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U.S. Dairy Trade: What Does the U.S. Want?

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Today's Agenda

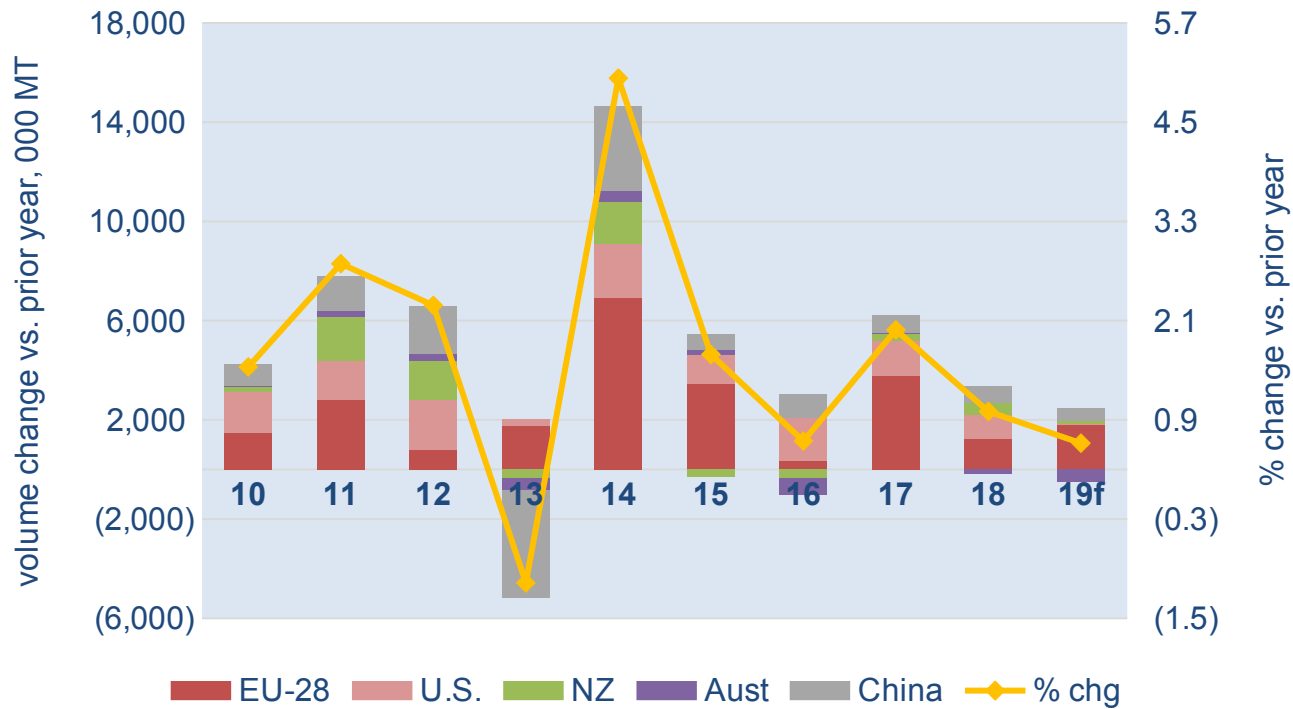
- Global markets 2019
- What does the United States want?





