



FACTS ON DAIRY EXPORTS

An Exclusive Information Service for Members of the U.S. Dairy Export Council®

EU REACTIVATES EXPORT SUBSIDIES

The European Commission reactivated its export subsidy program for butter, cheese and milk powder, and proposed removing limits on butter and SMP sales into intervention when it opens in March. The Commission said it took action to help offset the steep drop in dairy prices over the past six months and help its struggling dairy industry better compete in the world market.

The EU suspended export refunds in June 2007, as international dairy prices climbed. From 2002-2004, export subsidies averaged 523 euros/ton on SMP, 949 euros/ton on cheese and 1,703 euros/ton on butter, artificially depressing world prices. The bloc has pledged to eliminate subsidies as part of

the stalled WTO Doha Round negotiations; but that agreement has not yet been completed, leaving the EU free to bow to industry pressure to bring them back.

Export refunds were expected to be reintroduced next week, but additional details on refund levels were not available at press time.

Intervention ceilings are set at 30,000 tons of butter and 109,000 tons of SMP. Those levels were expected to be reached quickly this spring, necessitating a call for higher ceilings and more frequent tenders. (*Dow Jones Newswires, 1/15/09; Reuters, 1/15/09*) ■

MARKET CONDITIONS

USDA URGED TO OPEN DEIP

The EU's actions make it even more imperative that the U.S. government heed recent calls from NMPF and other dairy organizations to utilize the Dairy Export Incentive Program (DEIP) to the fullest extent. DEIP is "much-needed as dairy prices collapse both domestically and internationally," NMPF wrote in a letter to Ag Secretary Ed Schafer

DEIP by no means levels the playing field—the assistance it provides pales in comparison to the EU's enormous subsidy bankroll. The EU is allowed to support nearly 2 million tons of butter, cheese, milk powder and other products, including whole milk powder and UHT milk. DEIP, by contrast, allows U.S. government support for less than 100,000 tons of dairy products—20 times less than Europe.

But U.S. dairy suppliers made significant progress in international markets in recent years. And if U.S. dairy firms are forced, due to EU export refunds and economic circumstances to let those business relationships lapse, "reentering the market at a later date will be more difficult," NMPF wrote. "DEIP could help sustain those important relationships with a view towards supporting the long-term importance of the

export market as an essential aspect" of the overall U.S. dairy business. (*USDEC staff; NMPF*)

NOVEMBER EXPORTS FALL 37 PERCENT

U.S. dairy export value declined 37 percent in November vs. the previous year, the second straight month where 2008 growth fell short of 2007, according to USDA bulk, intermediate and consumer-oriented (BICO) shipment data. The decline was heightened by the fact that November 2007 was the biggest export month of that year (\$350.6 million) and the month in which international prices peaked, but it was primarily indicative of softened global demand.

USDEC, AMS OFFICES CLOSED FOR THE HOLIDAYS

USDEC and AMS-Dairy Grading offices will both be closed Monday, Jan. 19, for the Martin Luther King Jr. holiday and Tuesday, Jan. 20, for the presidential inauguration. AMS says its closure could result in export certificate delays and advises suppliers to plan accordingly. ■

The November total of \$219.5 million was the worst monthly performance of 2008, down 20 percent from October and off 42 percent from the May high of \$377.9 million. Strong increases in the first six months still managed to carry year-to-date shipments to a 32 percent gain to \$3.59 billion, compared to the previous year.

On a volume basis, U.S. exports posted declines across all major categories in November except lactose (+5 percent) and ice cream (+43 percent).

■ **NDM/SMP** had the biggest pure volume drop, falling more than 12,000 tons (-44 percent) vs. the previous year to 16,025 tons. That's the lowest figure in more than a year. Year-to-date, NDM/SMP exports were 371,116 tons, up 58 percent.

■ **Cheese** shipments declined (vs. year-ago totals) for the first time in 25 months, slipping 11 percent. In the first 11 months, cheese exports totaled 122,531 tons, up 37 percent.

