

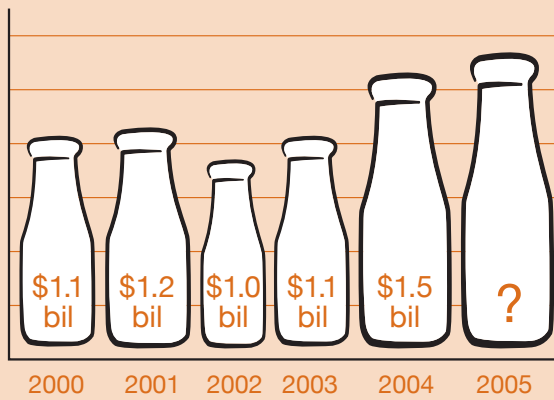


U.S. Dairy  
Export Council®

# THE DAIRY PLANET

ISSUE 1 | FALL 2005

## U.S. Dairy Exports Continue Upward Surge



Through August, total value of U.S. dairy exports was 26 percent ahead of 2004 and on pace to break last year's record.



## Increase in Volume and Value of U.S. Dairy Exports Continues in 2005

With the value and volume of U.S. dairy exports in most categories well above year-ago levels through August of this year, total 2005 dairy exports could well exceed last year's record level, according to the U.S. Dairy Export Council (USDEC).

"Exports continue to enjoy strong growth due to a number of factors, including tight supplies, high global demand, competitive U.S. prices and a commitment by U.S. suppliers to serve export markets," said Tom Suber, USDEC president.

Driven by continued global demand for U.S. Skim Milk Powder, whey and lactose, U.S. dairy exports through August reached \$1.1 billion. Skim Milk Powder, cheese, whey and lactose accounted for 69 percent of the total, or \$770 million. Whey exports were up 44 percent, with strong growth registered in Mexico (42 percent), Japan (58 percent), Korea (123 percent) and China (72 percent). Similarly strong were U.S. lactose exports, which rose 26 percent, with Japan, the world's largest importer, gaining 5 percent, and Korea, China and Southeast Asia registering, respectively, gains of 17 percent, 52 percent and 58 percent.

Substantial exports (90 percent unsubsidized) of U.S. SMP have continued, as well, with major gains registered around the world, including Southeast Asia, which was up threefold. Large sales were made to Algeria, Japan, Taiwan, Egypt, Hong Kong, Saudi Arabia and Pakistan – all markets where little was sold last year. Healthy, 31-percent increases also were experienced by Mexico and Central America.

In one of the period's few soft spots, cheese exports dropped 5 percent due to declines in shipments to Mexico and Japan. Sales to Mexico were off sharply because of increased competition from Chile and Uruguay. Fluid milk exports declined by 28 percent but ice cream exports rose by 5 percent, almost entirely due to increased shipments to Mexico and, to a lesser extent, the Caribbean and South America.

Overall, Suber emphasized, "The future looks very bright. Foreign markets constitute a profitable commercial outlet for our expanding U.S. milk supply. Almost one-third of the 1.5 billion pound increase in U.S. milk solids production between 2000 and 2004 was sold overseas, and we see that trend continuing."

## SPOTLIGHT

### U.S. Dairy Export Council: Proudly Representing the U.S. Dairy Industry!

Welcome to The Dairy Planet, a new quarterly newsletter of quick facts figures and features all about U.S. dairy exports, produced especially for the leaders of America's dynamic dairy industry.

Established in 1995 by Dairy Management Inc. TM (DMI), the farmer funded marketing promotion and research organization, the U.S. Dairy Export Council® (USDEC) represents export interests of U.S. milk producers, proprietary processors, dairy cooperatives, and export traders. It works to enhance international demand for U.S. dairy products through market development programs that build overseas demand for U.S. dairy products, resolving market access barriers and advancing the industry's trade policy goals. USDEC activities are supported by staff in Arlington, Va., as well as Mexico, Japan, South Korea, China, Taiwan, Hong Kong, Southeast Asia, South America, Middle East and Europe. "We have the privilege of representing the U.S. dairy industry and working on behalf of U.S. dairy producers," says Tom Suber, USDEC president.

