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The Babcock Institute

for International Dairy Research and Development



International Dairy Notes

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2004 U.S. DAIRY EXPORTS UP 50 PERCENT, DAIRY TRADE GAP NARROWS SLIGHTLY

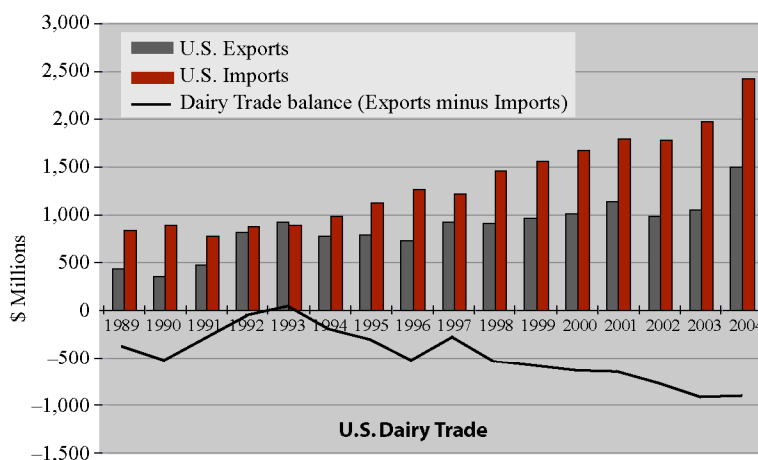
The value of U.S. exports of dairy products in 2004 was about \$1.5 billion, up \$500 million over 2003 and the highest ever recorded. The value of U.S. nonfat dry milk exports was more than double 2003, representing about 30 percent of the total value of dairy exports. Cheese and whey exports also set records, valued at \$200 million and \$160 million, respectively.

Dairy imports also set a blistering pace in 2004. Import value for the year was \$2.4 billion, up 22.5 percent from 2003. The big growth item among imports was cheese, with total cheese imports hitting nearly \$1 billion. Butter imports were double those in 2003. Both butter and cheese prices in the U.S. were very high in 2004, attracting off-shore supplies even at high over-quota tariffs. The U.S. dairy trade balance in 2004 (negative \$900 million) was about the same as 2003.

U.S. MPC IMPORTS DOWN IN VOLUME BUT UP IN VALUE FROM LAST YEAR

MPC (Milk Protein Concentrate) imports were 47,000 metric tons in 2004 compared to 59,000 metric tons in 2003. But higher world market prices elevated the value of MPC imports by \$20 million over last year. Casein and Caseinate imports showed the same pattern—smaller volume but higher value.

Smaller imports of these concentrated milk proteins were due to tight international markets for all forms of nonfat milk solids. This was a boon to the U.S. nonfat dry milk industry, which enjoyed not only much stronger export sales, but also expanded domestic use. Commercial use from January through November of 2004 increased 42 percent over the same period in 2003. The U.S. treasury has also benefited. USDA purchases of nonfat dry milk in 2004 were only 105 million pounds compared to 664 million pounds during 2003. That represents a savings of \$450 million dollars to taxpayers.



FTAA NEGOTIATIONS TO RESTART SOON

Negotiators will likely return to the table shortly to continue deliberating the nuts and bolts of the Free Trade Agreement of the Americas (FTAA). These talks, which began in the mid-1990s, have been on hold for about a year pending the outcome of the U.S. presidential election. The FTAA would open up trade across 34 North, South and Central American countries with a combined population of 800 million. It is one of several bilateral and multilateral trade pacts the U.S. is negotiating or has signed that are outside of the World Trade Organization (WTO) global agreement.

The U.S. dominates milk production among the FTAA countries. However, Argentina and Brazil are both significant players and have considerable potential for expanded dairy production and exports. Argentina milk production has lagged recently with that country's economic turmoil. But Argentina dairy farmers have enviable costs of production because of their low-cost grazing system and exports have been significant in the past. Brazil milk production is used primarily to feed its large population. But if used for dairy, newly-developed agricultural lands in central Brazil could make the country a significant net exporter.

2003 Milk Production, FTAA Countries