■ **Butterfat** exports in November were 3,923 tons, down 43 percent from a year ago, and less than half of the average monthly volume exported from January-October. Year to date, U.S. butterfat exports were 87,427 tons, up 159 percent.

■ Exports of **whey proteins** have lagged all year, and with the exception of WPIs, the trend didn't change in November. Shipments of dry whey were 15,036 tons, down 27 percent from a year ago, while WPC exports were just 8,699 tons, down 34 percent. For the third consecutive month, WPIs registered strong double-digit gains (+60 percent), although the category is still off 16 percent year to date. In the first 11 months of 2008, total U.S. exports of whey proteins were 310,552 tons, down 20 percent from the previous year.

■ **Fluid milk** exports registered the largest percentage decline for the month, falling 70 percent to less than 2.9 million liters. Year-to-date fluid milk volume is still up 10 percent.

USDEC members can access up-to-date value and volume numbers for all major product categories at the USDEC website (www.usdec.org) in the Member Resources sections under the "Export Trade Data" link. (USDA)

DROUGHT HITS URUGUAY MILK PRODUCTION

Uruguay's government declared a state of emergency in key dairy and beef producing regions due to ongoing drought. Rainfall in some areas hit a 30-year low. "We are at the edge of catastrophe," said Juan Chiruchi, governor of San Jose state, a major dairy region in the country's southwest. Weather conditions are also beginning to

affect Argentina, according to media reports. (*New Zealand Herald, 1/14/09*)

MEXICO TO RAISE MINIMUM WAGE

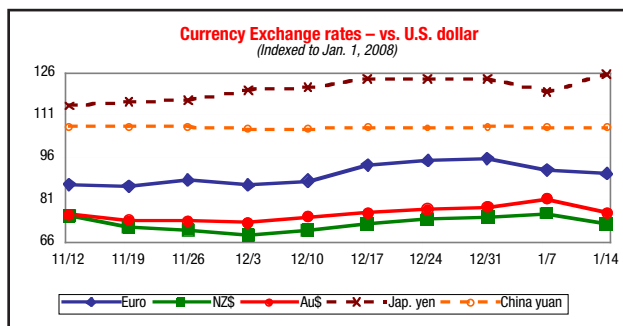
Mexico announced it would raise its 2009 minimum wage by 4.6 percent to bolster consumer buying power. Since the government traditionally has used minimum wage hikes as a counterbalance to inflation, analysts surmised that the announcement means authorities believe 2008's price increases would not retreat significantly this year. Critics say the increase is too small in any case and will not cover the country's increased cost of living. (USDEC Mexico office) ■

MARKET ACCESS

FDA ISSUES GUIDANCE ON REGULATING GE ANIMALS

FDA issued its final guidance for industry on the regulation of genetically engineered (GE) animals, confirming the draft provision from September that they be administered under laws covering animal drugs (*see Facts on Dairy Exports, 9/18/08*). The agency also said it intended to hold public scientific advisory committee meetings prior to

CURRENCY & PRICES \$



Note: Rising index means currency is strengthening against dollar; falling index means currency is weakening against the dollar. Source: Oanda.com

	12/17	12/31	1/14
Cheese	3900-4550	3900-4550	3900-4550
SMP	2100-2300	(-100) 2000-2200 (-100)	2000-2200
Whey	480-540	(+20) 500-575 (+35)	500-575
Butter	2700-2850	(+150) 2850-3000 (+150)	2850-3000
WMP	2200-2400	(+300) 2500-2725 (+325)	2500-2725

Stocks are readily available. Prices in euros are somewhat lower, but offset by the stronger dollar.