World Milk Production Growth Has Decelerated

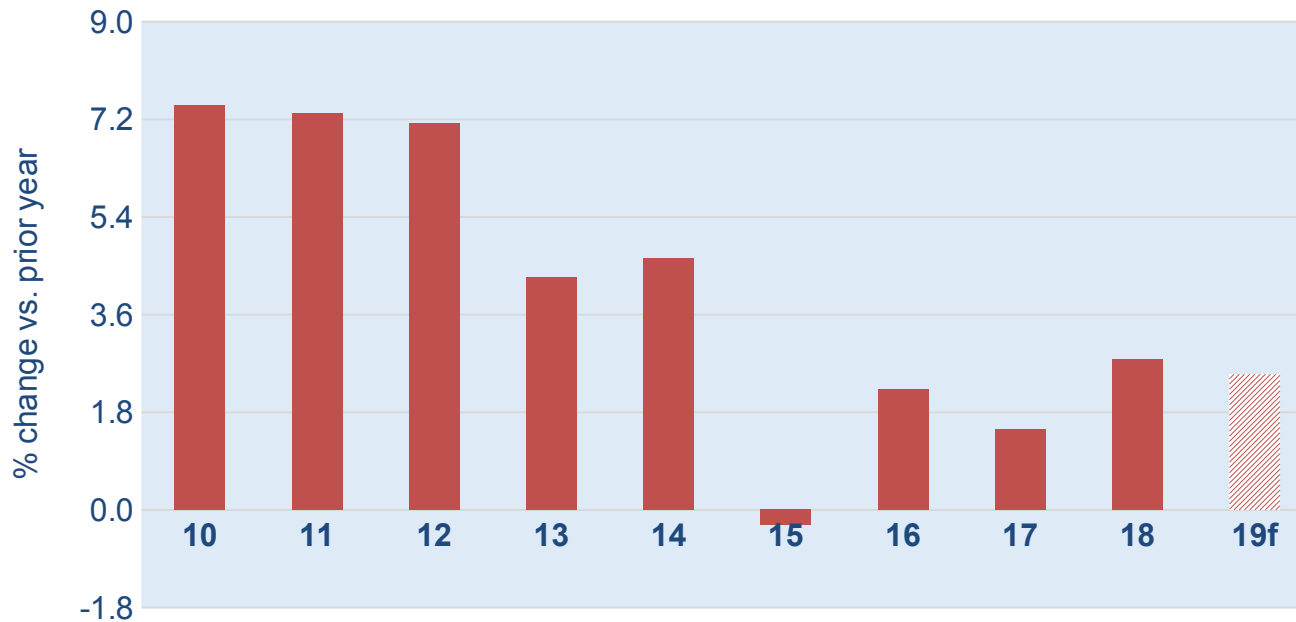
Milk production change vs. prior year





World Trade: 2018 Growth Was a 5-Year High

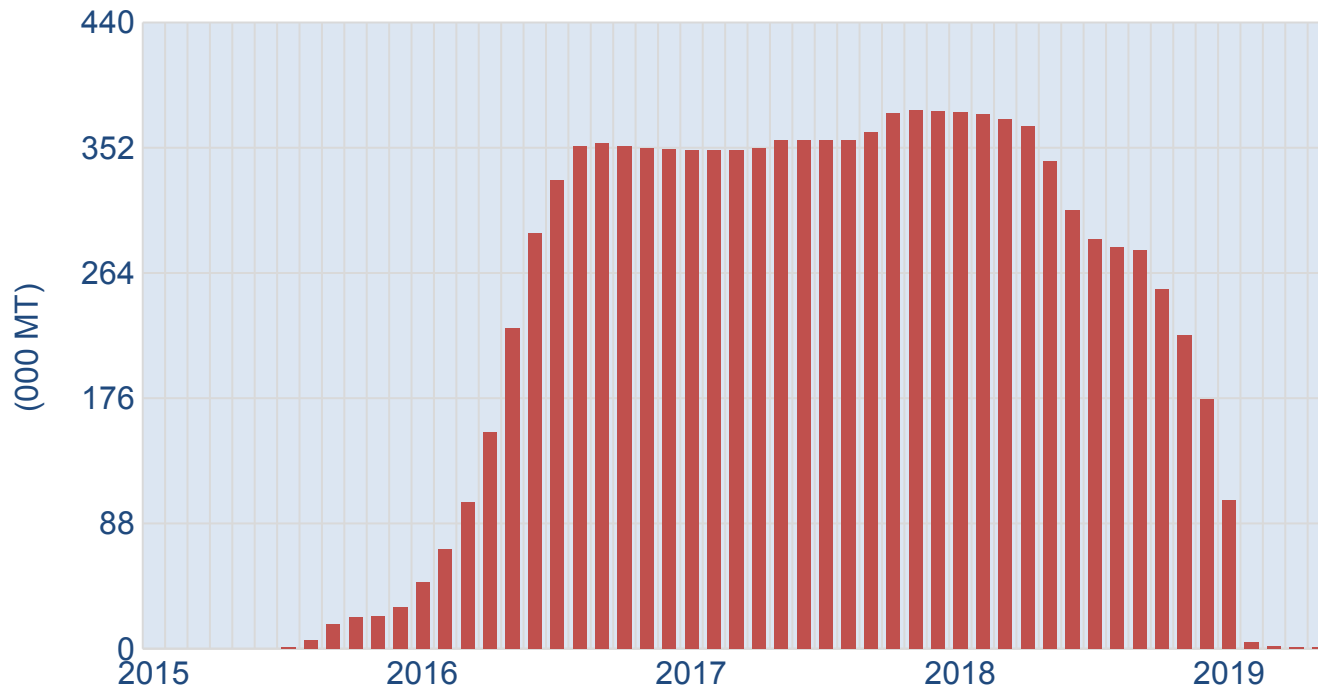
Global trade - change from prior year
(SMP, WMP, cheese, butterfat, whey)





