U.S. Dairy at a Global Crossroads

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Abstract

Current dynamics in world dairy markets and the potential for global and domestic trade policy reform are bringing the U.S. dairy sector to a new crossroads as it faces competitive forces from outside its borders. Those forces—demand for new products by consumers in industrialized countries, changes in technology, rapid economic growth in emerging developing countries, particularly in Asia, and the increasing role of multinational firms in domestic and global dairy markets—are leading to increased dairy consumption, more opportunities for dairy product trade, and foreign direct investment benefiting both U.S. consumers and producers. As global demand for milk and new dairy products expands, the roles of policies that support prices are diminishing, while the roles of flexibility and innovation aimed at improving competitiveness are growing.

Keywords: International dairy markets, dairy trade, dairy policy, tariffs, production quotas, foreign direct investment, cheese, butter, dry milk powders

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This report represents one of the last professional contributions of Chris Bolling, who passed away in April 2006. Chris was an agricultural economist with USDA, ERS. She will be remembered by her colleagues at ERS and in the agricultural economics profession for her work in the area of foreign direct investment in agriculture, the Brazilian agriculture sector, and the economics of the processed food sector.
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