture and several Agri Industry representatives. I did not return with any confidence we are near in opening that market.

Alfalfa is on the list, however, of many items our U.S. Trade Negotiators are trying to get into Korea.

Continued pressure from our industry here in the U.S. is needed. At this point, I wish to discourage any hay growers from buying Korean cars or tractors.

THE EXPORT MARKET AND CALIFORNIA?

Export markets for any state and even more so for California are very important and do play a vital role in strengthening the marketing structure for California hay products.

Cubes from California are the larger portion of alfalfa cubes exported to Japan.

Sudan hay is widely accepted in Japan and California is recognized as the major source.

The alfalfa baled hay export market is small at this time, but along with alfalfa cubes will increase each year.

There are many positive and exciting stories to present about export.

Now we must look at the negative and weak points that can disrupt and destroy a successful export market development program and we have them.

Quality and dependable supply are a must. California is very weak in this area at times. Hay growers involved in the export market, I feel, do appreciate it. However, the main achievement is a contract, advance payment and then the buyer is on his own. That is a good business arrangement for a farmer.

However, too often they do not have any concern what happens to their product after that. They have no concern if the hay is heavily damaged by rains in uncovered storage stacks, if there is loss of color during harvest, if there are bottom bales with mud stains, spotted bales or any other point commonly known as "country damage" in Japan.

The Japanese user in Japan does have concerns. Exporters and traders in the business either have deep concerns and implement strict quality controls or the claims put them out of business.

Our new stronger competitors on the scene such as Australia, Canada, Taiwan PRC and many others enjoy seeing our carelessness in quality control.

California growers believe me. We could lose it!

Export marketers will come and go

Hay growers must take more interest in their markets, domestic and export. They must be certain they are supplying a product that the buyer and end user, whether in the domestic or export market, will readily be able to accept without damage and loss in feeding.

Sudan from California probably brings more examples to my mind than any California product. However, some of the windrow bleached, rain damaged alfalfa I see in Japan, whether I am the shipper or my competitors, is very discouraging. Often warehouses are full of the rejected product.

When containers arrive skilled crews unload and carefully sort and grade damaged bales and store in separate areas. The damaged product is sold, but at very reduced prices.

Back at the farm, hopefully, the farmer was paid, but in between the middleman or trading company or end user has suffered a sometimes very serious monetary loss. The farmer can say, "that's their problem," but in fact the end result is the American farmer is the real loser when a customer is lost.

When growers have the opportunity to participate in an export sale they should do everything possible to insure that their hay product does meet the buyers' specifications and is delivered in sound condition without weather damage. To maintain and strengthen export markets farmers must take some pride in what they are shipping.

Exporters and/or export marketing agencies must also insure they are shipping a product the customer ordered and is free from damage.

I foresee the Japan market expanding and the Korean market opening over the next 2-3 years. However, Australia, China, Canada and several other countries will be there as our competitors.

It is up to all segments of the hay industry to insure we are the number one supplier.