Source: USDA and commercial contacts

Note: Numbers in parentheses are change from previous period.

making decisions on GE animal-related applications. The issue remains a sensitive one, given the potential trade impact on U.S. dairy exports should the United States be the first to commercialize GE technology for the production of dairy and meat products. In comments submitted in conjunction with NMPF, USDEC supported the draft provision, while citing concerns over the potential controversy among consumers. For more information, including a complete copy of the guidance document, visit www.fda.gov/cvm/GEanimals.htm. (USDEC staff; FDA) ■

EVENTS

SIGN UP NOW FOR INDIA MISSION AND TRADE SHOW

Space is available for USDEC's booth at the AAHAR Trade Show, India's largest food show, Mar. 7-10 in New Delhi. More than 400 Indian and foreign exhibitors and 15,000 business visitors from India and abroad attended in 2008. This is an opportunity to introduce products to potential importers and distributors in the emerging Indian market. Confirmation deadline for the show is January 20th. For more information regarding show details and registration, contact Kari Kwiatkowski at kkwiatkowski@usdec.org or 703-528-3049.

SOUTHEAST ASIA AND MIDDLE EAST REVERSE TRADE MISSIONS VISIT U.S.

USDEC will host several current and potential buyers and end-users of dairy ingredients from Southeast Asia and the Middle East on a week-long reverse trade mission, Mar. 8-14. Among other activities, the group will attend the 11th Dairy Ingredient Symposium in San Francisco from Mar. 10-11. In conjunction with the conference, USDEC will host separate roundtable meetings at which USDEC members may make presentations to the group and meet with representatives one-on-one. For detailed information for each group please contact Kari Kwiatkowski at kkwiatkowski@usdec.org or 703-528-3049.

WELCOME NEW MEMBERS!

USDEC welcomes three new processor members: Associated Milk Producers Inc. (AMPI), New Ulm, Minn.; Sargento Foods, Plymouth, Wis.; and International Dairy Ingredients, Camp Hill, Pa. New board members are James Walsh, vice president of sales and marketing at AMPI (walshj@ampi.com); Patrice Ruby, international customer service supervisor, Sargento (patrice.ruby@sargento.com); and Filbien Dominique, international affairs director at International Dairy Ingredients (idi-northamerica@idi-ingredients.com). All members, including the new additions, can be found in the updated membership directory at <http://usdec.files.cms-plus.com/secure/index.cfm?FileID=103858&token=46089&userID=100925>. You will need your username and password to access the directory. ■

CHEESE SALON COMES TO RUSSIA

The International Cheese Salon takes place in Russia Mar. 16-18 as part of the 7th International Forum "Dairy Industry 2009." The event, sponsored by exhibition company Global Expo and Dairy Union of Russia and supported by the Russian Ministry of Agriculture, is the largest specialized dairy show in the nation. The Cheese Salon program includes presentations from international cheesemakers, equipment manufacturers and cheese ingredient suppliers, as well as roundtables, seminars, contests and tasting sessions. The show is expected to draw government representatives, traders, national and foreign food and equipment suppliers, and foodservice decision makers from across Russia. For more details on the Forum and the Salon, please contact Mikhail Maksimenko, agricultural specialist, U.S. Embassy, Moscow, at Mikhail.Maksimenko@usda.gov. For applications to participate in or exhibit at the Cheese Salon, contact Rachel Garrett at rgarrett@usdec.org. ■

Facts on Dairy Exports is an information service sent exclusively to members of the U.S. Dairy Export Council. For questions or comments about the newsletter, contact Margaret Speich via email at mspeich@usdec.org or call (703) 528-3049.

The U.S. Dairy Export Council prohibits discrimination on the basis of age, disability, national origin, race, color, religion, creed, gender, sexual orientation, political beliefs, marital status, military status, and arrest or conviction record. Persons with disabilities who require alternative means for communication of program information (Braille, large print, audio type, etc.) should contact Margaret Speich, USDEC, (703) 528-3049.

A significant portion of USDEC's funding is provided by U.S. dairy farmers' check-off dollars and USDA's Foreign Agricultural Service, pursuant to laws intended to promote U.S. dairy products. Therefore, certain USDEC materials, such as those that may have been mentioned in this newsletter, will be made available only to USDEC members, U.S. farmers, and processors and exporters of U.S. dairy products.

Copyright© 2009 U.S. Dairy Export Council. All rights reserved by the copyright owners. Reproduction of this publication by any means, including facsimile transmission, without the express permission of the U.S. Dairy Export Council is prohibited.