



The Babcock Institute

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U.S. DAIRY EXPORTS DOWN SHARPLY FROM LAST YEAR, BUT THERE ARE SOME BRIGHT SPOTS

During the first half of 2009, the value of U.S. dairy exports was less than one-half of what was reported for the same period a year earlier. And the balance of dairy trade (exports minus imports) had switched from a + \$644 million surplus for the first six months of 2008 to a -\$222 million deficit this year. The turnaround in export value was due to both lower volume and lower prices. Total dairy export tonnage was off by 26 percent, with nonfat dry milk volume—normally our biggest dairy export item—down 54 percent, butter down 79 percent, and cheese down 29 percent. The price received by exporters of nonfat dry milk was down 45 percent. Prices for whey products, butter, and cheese were off 30, 11, and 6 percent, respectively.

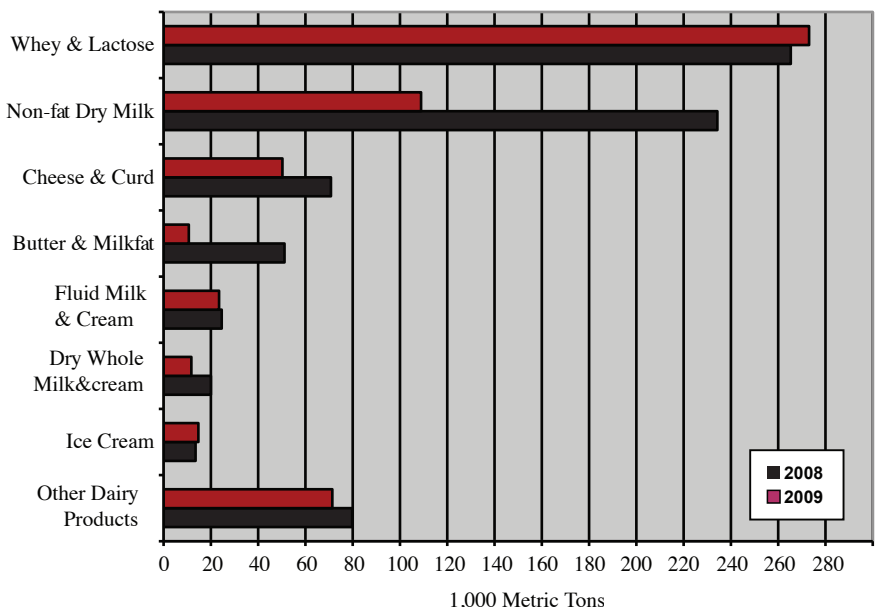
Disappointing dairy exports compared to levels of the last two years are a prime contributor to 2009's severely depressed farm milk prices. Strong exports at attractive prices helped drive up farm milk prices in 2007 and 2008, motivating dairy farmers to expand their herds. No change in 2009 milk production coupled with the fall-off in exports meant a buildup of stocks of dairy products in the U.S., dropping market prices sharply. Strengthening prices will come only when the milk supply is reduced to accommodate the loss of export markets.

It is important to note that while U.S. dairy exports so far this year are well below 2008, they compare favorably with earlier years. Using export volume for the first 6 months of the year, 2009 dairy export tonnage was only 6 percent under 2007, even with 2006, and larger than any year prior to 2006. So disappointment about export performance in 2009 may in large part be a product of unrealistic expectations based on the abnormal world supply and demand conditions of the last two years that strongly favored U.S. dairy exports.

There are some pieces of good news in the 2009 dairy export picture. In particular, export tonnage of whey and lactose was up 3 percent through June, and on track to set another record for calendar year 2009. Dry whey tonnage exported was 14 percent larger than the same period last year and lactose and whey protein concentrate were both up more than 6 percent. This is especially important to Wisconsin, the leading state in cheese and whey production.

Finally, the monthly trend in 2009 export value is positive. June figures came in \$30 million higher than February, the lowest monthly value for the year. While global economic recession remains widespread, there are modest signs of improvement. Hopefully, this will increase export opportunities during the rest of 2009.

Volume of U.S. Dairy Exports, January–June 2008 and 2009



Value of U.S. Dairy Exports, January-June

