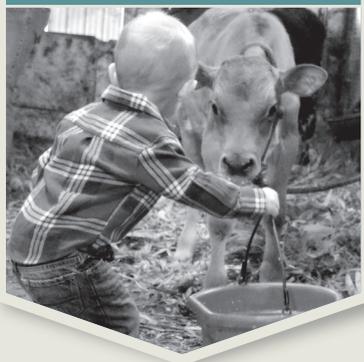


## REAL FACES of DAIRY



# The Face of a Worldwide Industry

*Dairy export is the future of the U.S. dairy industry. Who is shaping the industry, and how can you play an active role?*

By Christy Couch Lee

*The future of the U.S. dairy industry is bright. And one of the greatest shining beacons is the export industry.*

*World demand for dairy proteins is only growing. How can the U.S. position itself to capture the potential? And how can each U.S. dairyman play a part in that success?*

*Marc Beck, U.S. Dairy Export Council (USDEC) executive vice president, strategy and insights, says by understanding worldwide market demands and taking an active role in the entire U.S. dairy production cycle, each U.S. dairyman can play a role in export success and reap the rewards as well.*

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### ENTERING THE WORLDWIDE MARKET.

When DMI first founded USDEC in 1995, Beck says, the U.S. dairy industry was fairly inward looking – not as reliant on exports. However, the realized benefits of whey protein in the late '90s and early '00s changed the export game. And the U.S. dairy export industry boomed.

“At that time, it was evident that the world was moving into a more globalized situation, and we had both offensive and defensive strategies in place,” Beck says. “From the outset, the U.S. took a global lead in determining the value of whey protein in animal and human nutrition. At the time, our cheese export business was relatively small. But that began to change rapidly as we entered the 21st Century.”

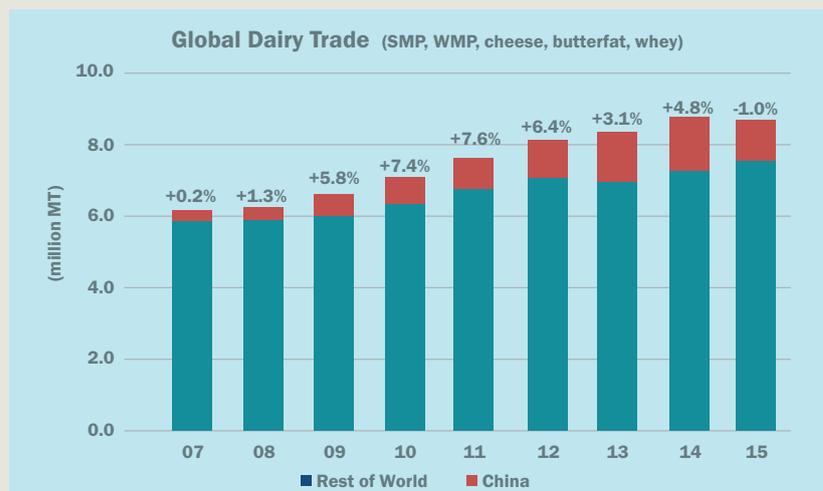
“Through unified and individual industry efforts, we eventually matured to a commercial marketplace structure with more milk production than our domestic market could absorb,” he continues. “To help move our growing milk supply, the U.S. dairy industry drastically expanded export sales. We have gone from the late '90s, exporting 3[%] to 4% of our production with about half being subsidized, to today, exporting 15% of a bigger pie, with an export industry generating \$7 billion back to the industry.” However, Beck says global demand is currently experiencing its first contraction since 2005.

“Over the past 18 months, we have seen an evolution to the situation we face now,” he says. “A couple of things have led to this situation: first, Russian sanctions took them off the world market in summer of 2014, just as China pulled back on milk powder imports and European Union farmers were gearing up for the expiration of long-standing production quotas. Now we have Venezuela, another large importer, essentially out of the market, with dropping oil revenues sapping the buying power of many other major importers. As a result, the world is still recalibrating supply and demand.”

### THE FUTURE IS BRIGHT.

Despite the current downturn in U.S. dairy exports, Beck believes the future is promising.

“Over time, we are going to see continued expansion of opportunities for the U.S. dairy industry,” he says. “No pundit in the world is challenging that fact. With the growth of income in the developing world creating a larger middle class, mostly in dairy-deficient countries, changing dietary habits lead to more consumption of animal protein. Long-term, we expect import demand will continue to rise.”



