

NEDLT Newsletter

Dairy Exports and Market Viability

U.S dairy exports were doing well for the first seven months of 2008, totaling \$2.47 million, said Peter Gutierrez, international sales director for Agri-Mark Cooperative. Gutierrez addressed the Vermont Dairy Industry Association/Vermont Feed Dealers Association meeting Sept. 25. Although whey imports were down 12% over 2007, cheese rose 50%, nonfat dry milk climbed 80% and butter jumped 500%.

Gutierrez worries about the impact of the melamine contamination scandal on dairy exports. "The Chinese may be turned off to any dairy," he said.

Agri-Mark's foreign customers are asking for assurances that their purchases are melamine-free, and the cooperative is providing that, Gutierrez said. "We have to be transparent, proactive and sell on safety."

Gutierrez said last year's high prices were behind declining whey protein exports. Much of U.S. whey protein went to feed pigs in China, which produces 50% of the world's swine, but rising prices forced those producers to pull whey out of pig feed. Similarly, with high prices for whey protein concentrate, many U.S. producers stopped feeding milk replacer and turned to waste milk to feed their calves. But as that helped dampen WPC prices, the Chinese increased imports by 184%.

The U.S. exports about 10% of its milk production, including 60% of its whey products and 40% of the NFDM it produces. Stocks of NFDM are starting to grow under the pressure of rising milk production and slowing consumption, and buyers are waiting to see what the market will do, Gutierrez said.

But the United States is still setting a strong world price for cheese and butter. We export increasing amounts of butter and cheese - for instance, 200% more to the Middle East this year than last, Gutierrez said. Meanwhile imports of specialty cheeses have fallen, as domestic artisanal cheeses find a

place in the U.S. markets.

China may be a major importer, but India is the country to watch, Gutierrez said. The country is developing quickly, but has strong non-tariff barriers to U.S. dairy imports.