Intervention (Buffer) Stocks of Powder are Gone

EU Intervention SMP Inventories





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Better Balance in 2019

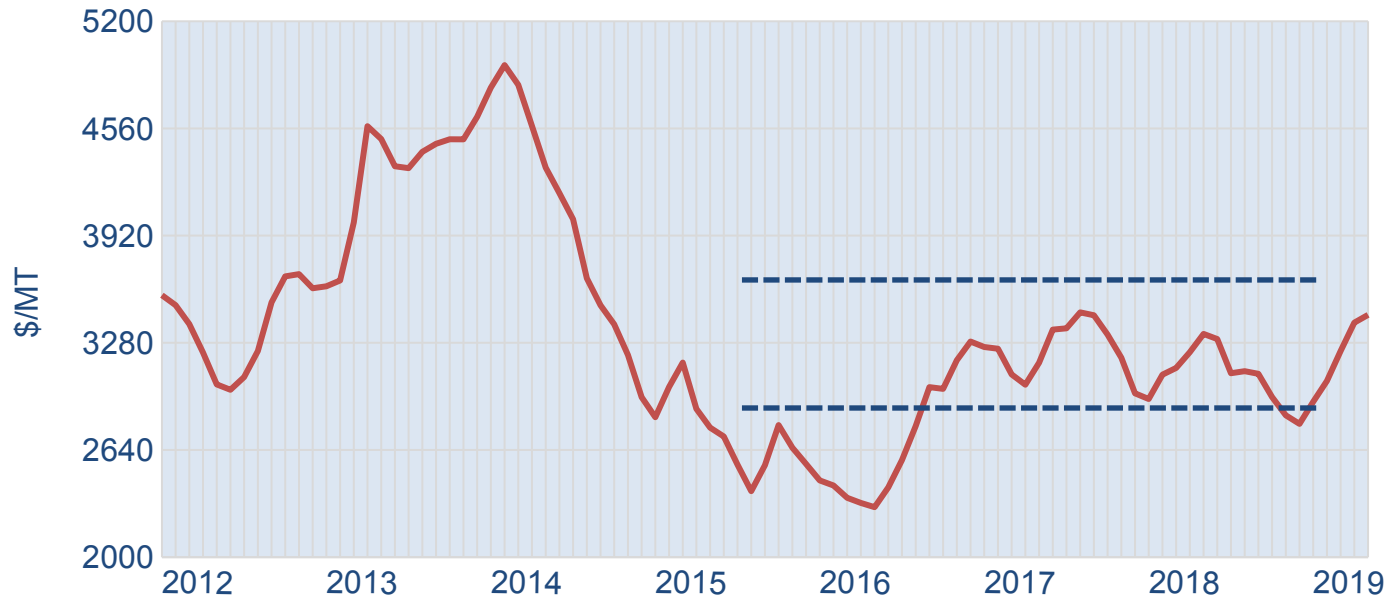
- Slower supply growth, especially from EU and U.S.
- Good demand growth
- Absence of intervention stocks





Prices Improved, But Don't Expect a Break Out ... Yet

**Average World Price
(WMP, Butterfat, SMP, Cheese - trade weighted)**



What Does the U.S. Want?

U.S. industry model is based on growth ...

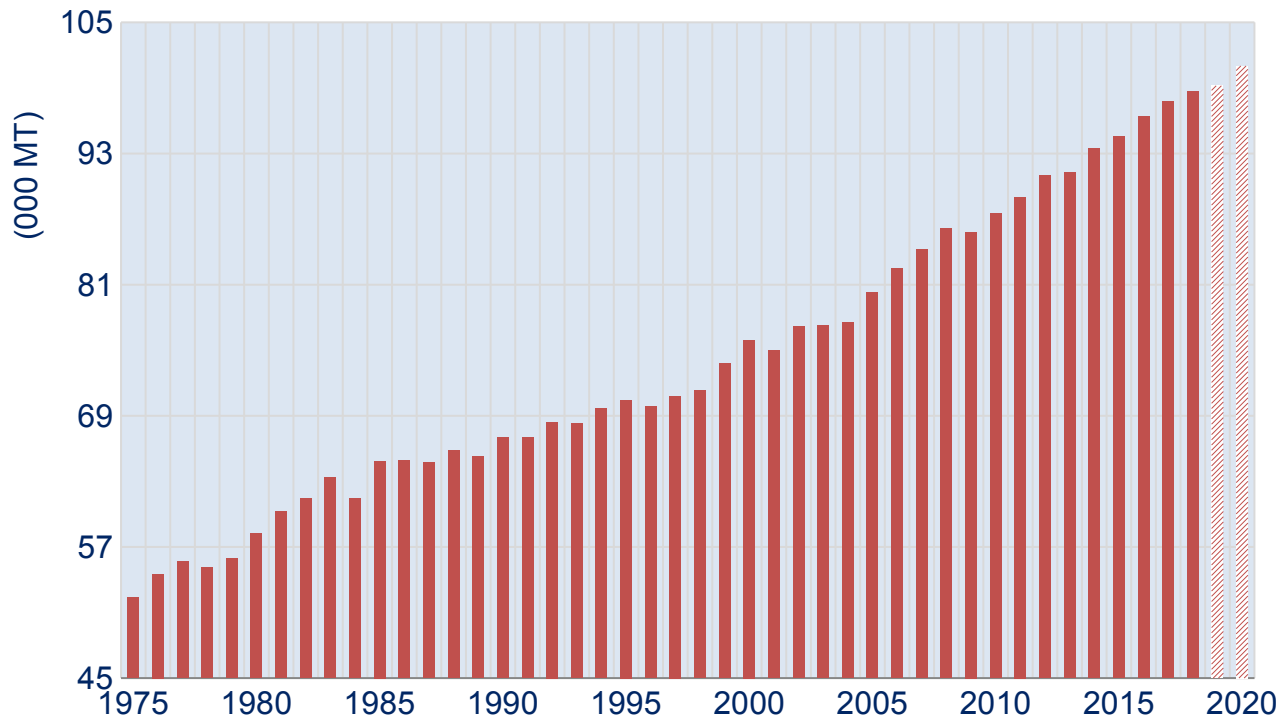
... and we need to export to continue growing





