

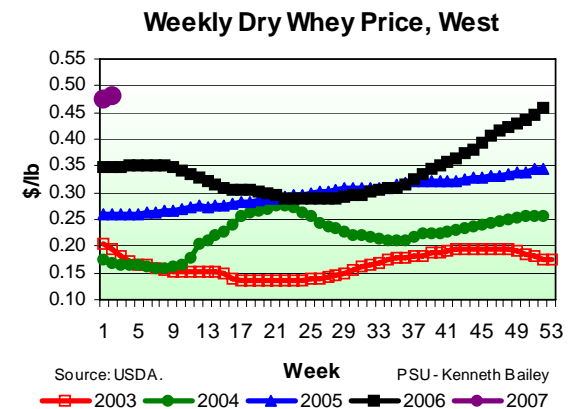
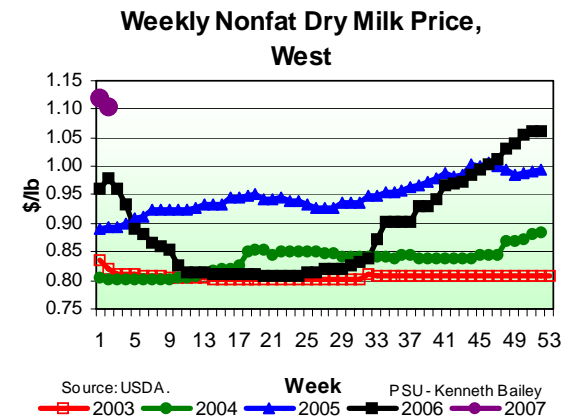


