



U.S. Dairy Product Exports: Growth Patterns, Causes and Implications

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Key Points:

- *The United States has become a major exporter of dairy products and currently ranks third behind the European Union and New Zealand.*
- *In 2011, the U.S. exported about 13 percent of the milk solids it produced. Many products are exported, but the most important ones are milk powders, dried whey products and lactose. Cheese and, to a lesser extent, butter are also being sold overseas.*
- *Dairy exports have grown because product prices in the major exporting countries of the world have converged. The U.S. dollar also has weakened against other major currencies – which makes U.S.-sourced dairy products relatively less expensive. Exports have also increased because of growth in world population and per capita incomes in many countries, which have increased global demand for dairy products.*
- *Global farm milk prices – like dairy product prices – have converged, and so too have the global total costs of producing milk. However, the cost structure differs among key dairy exporters. The U.S. is a relatively high variable cost producer with low fixed costs. As a result, the U.S. may need to “balance” differences between the world’s supply and demand, resulting in somewhat more volatile U.S. farm milk prices than in other exporting countries.*
- *Given a relatively stable and modest growth in U.S. domestic consumption of dairy products, exports provide an obvious potential for significant growth in milk and dairy product sales.*

Introduction

Changes in the volume and value of U.S. dairy product trade – especially increases in exports for many products – were key events of the decade from 2000-10. Since 2004, the average value of dairy products exported per month has grown from less than \$100 million (representing 3-4 percent of U.S. milk production) to nearly \$400 million (representing 12-14 percent of U.S. milk production) (*see Exhibit 1*). This report describes the factors that have driven this dramatic growth (including the convergence between U.S. and “world market” prices for milk and dairy products), the products that the U.S. exports and the linkages between increased exports and price volatility in U.S. markets.