Source: USDEC

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**Marc Beck**  
**U.S. Dairy Export Council**

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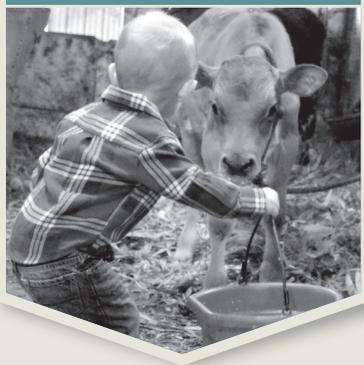


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## REAL FACES of DAIRY



### REAL FACES OF DAIRY

*The Real Faces of Dairy campaign is a year-long project designed to honor and celebrate the past, present and future people—well known and lesser known—shaping the American dairy industry through their personal stories. It provides a forum to highlight the many advancements creating an exciting and vibrant industry serving a global market.*

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The million-dollar question, he says, is when that robust growth in demand will resume. “A lot of people were mesmerized by the growth we saw from 2008 to 2014,” Beck says. “China experienced a growth and demand explosion. I said, ‘If China sneezes, we are going to catch a cold. Let’s hope we don’t get pneumonia.’”

Beck says China will see continued growth, especially in imports of infant formula, ultra-high-temperature (UHT) pasteurized liquid milk and cheese. He also looks to larger imports of milk powder and whey products – perhaps not to the levels of 2013-14, but still substantial. Beyond China, dairy import needs are growing in Southeast Asia and the Middle East/North Africa region.

“And on the supply side – I don’t think anyone fully understood the Europeans’ ability to expand milk production in the way they have over the past 15 months,” he says. “It will likely be well into 2017 before we see any sustainable signals that we will see a higher product return from a global standpoint.”

The U.S. is experiencing a stockpiling of cheese and butter fat, he says.

“The health of our exports cannot rely solely on milk powder,” Beck explains. “We have to balance that out with exports of cheese and other dairy products that the world needs.”

### THE NEED FOR EXPORTS.

Beck says the U.S. dairy industry has shown a great ability to grow in production.

“Our domestic demand expands about 1% a year, while production increases about 1.2[%] to 1.6%,” he says. “It doesn’t take an Einstein to see the difference. We have to move that product somewhere else to not burden the domestic market, notwithstanding the recent growth in domestic cheese consumption, much of it in foodservice.”

He believes domestic and international demand for U.S. dairy products go hand-in-hand. One is not more important than the other.

“We are at a point of no return, in my opinion,” Beck says. “We need to now put ourselves in the position to compete and move into further growth. We need to focus on our ability to compete and win.” So does each individual dairyman play a role? Absolutely, Beck says.

### IT BEGINS AND ENDS WITH THE DAIRYMAN.

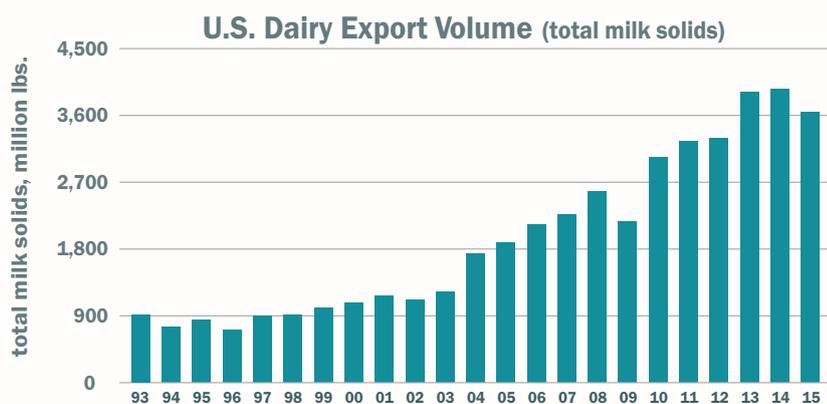
“It all starts and ends with the dairy farmer,” Beck says. “It begins with the milk being produced on his farm, and it ends with the price he receives for his milk.”

“Exports have gotten a lot of attention over the past few years,” he continues. “The health of the global marketplace, as a whole, is critical for the American dairy farmerately, we’ve been in a pinch. But this squeeze will come to an end. The longer-term outlook is still good.”

