



Cover Cheese
from the US
FROM AMERICA TO YOUR PLATE

Think USA
Presented to you by U.S. Dairy Export Council

Think USA
Presented to you by U.S. Dairy Export Council

U.S. Dairy Export Council

Global Solutions

water use while
recycling
water quality by
utilization of
instruments

U.S. DAIRY EXPORT COUNCIL

2022 Annual Report

A YEAR OF ACHIEVEMENT



Letter from the President & CEO

Krysta Harden
PRESIDENT & CEO

Dear Members and U.S. Dairy Stakeholders,

2022 was a year of radical contrast. Despite historic global inflation, slowing economic growth, lingering supply chain challenges and severely reduced Chinese demand, the United States exported more U.S. dairy products worth more money than at any time in history. U.S. dairy export performance under those conditions is a testament to U.S. suppliers' commitment to global markets and also to the value consumers in those markets have come to place on U.S. dairy products.

While 2022 is a new pinnacle, it's also a goal we have been building toward for some time. It's another step in the steady, long-term international expansion of U.S. dairy.

Since 2010, U.S. dairy export volume is up 76%. We shipped 2.4 million metric tons milk solids equivalent in 2023—1 million metric tons more than we shipped just 12 years earlier.

USDEC has been there every step of the way supporting our members, fighting for a level trade playing field and building overseas demand. This Annual Report aims to provide an accounting of USDEC activities that helped propel exports in 2022 and will continue to facilitate growth moving forward.

You will notice a common denominator in the activities: people.

We've said it before and we will keep saying it because it's true: Successful exporting relies on building strong relationships. The U.S. dairy industry had to start building those relationships from scratch back in 1995 when USDEC was formed. We all had to get to know not only customers and consumers in dozens of countries but the whole spectrum of people who play a role in dairy consumption and trade. It was a major challenge.

You can clearly see in the images on the cover of this report and in the pages that follow just how far we've come in building those relationships—how we've met that challenge.

Those images are filled with U.S. dairy farmers, U.S. cheesemakers, ingredient suppliers, traders and USDEC staff in Chile, in the Middle East, in China—in countries around the world—talking with

distributors, retailers, food and beverage manufacturers, foodservice executives and chefs, consumers, dairy farmers, influencers, food and dairy science students, government officials, regulators, USDEC partners—you name it.

Person-to-person contact is essential to U.S. dairy trade, and the U.S. industry has grown much better at it. By forging and strengthening these relationships, the industry is better positioned to maximize sales during favorable times and minimize declines when conditions turn challenging. And conditions this year will remain challenging.

While we are hopeful to continue our record streak in 2023, we are also realistic. Every year can't be a new record, and we are bound to have some down years. But over the long term, overseas demand for U.S. dairy has risen for the last two decades and we believe it will continue to increase moving forward.

Our biggest competitors—the European Union and New Zealand—are facing challenging supply outlooks and government policies limiting their capacity to grow. The rising global population, the growing middle class and the need for sustainable, affordable nutrition will continue to drive dairy consumption growth. The United States and the U.S. dairy industry are best positioned to meet that rising demand. And USDEC will be out there, building those critical relationships and doing everything we can to accelerate U.S. dairy exports and help the U.S. become the No. 1 dairy supplier in the world.

A handwritten signature in black ink that reads "Krysta Harden".

Krysta Harden

USDEC President and CEO



Letter from the Chairman

Larry Hancock
CHAIRMAN

Dear Members and U.S. Dairy Stakeholders,

From an export standpoint, this past year was a blockbuster for U.S. dairy. Despite tremendous headwinds, the United States shipped a record 18% of U.S. milk production overseas in the form of cheese, milk powder, whey, butter and other dairy products and ingredients.

We've come a long way from the days when that number was around 5% and most of the volume was government-subsidized milk powder and butterfat.

Today's success is a testament to the U.S. dairy industry's faith and investment in export opportunity: investments by U.S. farmers to increase milk production, investments by U.S. dairy processors to make and market the types of products overseas buyers want, and investments by both to support USDEC's ongoing work to pave the way for growth.

