Plain Talk

By Elwood Kirkpatrick
President

U.S. Dairy Exports Continue to Grow

Many of us have had to expand our dairy farms to remain profitable. Without enough domestic demand for our product, the increase in milk production traditionally drives milk prices down. Lately, we have noticed an additional factor affecting milk prices. As dairy product exports continue to grow, they are beginning to make up a more significant portion of dairy product consumption.

Last year, we produced 176 billion pounds of milk in the United States, representing a 4 percent increase over the previous year, a figure that traditionally would have sent milk prices sharply downward. However, that did not happen because much of the increased milk production went into exports.

During the first eight months of this year, 209,405 metric tons of skim milk powder was exported, accounting for 2.8 percent of the skim milk solids produced in the United States. That figure alone nearly makes up for last year's production increase.

The fact that 7.4 percent of milk solids were exported last year and one of every three pounds of new milk solids was sold internationally during the past four years means exports aren't an inconsequential part of the U.S. dairy business. They are a profitable, growing outlet for our increasing milk supply.

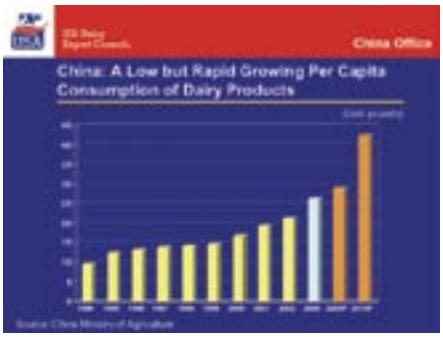
In the ten years that U.S. Dairy Export Council (USDEC) has been in existence, the value of dairy exports has increased 5.7 percent per year and reached a record $1.49 billion in 2004. Over that period, we have established 11 international offices.

USDEC does not conduct trades, nor does its staff ever handle actual dairy products. They merely facilitate the trading process between businesses in the United States and potential foreign buyers of our products. The international offices are staffed by in-country people who provide translation services, identify potential markets and companies and promoting U.S. dairy products.

I am very excited about the growth potential offered by the most recent USDEC offices in China and the Middle-East. China is the fastest growing economy in the world today, as well as the world's largest emerging market (see chart). Many trade experts predict we will double dairy product exports to China by 2010.

From January through July 2005, the value and volume of U.S. dairy exports in most categories were well above year-ago levels. It is likely that this year's exports of U.S. dairy products could exceed last year's records, according to USDEC.

Producer investments in USDEC, which is partially funded



through our dairy checkoff, help increase the volume and value of U.S. dairy exports by driving demand and helping U.S. suppliers capitalize on opportunities in overseas markets. Through trade missions, technical assistance, trade servicing and consultations, and other activities, USDEC builds powerful partnerships with dairy industry leaders to increase sales of and demand for U.S. dairy products and ingredients worldwide.

In the future, worldwide demand for dairy is expected to outpace supply and will mean growth opportunities for the U.S. dairy industry.

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