Overview of U.S. Dairy Product Trade

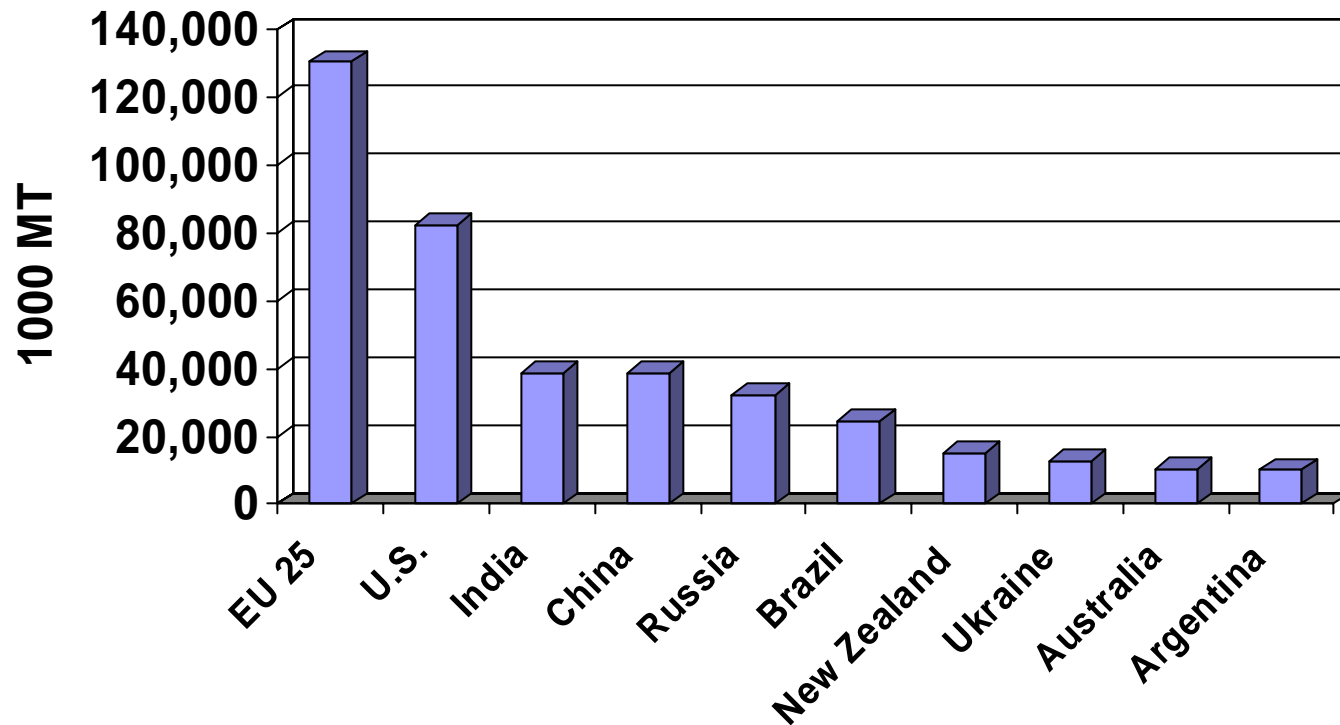
Kenneth W. Bailey
Penn State University

Impact of Trade on the U.S.

- Global demand for protein is very strong
- EU and Australian output curtailed
- U.S. is residual supplier
- Exports of nonfat dry milk and dry whey are very strong
- U.S. prices rising



Major Milk Producing Countries, 2006



EU Policy and Its Impact on the U.S.

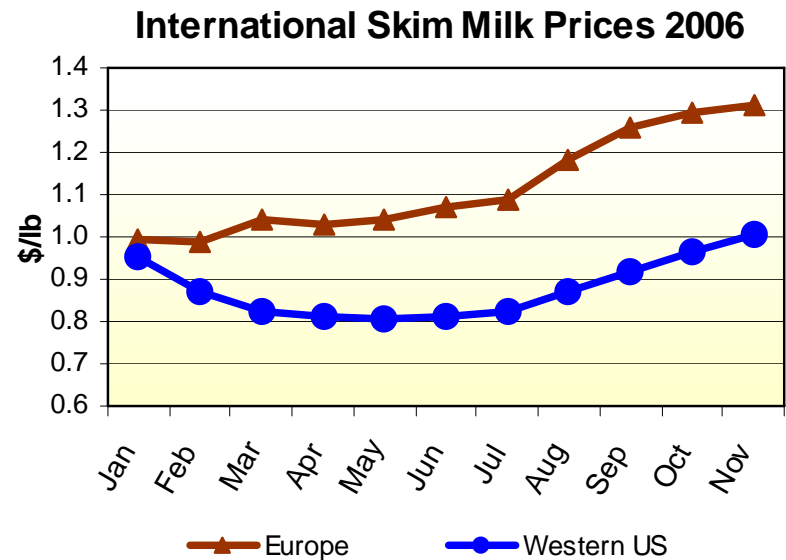
- New countries added to EU
- Strict quotas enforced
- Reduce the amount of powder and butter going to intervention program
- Reduce export subsidies
- Eliminate casein production subsidies
- Move to green payments (single farm payment)
- The point: less global trade!

Rest of the World

- Australia: in another 3-year drought
- New Zealand: limited by land
- China: demand growing faster than supply
- Russia: domestic milk quality and production limited
- Brazil: demand outstripping supply

World Turning to U.S. for Protein

- World prices higher than U.S. prices
- U.S. now setting global skim milk powder price
- U.S. supply for powder and dry whey limited



Source: USDA.

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How to Summarize Trade

- Add up quantities
- Add up values
- Estimate the component content of each HTS line of trade:
 - Milk fat
 - Protein
 - Lactose/minerals

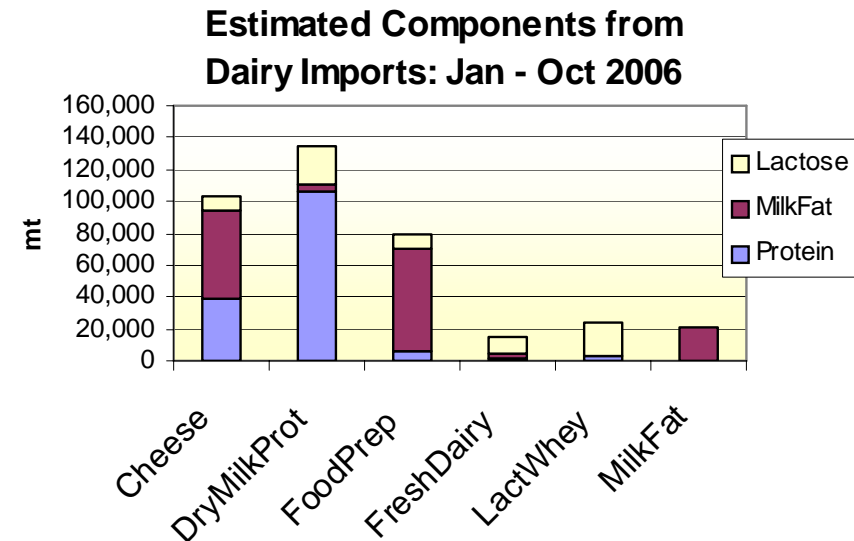
Penn State Trade Database

■ Classes:

