



An Overnight Success, 20 Years in the Making

Trade with Mexico required a wide range of development activities, including retail and foodservice promotions, regulatory clarifications and trade policy advocacy.

A week or so before Thanksgiving 2011, Mexico became our first billion-dollar overseas market. It was like watching our first-born go through a graduation ceremony — the satisfying reward after years of careful nurturing.

The baby steps seem like yesterday, first when the U.S. Dairy Export Council was formed by dairy farmer and processor leaders who foresaw that, with the signing of the North American Free Trade Agreement, dairy was indeed going to be a global market someday. And then by countless trips to Mexico City in the 1990s, opening the first USDEC overseas office and getting to know the local trade.

We were there for the growth and maturation. We saw U.S. suppliers gain distribution, increase sales and open offices south of the border as NAFTA was implemented, giving us a key competitive advantage. We visited supermarkets, where in-store sampling programs introduced consumers to U.S. cheese under the banner of *Quesoluciones* (cheese solutions). We sipped shots of milk from *Lactito*, a 6-foot-tall, milk-jug-shaped mascot. We ordered pizzas and found the USDEC logo on the box, signifying a shift to U.S. cheese.

We were in Cancun in 2003 when the WTO Ministerial broke down (back when we were still surprised by such things). We returned 10 months later to preside over the International Symposium on Recombined Milk and Milk Products, a grand event organized by the Export Council.

In 2007, we shook hands with leaders from ANGLAC, the major Mexican producer group, and signed a memorandum of understanding committing us to work together to boost local dairy consumption. More recently, we've seen "Made in U.S.A." labels for the first time on chunks of

Gouda, a variety that now makes up close to one-fifth of U.S. cheese sales to Mexico. And we've watched as the spat was settled between the United States and Mexico over the free movement of trucks across the border, allowing government officials to drop retaliatory tariffs on U.S. cheeses.

In the mid-1990s, annual U.S. dairy exports to Mexico were valued at about \$150 million, and the U.S. share of dairy imports was about 20%. Now we sell that much every six weeks, and our import share tops 60%.

The next stage

A billion is just a number, of course, but it still feels like a milestone has been reached. Where do we go from here? We are entrenched, and many of the tactics used to help suppliers establish themselves and expand are no longer needed. Or at least no longer as needed as it might be to invest similarly in our next billion-dollar market. How do we continue to meet the needs of our industry and add value along the way? What is your strategy going forward?

These are critical questions, because in the years ahead exporters will most likely align with the countries in which they have a comparative advantage, according to the Globalization Refresh report released last summer by the Innovation Center for U.S. Dairy, a strategic analysis of the world dairy landscape funded by dairy check-off promotion funds through USDEC. That means we will continue to fill Mexico's growing demand first, while also moving on to better serve the rest of the world's needs for dairy products.

To capture the higher-end of the value chain, the report noted, future dairy consumption in Mexico is expected to be driven by two emerging trends: increased popularity of processed dairy products among the burgeoning middle class,

and more focus on health and nutrition. Particularly in urban areas, processed products are gaining popularity over fresh milk as consumers face more hectic lifestyles and decreased purchase frequency. One example of this is single-serve products for on-the-go convenience.

On the other hand, Mexico has one of the highest rates of obesity in the world, and the population suffers from a number of corollary health problems, such as diabetes. The government has responded by aggressively promoting dietary health and banning certain foods in schools. Demand for products lower in fat, sugar and sodium is expected to rise.

Reflecting on our milestone

The story of how Mexico grew into our first billion-dollar market underscores two critical themes. First, our success in Mexico didn't just happen. It was the result of a long-term, cumulative, collaborative market-building effort — each program building on the ones before it. It required a wide range of market development activities spanning retail and foodservice promotions, industry education, technical assistance, regulatory clarifications and trade policy advocacy. It also required patience, commitment and confidence in the underlying competitive factors that have been unfolding for two decades.

Second, it is no longer accurate to talk simply about the "opportunity" for U.S. dairy exports, as if it were still something we are waiting to realize. That was yesterday. We see from Mexico that dairy has been a global market for many years, and exporting is a major part of how most of our U.S. suppliers do business today. ■

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