For more information about The Dairy Planet or USDEC, contact Margaret Speich (mspeich@usdec.org) or Jill Johnson (jjohnson@usdec.org) or call (703) 528-3705.



## THE EXPORT INDEX Focusing on the Facts of U.S. Dairy Exports



Total value of U.S. dairy exports in 2004	\$1,490,000,000
Percentage increase over 2003	39
Total lbs. U.S. milk produced in 2004	170,800,000,000
Total lbs. U.S. milk solids exported in 2004	1,500,000,000
Percentage increase over 2003	31
Percent total milk production represented by exports	7.4
Leading export markets in dollar value in 2004	Mexico, Canada, Southeast Asia, Japan
Major markets for U.S. Skim Milk Powder in 2004	Mexico, Southeast Asia
Major markets for U.S. cheese in 2004	Mexico, Japan, Canada
Major markets for U.S. whey in 2004	China, Canada, Mexico, Southeast Asia, Japan
Major markets for U.S. lactose in 2004	Japan, China, Canada, Mexico



## PROFILES

# Meet Les Hardesty: Producer, Promoter and Export Advocate

**Greeley, CO** – “Wherever they live in this country, dairy farmers understand that the last load of cheese milk sold (CME Class III) sets the price for dairymen everywhere,” says Les Hardesty. “With U.S. production outstripping demand – even though demand is rising – the question becomes ‘What do we do with more milk?’”

For Hardesty as for most U.S. producers, this question is fraught with professional and personal implications. “It would be great if the kids (daughters Marci and Amber, son Chris) entered the industry,” he says, adding somewhat wistfully, “if they want to and as long as they’re happy.”

Hardesty, 49, and his wife, Sherrill, began their Painted Prairie Farm dairy in 1982, with 15 cows an hour north of Denver, along the Front Range of the Colorado Rockies. Through what he describes as “managed growth to gain efficiencies and continue to have our lifestyle,” the operation has expanded to include 300 acres and 18 full-time employees responsible for 650 Holsteins and Jerseys in two locations, including the Cozy Cow Dairy ([www.cozycows.com](http://www.cozycows.com)).

Designed as an attractive “start-to-finish” educational stop for tourists, school children and “kids of all ages,” Hardesty sees two-year old Cozy Cow as part of the answer to the long-term health of the U.S. industry. “It’s niche marketing. Not only are we showing people how their milk and other dairy products are produced, but who produces it. Besides it’s fun and they love our ice cream!”

With average annual U.S. production per cow up 16 percent since 1995 and expected to continue rising, Hardesty says “on the production side, we will continue to grow because, as producers, we want to milk more and sell more.” He looks to innovative new products like carbonated and caffeinated milk to help spur domestic consumption but agrees U.S. consumers will never account for all domestic production.

That is why he strongly believes “exports are a logical part of the answer” to U.S. dairying’s future.

“There is a huge worldwide demand for U.S. dairy protein,” he points out. “We are known for quality and safety. The U.S. is simply the best and we have the most potential to meet the demand.” Aside from some fluid milk being exported, to Mexico for example, he says

the majority of U.S. dairy exports are cheese, whey, lactose and other value-added products.

Hardesty is a strong proponent of partnering programs to meet the demand for customized export products, such as the one with Licons, Mexico’s social services agency, in which U.S. skim milk powder fortified with specific nutrients, such as iron and zinc, is reconstituted and distributed to meet the nutritional needs of the nation’s low-income population, especially children. “We can fortify the powder in the U.S. and ship it, and they can store it and use it for good health,” he declares.

A member and officer of, among others, the Dairy Farmers of America, the National Dairy Board, U.S. Dairy Export Council, and chair of Dairy Management Inc.’s Export and Dry Ingredients Committee, he devotes as much as 10 percent of his time working on industry marketing and promotion. “It’s easy to do,” he smiles.

