# Agriculture by Susan B. Cohen

## Dairy industry launches export push

*Under siege domestically, dairy farmers look to foreign markets to sustain industry growth.*

The U.S. dairy industry—possibly the most productive sector in the entire economy—has launched a drive to break out of the bind in which it finds itself. Confined to a domestic market in which it is under attack for producing "surpluses," the industry is actively pursuing an export expansion policy to pin down the margin of realized growth. Latin America, where U.S. producers enjoy a premium on transportation costs compared to Europe, is the main market being targeted.

But success will require creative new approaches to market development.

Not surprisingly, the Wisconsin Agriculture Department is playing a leading role. The dairy state, which supplies Mexico with most of its live dairy cattle and has extensive ties with Mexican dairy producers, just led a 10-day exploratory trade mission to Mexico, Venezuela, and the Dominican Republic. Wisconsin Agriculture Secretary Rhode and his trade team are now developing a set of specific programmatic proposals to present to Agriculture Department chief John Block, according to international trade specialist Al Herman, who coordinated the Latin American mission.

Wisconsin officials and members of the industry point out that while the USDA and Commodity Credit Corporation have definitely been dragging their feet, the industry itself has not taken the initiative to take advantage of existing avenues for export development. Instead, they've let the big grains have all the action. There was, for instance, scarcely a dairyman to be seen at the recent Agriculture Council of America Farm Export promotion conference. In recent years, dairy imports have exceeded exports by as much as six to one. A situation of worldwide commercial dairy "surpluses," with the European Community aggressively subsidizing cutrate exports of its famous milk and butter "mountains" has been a strong disincentive.

The crux of the problem on each side of the prospective dairy trade flow is price. Generally, a three-tiered price structure prevails for nonfat dry milk, the leading trade product: a U.S. domestic market price, supported by the federal program at 80 percent of parity, and now at about $1.20 per pound; a "world market" price, dictated for the most part by the European Community, which is now at about 60 cents per pound; and a Commodity Credit Corporation sales price that hugs the world market price in between.

Virtually all U.S. shipments of dry milk have been handled by the Commodity Credit Corporation directly to Conasupo, the Mexican government food agency. In each of the past four years, CCC has sold from 40,000 to 80,000 metric tons of nonfat dry milk to Conasupo. In December 1981, sales of another 60,000 metric tons of milk were negotiated, like the others, at about half the domestic market price for U.S. milk. At this rate the private trade can't hope to compete.

Yet, as the Wisconsin delegation discovered, Mexico, with a three-million-liter per day shortfall of milk, is interested in buying "three times" that amount, if the price is right. Conasupo clearly feels obligated to make maximum use of bargain priced surpluses from other countries, the interests of Mexico's own dairy producers notwithstanding. In fact (and this is a point of irony which ought to suggest a fresh policy approach to trade development planners) Mexico's dairy producers are more often than not on strike because Conasupo's cheap import and pricing policies make it unprofitable, if not impossible, to sustain production. This only increases the pressure for more imports in a classic vicious cycle of undercapitalization and dependence, a situation that is not only no help to Mexico but no help to U.S. exporters either.

Other than the immediate possibility of commercial exports of dried whey (a product containing valuable protein that can be used in baking or feeding blends, and is relatively low priced in the domestic market), dairy industry representatives properly insist that any longer-term stable trading relations for continuing delivery of U.S. commercial dairy products to Mexico, or elsewhere in Latin America, must be based on f.o.b. product prices comparable to the prices paid in the domestic U.S. market. Mexican producers, we submit, would readily agree.