Whether a dairy producer markets through a cooperative or a proprietary business, it’s critical that he stays as engaged as possible in the upstream of his product, Beck says.

“A dairy producer should understand what is being produced from his milk, where it’s being produced, and where it is moved,” he says.

“For instance, in the United States we typically make ‘nonfat dry milk,’ but overseas buyers want ‘skim milk powder,’ which is a protein-standardized product,” he says. “U.S. cheese typically has a higher moisture content than what international consumers are looking for. We need to be more aligned with international specs and norms. We run operations on a large scale to minimize costs and utilize efficiencies, and that makes a lot of sense. But we also must seek opportunities to provide the right products for a buyer segment that we will increasingly need as we grow our industry.”



Source: USDEC

### SHARE YOUR STORY

Throughout 2016, the Real Faces of Dairy project encourages everyone to share their dairy story and upload pictures of what dairy means to them. The dedicated website features interactive activities, including photo and essay contests. Visit [www.realfacesofdairy.com](http://www.realfacesofdairy.com).

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– Marc Beck, USDEC

### POSITIONING FOR THE FUTURE.

Each American dairy farmer has the opportunity to help grow the export situation, Beck says.

“Each producer has put in the funds through the national checkoff to help build exports, and that’s their material contribution and a big collective resource we have,” he says. “Because of that investment, they should challenge what is being done. Look at what is being done on your own operation, and also the upstream of your business. Investment decisions and innovation are absolutely critical.”

In addition, he’s quick to acknowledge that dairy producers already have elements in place that are moving things in the right direction, but that now, when conditions are tougher, is the time to work those instruments even harder.

“New Zealand and Europe have the reputation of being ‘clean and green,’ but we have the opportunity to build a huge amount of trust across the global supply chain as well,” he says. For instance, U.S. dairy farmers have a tremendous record on animal care and sustainable farm practices that are now being channeled into metric-driven messages by producer-funded work through DMI and the Innovation Center for U.S. Dairy.

To help build that trust overseas, USDEC developed a marketing platform called “Why U.S. Dairy” to ensure global buyers understand the U.S. offering and the high standards of U.S. dairy farm practices. Dairy exporters use this positioning to communicate the value of our products.

“Moreover, it’s important that farmers understand their customers’ business,” Beck says. “And they need to make sure the company or plant they ship to is properly servicing customers. In a world of technology, personal interaction with customers is not diminished; to some extent it’s even more critical.”

Ultimately, Beck says, the future of the U.S. dairy export situation is promising

“I’m confident that dairy has growth opportunities in a world seeking nutrition, in places where they don’t have the ability to produce,” he says. “But we have to recognize we’re not the only supplier and we have to live in a world where our competitors are seeking the same growth opportunities. And that requires constant innovation, constant vigilance, constant customer service.”

Maintaining focus on worldwide demands and rising to meet those demands, the U.S. dairy industry can be poised to capture the potential.

Yes, the future is most definitely bright.

#### **How can you as a producer impact the export situation?**

- 1. Quality is key.** Internationally we have a great reputation for high-quality dairy products. Continue to focus on that.
- 2. Stay engaged.** Work with your processor to learn what their customers are looking for in new and existing dairy products.
- 3. Continue to innovate.** Efficiency in production is another hallmark of the US dairy industry. We must continue to lead.



#### ABOUT THE AUTHOR

Christy Couch Lee combines a background and passion for agriculture, and has owned Cee Lee Communications, Hoopston, Ill., for six years, specializing in freelance writing and photography in the agricultural industry. You can read more about Christy at [www.realfacesofdairy.com](http://www.realfacesofdairy.com).

View the interview with Marc Beck at <https://vimeo.com/177433918>

We value your input; please take our survey at <http://bit.ly/253HCaa>



The U.S. Dairy Export Council (USDEC) is the international export function of Dairy Management Inc. (DMI), funded primarily by farmer checkoff dollars, with support from USDEC member dues and funding from the U.S. Department of Agriculture’s Foreign Agricultural Service. “Our mission is to increase the value and volume of U.S. dairy product exports,” says Marc Beck, USDEC executive vice president, strategy and insights.

**NEXT MONTH:** Dairy products are evolving to more than just the traditional milk, butter and cheese. What is coming and how will that change the dairy landscape? In the September issue, we will focus on the importance of milk and milk protein to feed a growing world population.