



The U.S. Dairy Industry's Evolving Role in the Global Marketplace: a Banker's Perspective

By Porter Little

Porter Little is a retired CoBank banker who devoted many years to his dairy-industry clients and who watched, helped and guided them in expanding their penetration of global markets.

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Key Points:

- **The U.S. dairy industry has become a major supplier to the global dairy marketplace, with 13.3 percent of U.S. milk production equivalent sold overseas in 2011.**
- **The U.S. dairy industry has been exporting products for many years, but only in recent years has it begun to view exports as a major business opportunity.**
- **Until about ten years ago, U.S. dairy product exports consisted mostly of items shipped either under the Dairy Export Incentive Program or as donations – primarily surplus milk powder or surplus butter derivatives.**
- **The U.S. dairy industry has outgrown the domestic American market. With U.S. dairy production continuing to grow year-in and year-out, the industry must plan to increase its sales overseas to avoid swamping the domestic market.**
- **To make this happen, American dairy processors will have to adjust their thinking – and business plans – in at least two respects. First, they must strive to become reliable global suppliers, thus overcoming their reputation as unreliable opportunists. Second, they must work diligently to discover and then produce those dairy products that suit the tastes and preferences of overseas markets.**
- **As U.S. dairy processors target the global marketplace for future growth, they must be prepared to accommodate new kinds of risks and challenges that arise as they attempt to penetrate these foreign markets.**
- **It is incumbent on all exporters to understand (a) the risks that they face in selling goods or services abroad, (b) the pluses and minuses of the available risk-mitigation financing tools, and (c) how much risk they are willing to tolerate.**

Introduction

The U.S. dairy industry has taken to heart the familiar exhortation to do more with less. Over the past 30 years, dairy farmers have expanded total milk production by nearly 150 percent, even as the nation's dairy herd has shrunk. Milk per cow has grown from 34 pounds per day in 1981 to nearly 60 pounds per day in 2011. Better breeding and genetics account for about half of this gain,