ADSA Production Division Symposium: Current and Future Determinants of Dairy Product Pricing

807 Factors that are important in determining US milk prices.
D. S. Brown*, *Food and Agricultural Policy Research Institute, University of Missouri, Columbia.*

The US dairy industry has experienced extreme volatility in milk prices over the past several years. The milk pricing system is often described as one of the most complicated pricing mechanisms in agriculture. In the past few years, the industry has seen milk prices go from record highs to record lows in very short periods of time. This research will provide some answers and insight into the reasons milk prices have become so volatile. Analysis of retail markets for the major dairy products will be included in this research. Retail pricing of all cheeses, butter, nonfat dry milk and whey are important in understanding how the US dairy industry operates. One longstanding component of federal dairy policy is the federal milk marketing order system. Milk orders provide a mechanism to set minimum prices to be paid for milk used in different manufacturing processes based on dairy product prices. Federal orders only provide for minimum pricing and over-order premiums can also be an important component in determining farm-level milk prices in some areas of the United States. The move to end product pricing with the last round of federal order reform has made for some challenges between processors and producers. There are currently four classes of milk in the federal order system. State milk pricing can also be important in determining milk prices with California's milk pricing system being just one example of other pricing methods in use today. Other federal dairy policy can play a role in US milk prices as well. Currently, the industry has a price support program in place for some manufactured dairy products. In periods of low prices, the government stands ready to purchase all products offered at the set purchase prices. This program has had a smaller effect in the past few years given the rise in feed prices. The Milk Income Loss Contract (MILC) program also operates in the dairy industry as a direct payment program in periods of low milk prices and/or high feed costs. This program can also affect the outlook for milk prices. A brief look at potential new dairy policy will be addressed as it relates to milk prices.

808 Issues facing US dairy exports: Regulatory coherence and trade barriers.
J. Castaneda*, *U.S. Dairy Export Council, Arlington, VA.*

Lack of regulatory coherence and trade barriers limit the US dairy industry's access to export markets. The crux of the problem is the unjustified use of technical barriers, particularly sanitary and phytosanitary (SPS) measures that US exports face. This issue is one that threatens to grow even larger and more problematic in the future if not immediately addressed. We, collectively as an association and individually as members, are spending more and more time on these issues. In too many cases the problems faced by the dairy industry are growing and trade is being negatively affected. This presentation will focus on some of the problems we and other sectors have encountered with SPS measures, including lack of regulatory coherence among the various US agencies working on SPS issues. I will address (1) promotion of approaches that could improve the situation, including increased transparency, notification, harmonization between nations; (2) how the Administration can use past, current and future trade agreements to provide a vehicle for strengthening international rules and practices, which will help facilitate trade. It is important to note that the World Trade Organization's SPS agreement is essentially the only tool we have to deal effectively with countries that create SPS barriers to block trade. It provides a set of rules and an institutional setting to pressure countries that clearly stray from science-based standards to stop imports. However, as a set of principles agreed to 15 years ago, the SPS agreement is currently insufficient. In many cases there is a need for stronger and more specific rules to address trade barriers. This will be the focus of our attention in the coming years, so that the U.S. Dairy Export Council can assist in keeping international markets open for our products.

809 Producing for a global export market.
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After more than 18 years in the New Zealand dairy industry, with roles ranging from technical and commercial to marketing; living in 3 countries (New Zealand, Japan and now the USA), I have developed a good understanding of the world dairy environment. During my involvement in the global dairy market, there has been an evolution in the way people view quality: from product quality and consistency to supply chain quality. Traditional concerns about price still exist, but they have now been overtaken by concerns about food safety, and attention to issues encompassed by new phrases like "application focus" and "value added." To succeed in today's global environment we need to understand our future customers. The historic dairy markets of Europe and North America still remain the leading consumers of dairy products, but Asia is fast emerging as the new market for growth. Standard dairy products are still required along with development of additional products for these "new" markets, but the focus on application know-how and food safety concerns in Asia differ from what we consider the "norm" in Europe and North America. This presentation will focus on identifying new customers and touching on some of the areas that need to be front-of-mind when supplying these new global customers.