From Les Hardesty’s perspective, the future looks good for the industry, “provided we all continue to innovate, export, partner and benefit together,” he concludes.

## Value Added Products Lead “Whey” for U.S. Dairy Exports to Mexico

Once prone to periodic meltdowns, Mexico enjoys a stable free market economy which recently passed the trillion dollar mark. It has a fast-growing, urbanizing population of 105 million with a thirst for fluid milk, growing taste for quality ice cream and cheeses, and a healthy demand for nutritious, protein-rich dairy ingredients and consumer products which far outstrips domestic production capacity to satisfy.

“The outlook continues to be very solid for U.S. producers,” reports Larry Solberg, USDEC Mexico general manager. “Our exporters have worked very hard and made huge strides in establishing Mexico as an important, stable, long-term customer and it is paying off.”

Continuing a four-year trend generated by USDEC’s innovative Quesoluciones (“Cheese Solutions”) marketing program, exports of U.S. cheese continue to account for one-third of all cheeses imported into Mexico which, in 2004, totaled more than 82,000 metric tons. Quesoluciones has been shown to expand Mexican consumer knowledge of – and demand for – U.S. cheese varieties through in-store sampling, and targeted print advertising and television cooking shows.

“There is tremendous opportunity to increase per capita consumption of U.S. cheese in Mexico,” says

Solberg. “We will continue to build consumer awareness of the variety, uses and wholesomeness of U.S. cheeses.”

Today the vast majority of U.S. export sales to Mexico are of unsubsidized products and they continued to fare well through the first six months of this year. Whey protein concentrate exports expanded 158 percent over the same period of 2004, to 7,100 metric tons. Similarly, high-value whey protein jumped 193 percent, and whey proteins rose 37 percent, lactose 34 percent and ice cream 24 percent.

Prior to NAFTA in 1994, practically all U.S. dairy exports to Mexico consisted of subsidized shipments of butter or milk powder and butter oil sold by the Commodity Credit Corporation. Since then, Mexico’s trade with Canada and the United States has tripled and the demographics bode well for the United States as Mexico’s closest and largest partner.

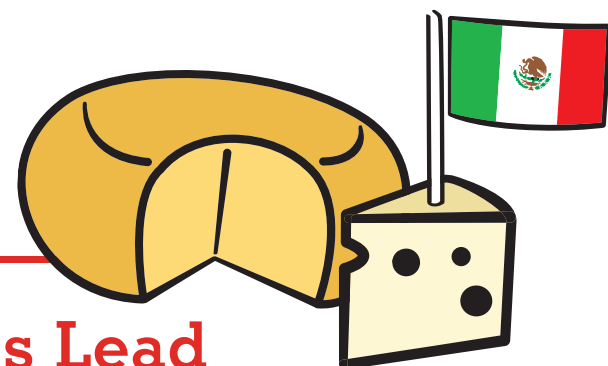
By 2020 estimates put Mexico’s population at 120 million people and milk consumption exceeding production by almost 45 percent. Who if not U.S. exporters will fill this gap and meet the demand for cheese, dairy blends, whey and milk powder, ice cream and other dairy products “south of the border?”

## Speaking of Exports

To help you speak up and speak out for U.S. dairy exports, USDEC has produced a full-color PowerPoint presentation about exports. Simple and short, it can be presented to a range of dairy industry leaders. The presentation includes text and background in the “notes” section of each slide. Accompanying the presentation is a Q&A with commonly asked questions about exports. In addition, all the presentation graphics are available for additional use in publications, on web sites and elsewhere. For copies and additional information, please contact Margaret Speich or Jill Johnson at U.S. Dairy Export Council, phone, 703-528-3049; fax, 703-528-3705.

## Get the Graphics

Is there a story, photo or graphic in this newsletter you’d like to use in your own publication? Please contact Margaret Speich or Jill Johnson at U.S. Dairy Export Council, phone, 703-528-3049; fax, 703-528-3705.



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