- Cheese
- Milk Fats
- Dry milk proteins
- Food preparations
- Fresh dairy products
- Lactose/whey

■ Components:

- Milk Fat
- Protein
- Lactose/whey

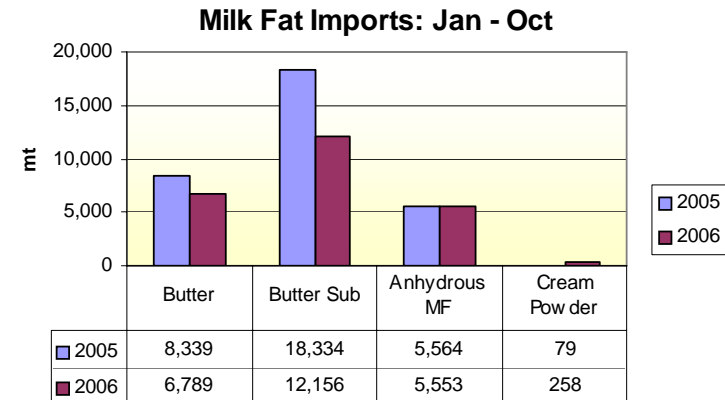


Source: USDA.

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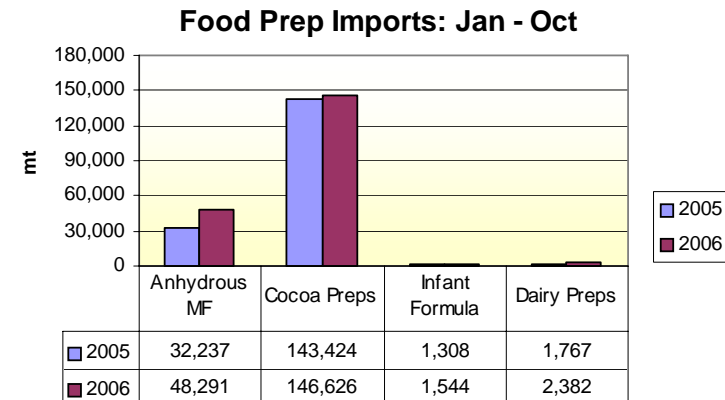
Summary of Milk Fat Imports: Jan-Oct 2006

- Imports from traditional butter sources reduced
- Imports from food preparations are higher
- Implication: adequate supplies of domestic butter



Source: USDA.

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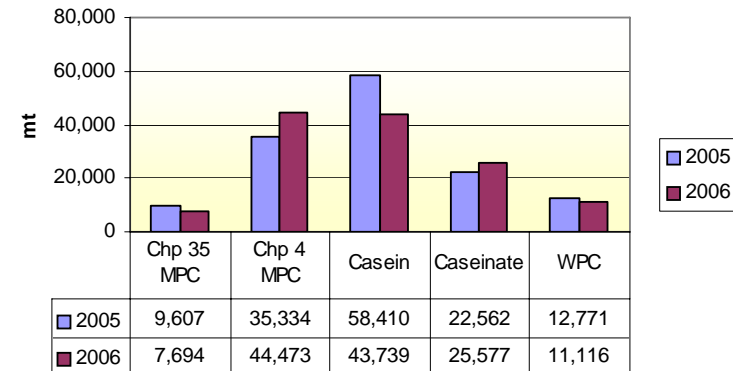
Source: USDA.