U.S. Milk Production Growing 1.5%/year for 40+ Years

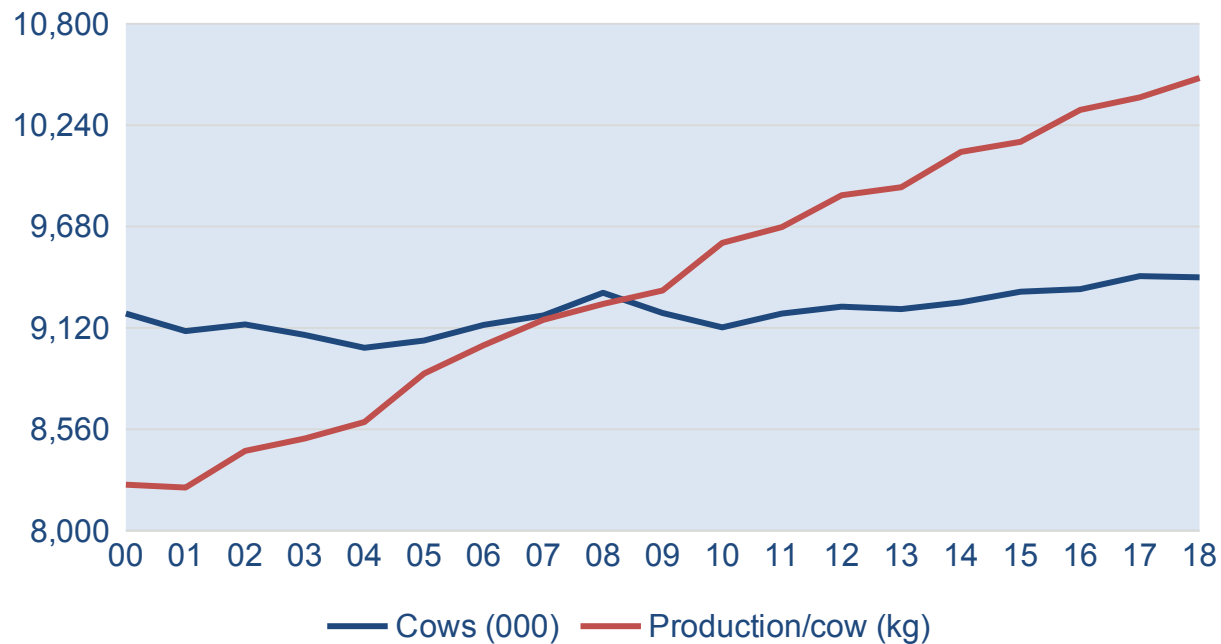
U.S. Milk Production





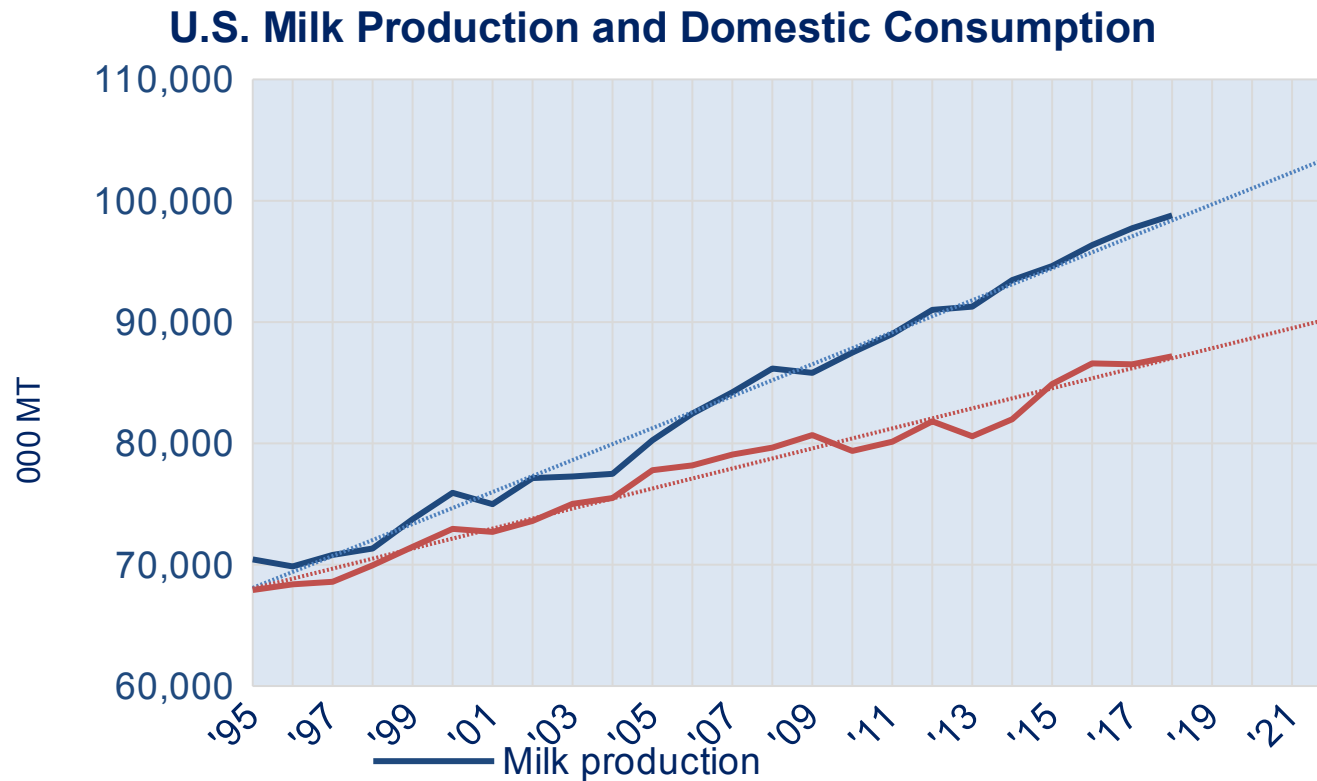
U.S. Cows Continue to Get More Productive

