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The Babcock Institute

for International Dairy Research and Development



International Dairy Notes

November 2005

U.S. dairy exports are setting a blistering pace in 2005, and the annual total could exceed last year's record export value of \$1.5 billion by as much as one-fourth. Through September 2005, U.S. dairy exporters had sold about \$1.25 billion in dairy products to overseas customers, compared to \$1.0 billion for the same period in 2004.

Big gainers in the export product portfolio are nonfat dry milk and dry whey. For the first nine months of 2005, the value of nonfat dry milk exports, our biggest export item, was up 61 percent over last year, with volume up 54 percent. So exporters are enjoying higher prices on expanded sales. Whey value and volume changes were about the same while cheese sales were higher on slightly lower volume.

U.S. exports of nonfat dry milk and whey have been stimulated by a tight world market for milk proteins. Because of lower output in both the EU and Oceania, the U.S. is in the enviable position of having milk powder to sell at a time when world prices are significantly higher than the U.S. support price. This situation is expected to last well into 2006.

Percent Change in U.S. Dairy Exports, January–September 2005 versus 2004

Product	Value	Volume
Nonfat Dry Milk	60.8	53.7
Dry Whey	41.8	42.8
Cheese	2.3	-3.8
Dairy-based Food Prods.	15.8	2.4
Total, all products	23.1	17.1

The biggest customers for U.S. dairy products this year have been our closest neighbors, Mexico and Canada. While sales to Mexico, mainly in the form of nonfat dry milk, are up 43 percent over last year, sales to Canada are off slightly. Sales to China, Japan, and Southeast Asian countries are running one-third higher than 2004.

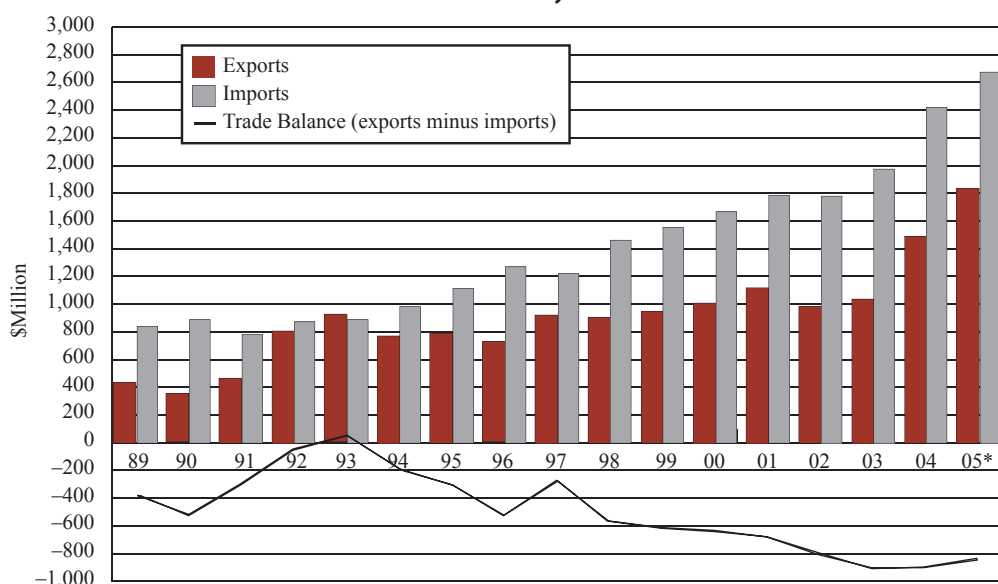
The value of U.S. dairy imports through September has totaled about \$1.9 billion, up about 10 percent on 6.5 percent larger volume. Less cheese and casein has been imported, but at higher prices. Butter import value and volume are down sharply from 2004, when very high U.S. butter prices drew abnormally large supplies from foreign sources. The largest contributor to gains in imports is dairy-based food products, up 11 percent in value and 17 percent in volume.

New Zealand has been the largest exporter to the U.S. in 2005 and sales from New Zealand are up 19 percent from 2004. Canada is the second leading source of U.S. dairy imports with sales up 10 percent from last year. Surprising in light of the recent strength in the Canadian dollar against the U.S.

dollar, the dairy trade deficit with Canada has widened—from -\$80 million in the first nine months of 2004 to -\$115 million in the first nine months of 2005.

The overall dairy trade balance for the U.S. will show a smaller deficit in 2005. Expect the value of dairy imports to exceed the value of exports by about \$800 million for the calendar year, compared to \$900 million in 2004.

U.S. Dairy Trade



*2005 projected based on values through September