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Summary of Dry Protein Imports: Jan – Oct 2006

- Imports of dry proteins are mixed
- Total protein, however, is down
- Implications: global supplies are down

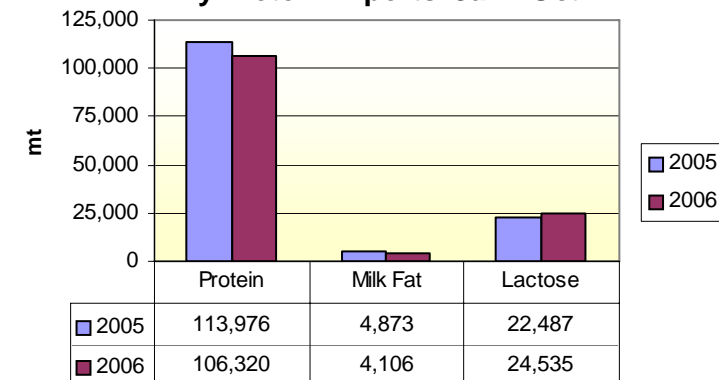
Dry Protein Imports: Jan - Oct



Source: USDA.

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Estimated Components from
Dry Protein Imports: Jan - Oct

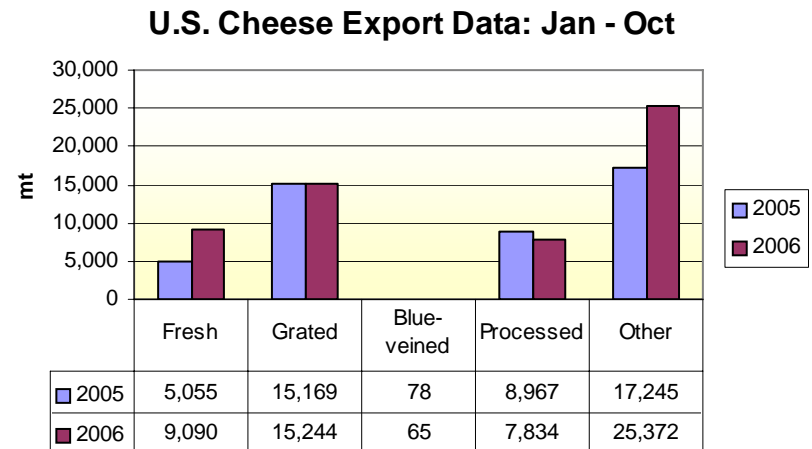


Source: USDA.

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Summary of Cheese Exports: Jan – Oct 2006

- U.S. is not a major exporter of cheese
- Exports of Fresh and Other cheese was up in 2006



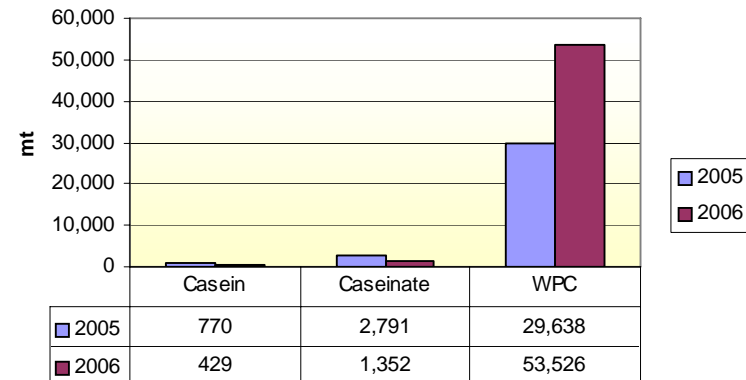
Source: USDA.

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Summary of Dry Protein Exports: Jan – Oct 2006

- Exports of whey protein concentrate very strong
- Dry skim milk exports holding strong
- Implications: U.S. setting global prices, domestic prices rising

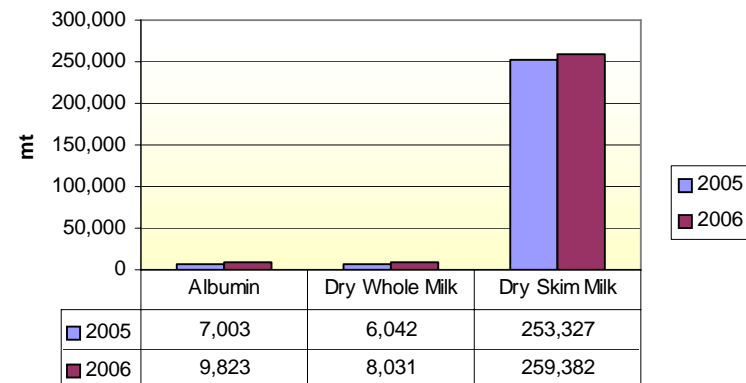
Dry Protein Exports: Jan - Oct



Source: USDA.