U.S. Dairy Herd - Cows and Productivity





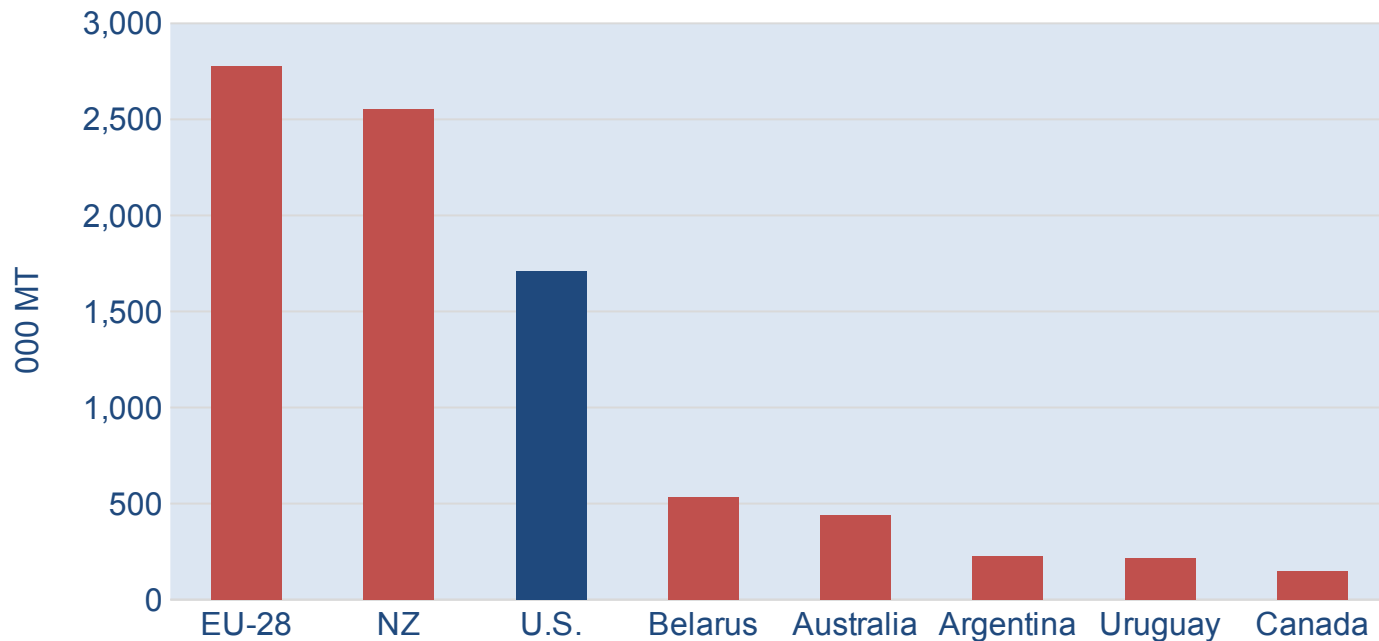
U.S. Production Growing Faster Than Consumption





