



## International Dairy Demand Drives U.S. Export Prices Higher

“Little Miss Muffet sat on a tuffet eating her curds and whey; along came a spider and sat down beside her and frightened Miss Muffet away.” – Do you remember when whey was only good for nursery rhymes, livestock feed or disposing of in the cheapest manner possible? I’m sure you do because it wasn’t that long ago, but it’s not so today. Whey is now a leader in U.S. dairy exports.

Just as we once thought whey was a nuisance by-product of the cheese manufacturing process, many also believed a viable export market for dairy products was a pipe dream. Most people believed the only possible way to export U.S. dairy products was by subsidizing sales to foreign destinations. Well, a lot of conventional wisdom has gone up in smoke lately.

Corn prices are getting a lot of credit for rebounding milk prices, but dairy exports are also making a substantial contribution to our favorable milk prices. In the past ten years our exports have steadily increased to equal \$1.89 billion in 2006. As you can see on the chart above, the volume of exports is now over 2 billion pounds. In the last three years those sales have, for the most part, been unsubsidized by the government, with the only monetary export assistance com-

ing from the Cooperatives Working Together (CWT) Export Assistance program. The CWT subsidies have aided the U.S. Dairy Export Council (USDEC) in the development of markets in non-traditional dairy importing countries and shows signs of success with repeat purchases.

The dairy checkoff program has funded considerable research and development in whey. That invest-



ment has led to an expansion of the product line from the basic commodities: sweet whey powder and demineralized whey (12 percent protein). Today we are dealing with higher valued products like whey protein concentrates (protein ranges from 34 percent to 90 percent), whey protein isolates (above 90 percent) and whey protein fractions. Now we have a product with a high protein content that makes it a very desirable ingredient in items like nutrition bars, ice cream, cakes and many other products that are used world-wide. This is not the end of the story; research continues to further develop the use of quality dairy ingredients in the diets of people here and abroad.

Our investment in dairy product and market development has

led to us being at the right place at the right time. International demand for dairy proteins has increased in places like China, Southeast Asia and the Middle East at a time when dairy protein supply is tight due to an extremely severe drought in Australia and lower production in the European Union. This ideal market situation has eliminated the need for U.S. government subsidies of Skim Milk Powder (SMP). The EU dropped its SMP exports by 56 percent, leaving the U.S. to fill the void. We have been able to fulfill that need at a higher price than anybody thought possible a year ago. Today, domestic buyers have to compete with international buyers for the U.S. supply.

June is Dairy Month – an appropriate time to remind ourselves of the complexity of our industry and how we have undertaken efforts to improve our economic destiny. Thank yourselves for having the wisdom to invest in the dairy check-off.

**June is Dairy Month. An appropriate time to remind ourselves of the complexity of our industry and how we have undertaken efforts to improve our economic destiny.**