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Dry Protein Exports: Jan - Oct



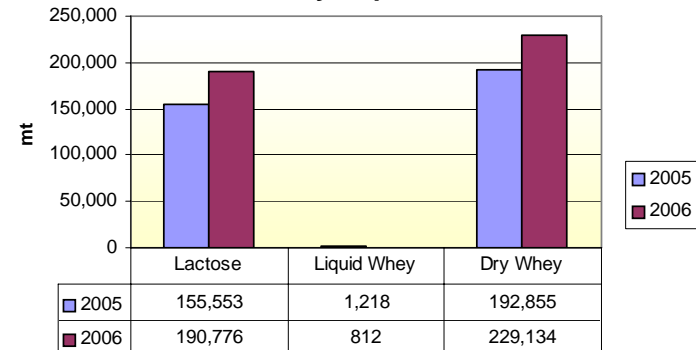
Source: USDA.

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Summary of Lactose and Dry Whey Exports: Jan – Oct 2006

- U.S. exports of lactose and dry whey very strong
- Dry whey export demand is raising domestic whey prices

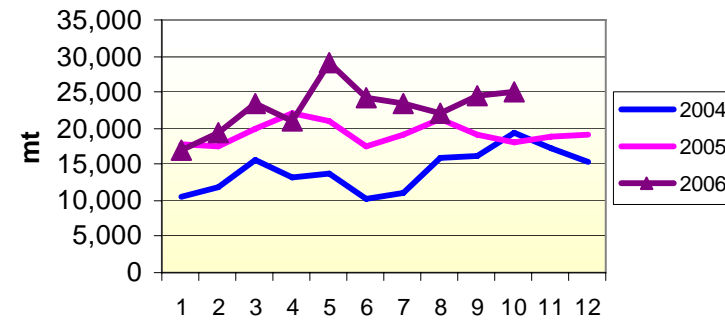
Lactose/Whey Exports: Jan - Oct



Source: USDA.

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U.S. Exports of Dry Whey

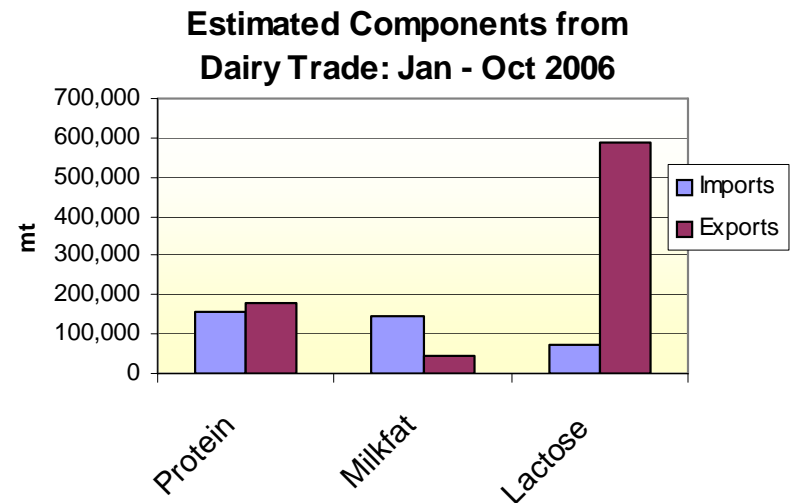


Source: USDA.

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Summary of Net Trade

- U.S. imports and exports protein in similar amounts
- U.S. a major importer of milk fat
- U.S. a big exporter of lactose
- Implications:
 - Have adequate supplies of milk fat
 - Exporting all the protein we can produce



Source: USDA.

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Implications for the U.S. Market

- Global markets more profitable than the Dairy Price Support Program
- Exports of skim milk powder and dry whey creating domestic shortage
- Prices of these products rising
- Cheese prices are being bid up
- Class III and IV prices are on the rise