

COMPRESSING AND EXPORTING: IS IT FOR YOU?

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When you have climbed every mountain and reached every goal in the domestic hay business then maybe you are ready to enter the export market. It is no place for the inexperienced, weak of heart or belligerent.

There is a saying that is well used and is very true of the hay export business: before you can join the group "you must pay your dues". This group has expensive membership. It has been estimated by good authority that it will cost between \$100,000 and \$150,000 to develop a spot in the Japanese market. The first year we shipped to Japan we had 39 containers of sudan hay returned because of barley heads in the hay; that lesson didn't come cheap!!

For all practical purposes Japan is the only foreign market we have for hay. Taiwan is starting to develop, but has a long way to go compared to the 1,000,000 tons of forages imported annually by Japan.

One has to realize the differences in Japan from America. Here in California if you want to go in the hay business you can rent a lot in Chino, hire a trucker, get a dealer's license, and you are ready to go. Now all you have to do is find a dairyman who will listen, offer him a price a little cheaper than the next guy, and you are in business. Japan doesn't work that way; that market is highly structured. The hay can go through two or three levels from the dock to the dairyman. You don't sell direct to the dairyman in Japan, you sell to a trading company who sell to the dairyman. Don't mess with the system. Japan is very traditional, changes are very slow, you find your spot and stay there.

It can take several years to find the good trading companies to sell to and each trip to Japan will cost you \$2,000 to \$4,000. You have to learn what the Japanese want and that can be hard when you don't talk to the dairyman but a trading company buyer who knows little about hay and looks at your product the same as he will look at soybeans or cotton seed. Another problem is the man who sells the product in Japan. You think you have made a good sale and ship the product only to have the people in Japan not happy because of many factors that can affect that market from the time the sale was made and when the product arrived.

Hay is not soybeans. Each lot is different and beauty is in the eye of the beholder. What the buyer likes here in the U.S. the seller in Japan may not like at all. At this point we have claims and they can be horrendous. You honor the claims or you are out of business.

Last year I was in Japan with another dealer. We were there on a salvage mission. had 8,000 tons of ryegrass straw remaining on solid contracts to good trading companies. They had seriously over-bought and were canceling my contracts. The other dealer, who sells everything for us in Japan, was there on our behalf and with some problems of his own.

We spent two days in high-rise offices in Osaka and Nagoya and at the docks of those two cities looking at hay. I saw product that was still in the container five months after loading, not yet unloaded. You can put good hay in a container here, seal it, and you can imagine what it will look like still sealed in that closed container five months later. It's got to be perfect to keep that long. There was no place for the hay to go. The market had collapsed. The hay was as described, mixed grass-timothy hay, but now the buyers didn't want it.

My choice was simple, either I could go to court here in the U.S. and enforce my contracts or I could renegotiate. If I went to court I would be throwing away everything we had worked for for 10 years, because it would be all over for Ast Hay Company in Japan. These trading companies had a serious problem. They had over-bought so bad, that with the

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market drop, demurrage and extra storage and handling, they were losing up to \$50 a ton. Faced with no domestic demand for ryegrass straw, we renegotiated our contracts giving on price and extra time for movement. Before we got out of there that other dealer and I made adjustments and honored claims amounting to about \$100,000. That is not an easy thing to do but under the circumstances it was the best response to a serious marketing problem. Then what do you tell your banker when you get home?

In Japan one often hears the term "team effort" or "on our team". This is not a term used lightly. The trading companies feel we are a team, they have strong ties and expect cooperation when things go wrong.

In my opinion we did the right thing in renegotiating our contracts because our market is improving. The orders are more orderly, and we are seeing more stability now in that market than in the last few years, at least for us.

Let's talk about compressors for a few minutes. Before we built our first one in 1981, I said I would not have anyone except a hay man build it. I had seen some engineers and machine shops, with no hay background, really get into serious problems. In one press that I know of, a large company spent \$295,000 on a machine that never worked. After the supplier took back what they could, the balance of the machine was sold for \$10,000. A close friend of mine in Michigan had one built in 1980 and it still does not work right. So we talked to a hay man who is probably one of the most knowledgeable people in the U.S. on hydraulics and steel, about building ours. Our first estimate on cost was \$30,000. At \$60,000 we got it out of his shop. \$30,000 more was put into it before it really worked. If you think you have some good ideas on a press, you better be prepared to spend some big bucks! And more importantly you better be prepared to throw some in the junk pile, because believe me you will! Another friend in Oregon decided to develop a new concept in recompressing. He started out with a \$90,000 budget and ended up spending \$180,000.

Presses have been around long enough by now that the better designs have been proven and at the same time protected with patents. The developers of these ideas don't take kindly to being copied and I would not be surprised if patent enforcement suits won't be forthcoming.

I would not be completely honest with you if I stood here and told you all the bad things about compressing and exporting and there are some problems I will not mention publicly. But if you want more bad news I'll give that to you in private.