U.S. Dairy Industry – About 17% of World Trade

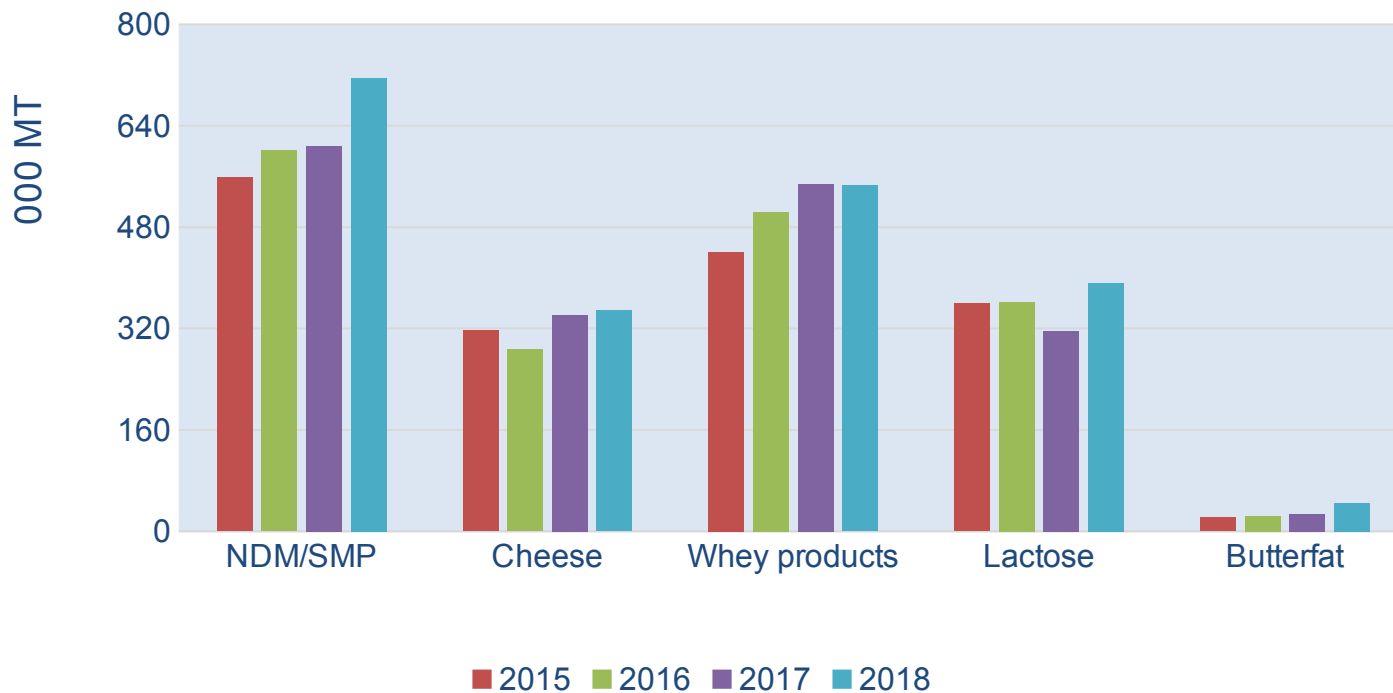
Dairy Exports - 2018
(SMP, WMP, cheese, butterfat, whey)





