



The Babcock Institute

for International Dairy Research and Development



International Dairy Notes

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MAJOR FOREIGN MARKETS FOR U.S. DAIRY PRODUCTS—SPOTLIGHT ON MEXICO

Mexico has been the leading importer of U.S. dairy products for the last five years, accounting for an average 18 percent of export value. In 2005, U.S. dairy exporters sold more than \$500 million worth of products south of the border, a record high and about one-third of total U.S. dairy export value. Exports to Mexico last year were more than twice those to Canada, our second leading foreign buyer, and five times those to Japan, in third place.

Our biggest selling dairy product in Mexico is nonfat dry milk. The Mexican government operates an extensive social program that distributes nonfat dry milk to needy families. The U.S. competes with other exporting countries and Mexico firms to supply the large volume of powder used in this program. This competition causes our nonfat dry milk exports to Mexico to vary substantially from year to year. Over the last five years, nonfat dry milk exports have ranged from 95 million pounds (2002) to 250 million pounds (2005).

Cheese is the second leading export item. U.S. cheese sales to Mexico more than doubled between 2000 and 2004—to 47 million pounds—but fell off slightly in 2005. Other major export products are dry whey and a variety of dairy-based food products like infant formulas.

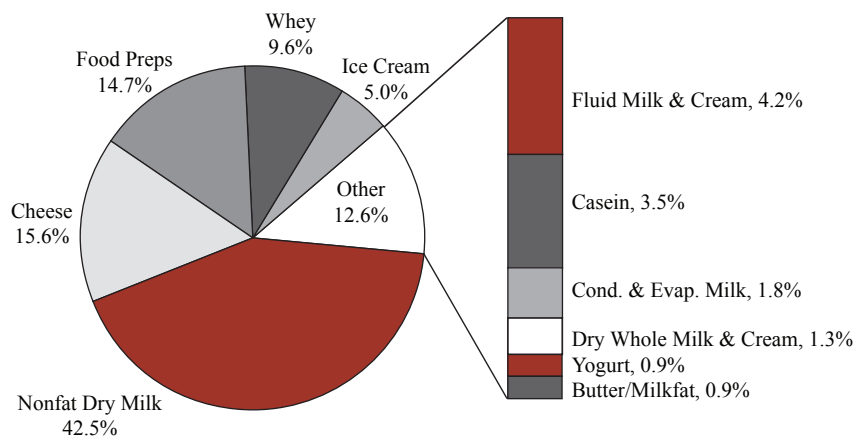
U.S. exports to Mexico were stimulated by the North American Free Trade Agreement (NAFTA), which became effective in 1994. NAFTA phased out tariffs on imports of all dairy products except nonfat dry milk over a 10-year period ending in 2003. The tariff on nonfat dry milk imports (over a duty-free volume of 40,000 pounds) is scheduled to end in 2008.

Dairy trade between Mexico and the United States is decidedly one-sided. In 2005, Mexico shipped dairy products to the U.S. valued at about \$95 million. Most U.S. dairy imports from Mexico were in the form of specialty dairy-based food products.

Cross-border dairy trade is a small part of total agricultural trade between the two countries, which is much more balanced. In 2005, the U.S. sold about \$9 billion in farm products to Mexico, with dairy accounting for only 5.5 percent of this total. Corn, soybeans, and livestock and meats represented about two-thirds of the export value. U.S. agricultural imports from Mexico in 2005 were about \$8 million, three-quarters in the form of fresh fruits and vegetables. Dairy was only 1 percent of the total value.



U.S. Dairy Exports to Mexico, 2001–2005



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics