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## News Release

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### **Dairy Leader Testifies Government Can Help Dairy Exporters Maintain Markets**

As the U.S. dairy industry grapples with depressed global markets and reduced export sales, government can play a key role in improving the competitiveness of U.S. suppliers, Tom Suber, president of the U.S. Dairy Export Council (USDEC), told a hearing convened by the U.S. House Agriculture Committee's Subcommittee on Livestock, Dairy and Poultry.

"Congress and the Administration could pursue a number of measures that USDEC believes would help us maintain and improve our global competitiveness and permit us to more rapidly regain export markets as economies improve," Suber said at this morning's hearing to review economic conditions facing the dairy industry.

In the first five months of the year, the value of U.S. dairy exports was down 52 percent from last year's record pace, according to the latest U.S. Department of Agriculture/Foreign Agricultural Service data. A severe reduction in demand in key overseas markets, coupled with rising production last year, has led to a steady inventory build-up in 2009. As a result, commodity prices are about half what they were at this time a year ago.

"Entering the second half of 2009, recovery in global dairy demand remains elusive, leaving expectations for soft commodity markets for the balance of the year and into 2010," Suber told the subcommittee. "But whatever the declines in global markets, it is clear that processors and producers have come to rely on exports as very important to the health and growth of the industry. Exports have already been shown to dramatically benefit farmer income; we cannot afford to ignore this part of the equation so critical to overall supply/demand balance of the U.S. dairy market."



Ultimately, the return of consumer demand will come with the restoration of economic growth, he said. And virtually all forecasts foresee a medium- to long-term return to dairy demand expansion that exceeds the supply capabilities of the traditional exporters, leaving opportunities for U.S. suppliers to fill the gap.

In the meantime, however, a number of government actions can help exporters weather the difficult conditions, he said.

Among the measures that can have an immediate impact, Suber called for maximum use of the Dairy Export Incentive Program (DEIP) to help U.S. suppliers compete with subsidized exports from the European Union and aggressive pricing from New Zealand. Though allowable DEIP volumes are just a fourth of the annual commercial sales achieved over the last five years, “full use of DEIP can help our exporters keep a foothold in key markets and maintain relationships cultivated over a number of years.”

He also asked that Congress maintain funding for the Market Access Program (MAP) and the Foreign Market Development (FMD) program at their full Farm Bill authorization levels of \$200 million and \$35 million, respectively.

“MAP and FMD are excellent examples of successful industry-government partnerships that can directly benefit producer incomes,” Suber said. “USDEC has participated in these programs for several years and has used the funding to help raise awareness and grow demand for U.S. dairy products abroad.”

Another critical part of the export-support equation is the expertise of the U.S. Department of Agriculture’s Foreign Agricultural Service (FAS), both in Washington and throughout the world, he added. Ensuring adequate funding for this agency will enable government officials to work with industry to resolve sanitary/phytosanitary (SPS) issues and technical barriers to trade (TBT), as well as vital, time-sensitive challenges when product is detained in port.

However, as FAS and other agency staff work to make sure trading partners adhere to their commitments, it is equally important that the United States live up to its trade obligations, Suber warned. To this point, he referenced the U.S. violation of its cross-border trucking obligations with Mexico under the North American Free Trade Agreement (NAFTA). After the United States refused to allow Mexican trucks to deliver into the U.S. market, Mexico implemented new retaliatory tariffs, a move that puts U.S. dairy exports at risk.



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In addition to the near-term benefits provided by these measures, Suber offered recommendations that will provide medium- to long-term growth for U.S. dairy exports.

“We should swiftly move towards approving pending Free Trade Agreements with Panama and Colombia and, especially, South Korea,” he testified. “These agreements would remove barriers to our products and would provide us with an edge over our competitors or at least allow us to remain on more even footing.

“At the same time that we pursue genuinely beneficial bilateral agreements, we must not take our eyes off the bigger prize – a successful multilateral deal,” he continued. “We urge the administration to continue to aggressively pursue an ambitious Doha Round agenda, which would prevent backsliding on export subsidies and market access, particularly in developed countries, which has become such a serious concern this year.”

Finally, Suber asked the subcommittee to be prepared to assist the industry in accommodating the impact of increasing globalization on both the domestic and export markets.

This spring, the Innovation Center on U.S. Dairy – a high-level forum where top leaders from all sectors of the business come together to review structural constraints to industry growth and prosperity – retained a management consulting firm to profile the present and future state of global dairy trade and the competitive position of the U.S. industry. An Innovation Center task force is developing strategic recommendations for a path forward in the face of a more integrated and global dairy industry, which it is prepared to share with the subcommittee, he said. If structural reforms are pursued, the government will play a crucial role, he concluded.

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The U.S. Dairy Export Council (USDEC) is a non-profit, independent membership organization that represents the export trade interests of U.S. milk producers, proprietary processors, dairy cooperatives, and export traders. Its mission is to enhance international demand for U.S. dairy products and assist the industry to increase the volume and value of exports. USDEC accomplishes this through market development programs that build overseas demand for U.S. dairy products, resolving market access barriers and advancing the industry’s trade policy goals. USDEC activities are supported by staff in Mexico, Japan, South Korea, China, Taiwan, Hong Kong, Southeast Asia, South America, Middle East and Europe.