U.S. Focus on SMP, Cheese, Whey, Lactose

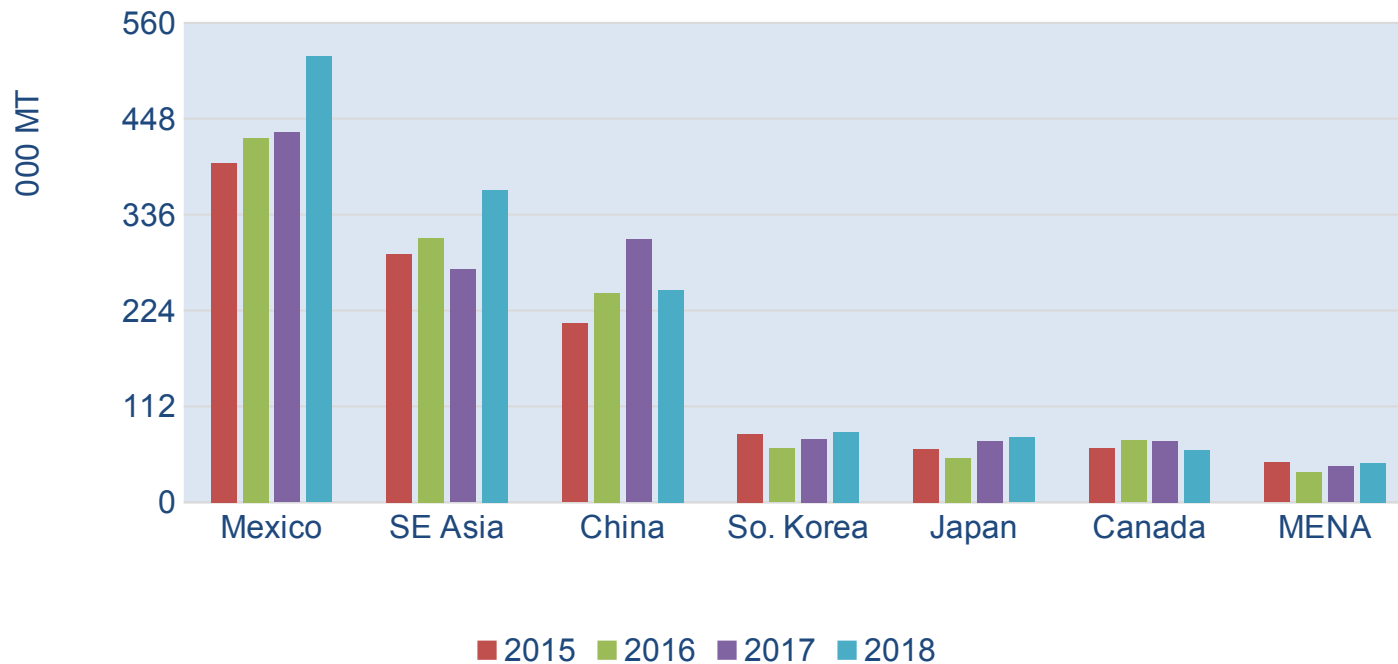
U.S. Exports





Half of U.S. Exports Go to Mexico, SE Asia & China

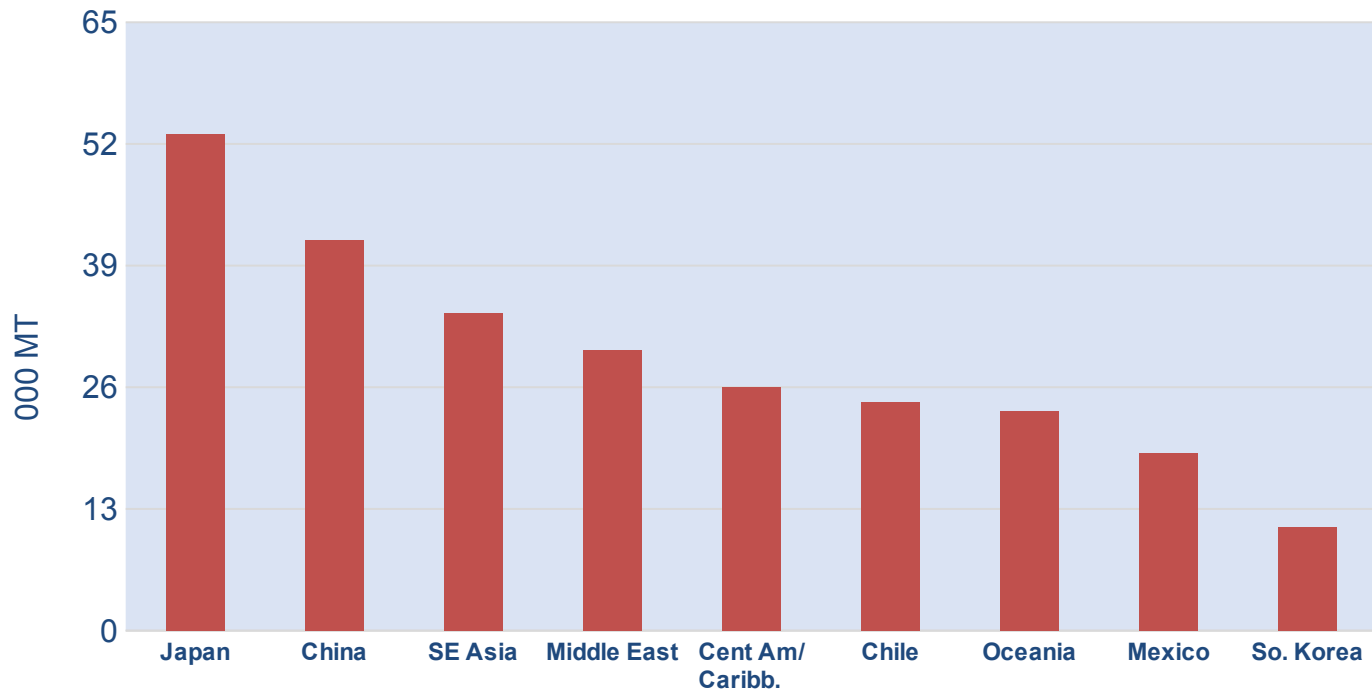
U.S. Exports (SMP, WMP, cheese, butterfat, whey)