There are some good things too. It has been profitable. Our company has done very well the last three years and it has not been dull. We found a product the Japanese wanted and needed, and developed a whole new industry for Oregon around that product. In 1982 we shipped 500 tons of ryegrass straw from Oregon to Japan. In the 1986-87 crop year about 60,000 tons of that product was shipped. We by no means shipped it all but our market sure was sizable. The nice thing about this is we are selling a product that was causing pollution problems for Oregon when the straw was burned off the fields, and we have built a notch in the Japanese market without hurting any other forage product being shipped to Japan from the United States.

† It is my honor to be the President of the National Hay Association this year.

This organization, if you don't know, is made up of producers, handlers, and consumers nationwide. We are not the National Hay GROWERS Association. We embrace the entire industry. The National Hay Association also has associate members. These are people or cooperatives who are in an allied field of manufacture of hay handling or harvesting equipment or perform a service to the hay industry, such as laboratories and freight brokers.

Our conventions are held each fall in the home state of the president. This year we will meet in Boise, Idaho. Our theme will be "Looking to the Future". We want to bring together all the far out research and ideas we can find and present that information to our membership.

There comes a time within any industry that the leaders of that industry must step forward and sacrifice their time, energy and dollars for the welfare of all. The National Hay Association is doing that very thing. Here are some of our current projects.

The Legislative Committee has been working hard to stop the haying and grazing on 50-92 set aside land. The NHA feels it is unfair competition for the unsubsidized hay farmer to be in competition with someone who is receiving up to \$200 per acre from Uncle Sam and then growing hay on that land and selling it. The Agricultural Act of 1985 was designed to reduce the amount of feed grains being produced. So what do we do -- we grow hay on that ground and feed the cow hay instead of surplus grain. Gentlemen it doesn't make sense and it must be stopped.

Bill Martin of Dalhart, Texas has worked long and hard on this program and we now see where Secretary Lyng has disallowed haying on set aside land. This is movement but not far enough.

Each spring the Executive Board of the NHA meet in Washington D.C.. We go there with a purpose and a long shopping list of what is needed for the hay industry. Now you can go to Washington as an individual and you meet with some people or you can go as a state representative of an organization. But believe me you will not have the impact that a representative of a national organization will have.

We get in to see more people because as representatives of a national organization you just get more attention; you can accomplish much more.

The International Market Development Committee is chaired by Ron Anderson of Ellensburg, Washington. This committee has accomplished much in foreign market development. The NHA has for several years had a cooperative project with the USDA Foreign Agricultural Service Matching Funds Program. Our annual budget is about \$75,000 to be used for foreign market development. Through this program we have sent teams to Japan, Korea, Taiwan, Mexico, Venezuela, Italy, Saudi Arabia, United Arab Emirates, and Egypt. The countries visited are selected by the FAS and the NHA. It has been an extremely successful program that has opened and expanded many markets. 60,000 tons of grass straw a year go to Japan from Oregon as a result of this program.

We are closing in on Korea and that market should open up, even if slowly, very soon.

I have gone on two of these trips myself to Saudi Arabia and to Japan. In February of 1985 I went to Saudi Arabia. I wish we had time here today for me to give you a full report on the Middle East, but let me say I feel Kuwait and United Arab Emirates will soon be purchasing alfalfa from the United States. While in Saudi Arabia I learned that water is being pumped from 5,800 feet with only two or three inches of rain annually, and no recharge. With no mountain ranges with snow packs to recharge those wells, they are going to have to make choices of what crop to grow. I feel alfalfa will be the crop they will choose to import.

While on these trips the NHA members may not hand out their personal card or make contacts to benefit them personally. We hand out NHA cards and promote the United States hay industry. While there I must promote California hay just as strong as hay from the Pacific Northwest.

Another project started this year is the Target Export Assistance (TEA) funds from the USDA to be used for target countries. This year the NHA has just under \$300,000 to be used to help open the Korean market. We will be having feed trials there and a nutritionist to show the Korean dairy farmer and government the advantages of feeding hay from the United States.

Another program the NHA is doing is the Uniform Alfalfa Hay Test Program. This committee has been chaired by myself and has gone a long way toward establishing a uniform hay test nationwide. Through this program, which is jointly sponsored by the NHA and the American Forage and Grasslands Council, a committee of interested people nationwide now function. We are certifying labs throughout the country. At the present time about 100 labs are in the program. Your own Dr. Vern Marble is on the National Alfalfa Testing Association committee, and has served as it's first and only chairman. At the present time every state in the U.S. except California has endorsed the new test, and we are working on you.

I wish I had time today to convince you of why you need to join the rest of the country in this, but that is not my subject today. Maybe Vern will let me come back next

year and talk about this.

The National Hay Association is here to serve the U.S. hay industry and to promote it's welfare worldwide. You as leaders in that industry owe a debt to it to join and help. It is only through a united effort these things can be accomplished. In a free society such as ours, it is only when people like you sacrifice their time, talents, and dollars that great things can be accomplished. Come join us and give us your talents.

It has been nice to be back in the Valley today. As many of you are aware, I cut my teeth in the hay business here in this place. It is always good to come back and see so many of you who we have such a close affection for.