MMPA Matters

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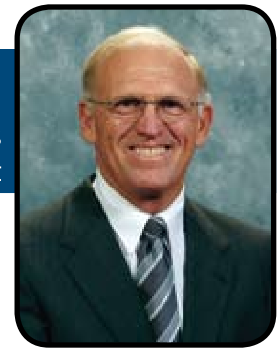
President



U.S. Dairy Products have a Global Future

June is Dairy Month, and I was looking forward to writing a "feel good" column. I didn't want to write about current dairy economics this month. It seems like I've discussed economic issues more times than I care to count since early last fall. However, the economic situation still is the most talked about topic in our industry today, so I decided another look is warranted. I'm not sure I can add anything that you haven't already read or heard, but I did attend the spring board meeting of USDEC in late April, where I learned some things in discussions and formal presentations that are worth sharing.

Bankers, brokers, economist, processors and anybody else connected with our industry agree that when we get past the current economic crisis, exports will grow and prices will improve. Domestic consumption remains solid, even though lower farm gate prices haven't completely worked their way through the system. When that happens, consumption could increase. Questions still remain as to when prices will improve, so no matter what your thoughts on the subject might be, you can find somebody to agree with you.

For example, I heard opposing views on opposite ends of the same day. An industry representative in the morning expressed his opinion that the financial crisis could cause such a severe restructuring of the producers' side of the industry that milk shortages would occur due to the loss of many "over leveraged" large producers. At the end of the day, another industry representative predicted that expecting price recovery in the fourth quarter of this year was overly optimistic because there will still be too much milk being produced. Sentiments of most producers lie somewhere in between those two extremes.

I also gained some interesting perspectives of our industry from Will Mackereth, Head of Procurement-Global Milk Products of Nestle, who was a presenter at the USDEC Board meeting. Nestle purchases in excess of 260 billion pounds of milk annually worldwide. They have a presence in 86 countries with a total of 480 factories, and dairy makes up 28 percent of their total business. They see dairy consumption growing steadily around the globe and are positioned to take advantage of that growth.

The United States is viewed as a country that produces a high quality product that complements Nestle's concern for food safety. The melamine problem in China is proof of the damage a food safety issue can cause. Market impact for dairy in China as a result of melamine is now estimated to be around a 40 percent reduction of dairy consumption. A safe supplier looks even more appealing after that crime.

In addition to being a presenter, Mackereth welcomed the meeting as an opportunity to seek the opinions of some U.S. dairy farmers regarding the status of the U.S. dairy industry from our point of view. Nestle thinks of our industry as being strong and well positioned to capture a major portion of the predicted global growth in consumption. The United States has a stable governmental structure and a competitive efficiency that are missing in many other markets. The United States will, of course, have to maintain compliance with the World Trade Organization (WTO) to be a player in the global marketplace.

The USDEC Board meeting in Chicago reinforced that MMPA is headed in the right direction. The plant expansion in Ovid will not only allow us to process more milk while maintaining high quality, it will improve our ability to meet a demand for a wider array of product specifications in the global and domestic marketplace.

That high quality product begins its journey to the consumer on the farms of our dedicated members. Our field staff plays a pivotal role in working with our members, assisting them so that they can meet their goals. The milk we receive in our plants is undoubtedly some of the best milk in the country. Our reputation of producing a very high quality product is well deserved and can only be strengthened as we move forward.

Ken