U.S. Needs To Target Fast-Growing Cheese Markets

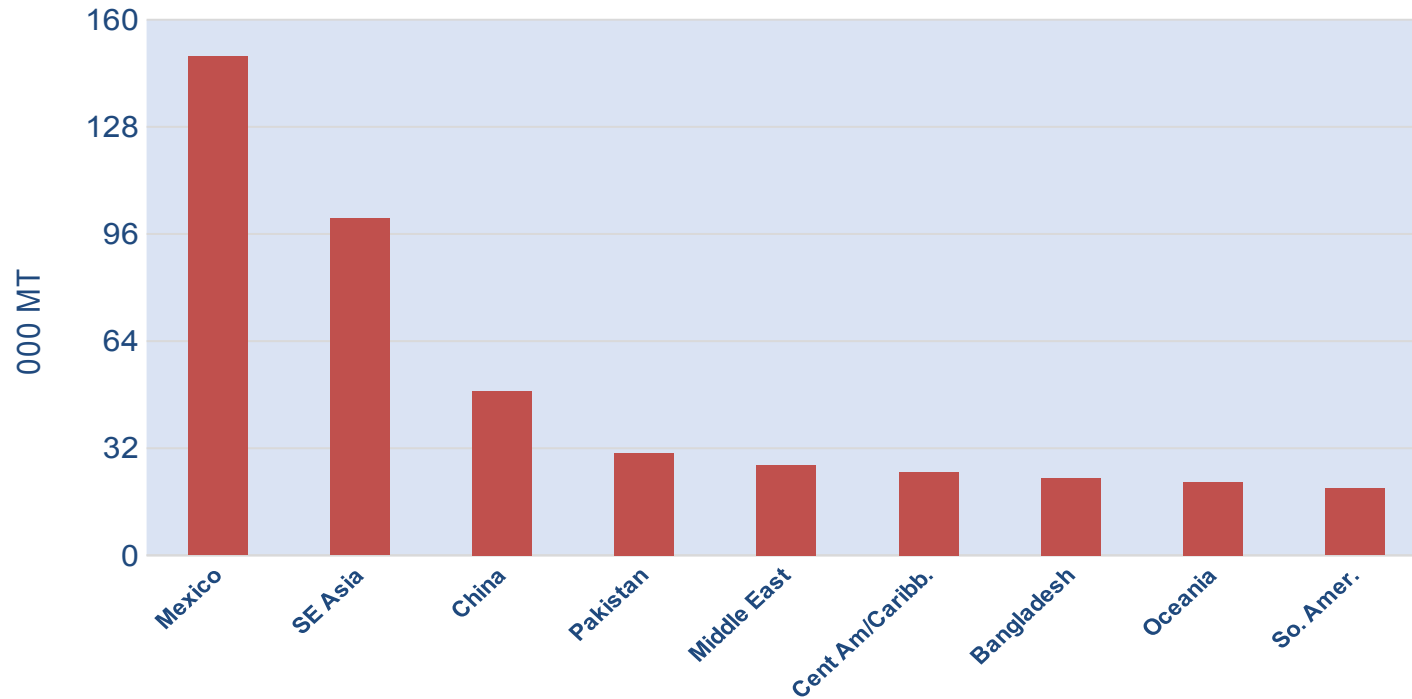
Incremental cheese imports, 2014-2018





Also Need to Target Fast-Growing SMP Markets

Incremental SMP imports, 2014-2018





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U.S. Wants Transparency and Fair Trade

- Transparency
- Science-based rules
- A way to deal with NTBs
- Consistent application of rules
- Fair access



Trade Agreements

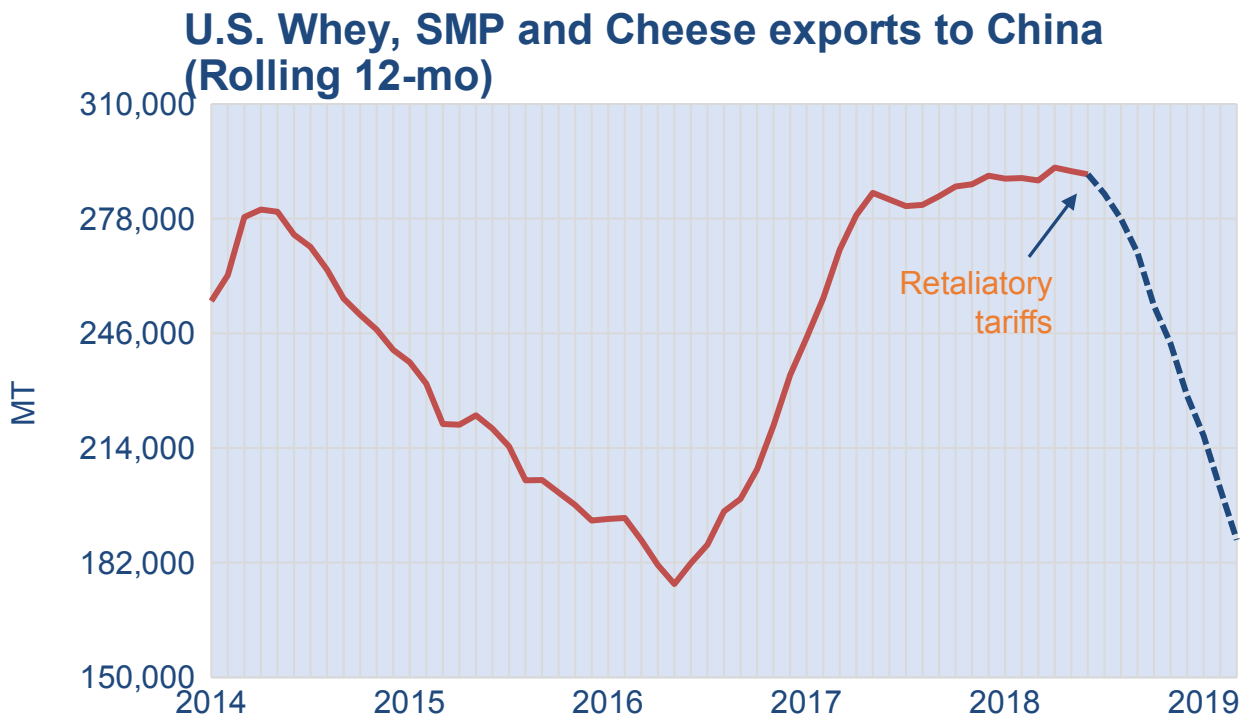
Preferential Dairy Access – Selected Markets				
	U.S.	EU	NZ	Australia
Mexico	◆ //	◆	◆ *	◆ *
Canada	◆ //	◆	◆ *	◆ *
China	///		◆	◆
South Korea	◆	◆	◆	◆
Japan	◆	◆	◆ *	◆ ◆ *
Indonesia		◆	◆	◆
Malaysia		◆	◆	◆
Vietnam		◆	◆ *	◆ *
Thailand			◆	◆
Mercosur		◆	◆	◆
Australia	◆	◆	◆	
Chile	◆		◆	◆
Colombia	◆	◆		

- ◆ Concluded FTA (implemented or pending near-term implementation)
- /// Re-negotiated FTA, with little additional access
- ◆ Negotiating FTA, with potential dairy access
- /// Subject to trade sanctions (retaliatory tariffs)

* - Part of CPTPP. Source: USDEC.



U.S. Exports to China Slashed



Closing Thoughts

- Markets will be more balanced in 2019, which could lead to some volatility in tactical purchasing.
- U.S. industry is focused on growth, and we need exports to make that happen.
- Need to improve access to import markets to capitalize on growing dairy consumption.



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Discussion

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