Exports are critical to the health of the U.S. dairy industry, and USDEC is critical to helping the industry grow exports.

We know there is more growth potential out there. The global demand for affordable, high-quality protein will continue to increase, and dairy will continue to be a key part of global food security.

The traditional global suppliers—Europe and New Zealand—will struggle to increase output to meet that demand. The United States is best positioned to sustainably grow milk production and supply a hungry and expanding global population.

But the business isn't going to just drop into our laps. We need to continue to go out and get it. That's why USDEC's work is so important.

In the pages ahead, you will see some of the major activities from 2022 that helped lay the groundwork for the record 2022—from supply chain intervention to enhanced global partnerships to dairy protein innovation education and training. These and other activities will continue to support growth moving forward.

But to really supercharge that growth, we must be as diversified as possible. When we have more markets to sell to, we have more

options if and when a key customer runs into economic hardship or political disagreements hamper trade. That's why USDEC's work to defend current market access, remove protectionist trade barriers and gain new access through trade agreements with high-potential buyers like the UK, Japan, Southeast Asia and the Middle East are so important.

We also need to make sure that U.S. dairy's voice continues to be heard in the global conversation on sustainability. Some anti-dairy activists in global food forums like the UN Climate Change Conference want to significantly limit or even eliminate dairy and meat from the global diet. We have to be at the table to represent dairy and provide facts, correct misconceptions and participate in the dialogue. And we have to continue to band together with like-minded groups around the world to speak with a louder voice.

We are all proud of U.S. dairy's progress and leadership on climate-smart solutions that feed the world, and we need to continue to make sure everyone knows about our successes and ongoing efforts.

I am optimistic. With global demand growing for high-quality protein and with USDEC constantly touting the quality of U.S. dairy, breaking down trade barriers and telling the U.S. sustainability story, exports will continue to grow.

A handwritten signature in black ink, appearing to read "L Hancock". The signature is fluid and cursive.

Larry Hancock
USDEC Chairman

A Year of Record Volume and Value

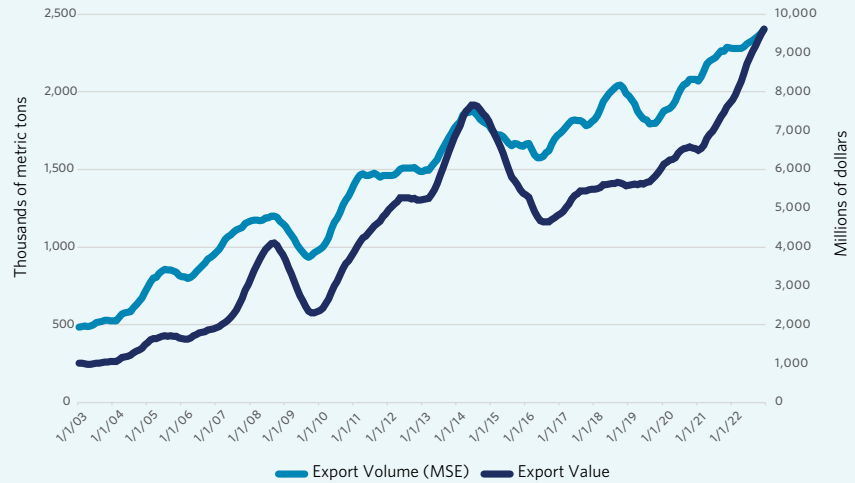
In 2022, the United States set new records for dairy export volume (2.4 million metric tons, milk solids equivalent), value (\$9.6 billion) and percentage of U.S. milk production exported (18%). It was the third straight record year for volume and second for value.

That success was marked by:

- Resurgent Mexican demand (U.S. dairy shipments to Mexico set an all-time high in 2022).
- Resilient cheese demand in key U.S. markets like the Middle East/North Africa (MENA), Mexico, Japan and South Korea, where U.S. exports rose 41%, 18%, 17% and 9%, respectively.
- A mid-year rebound in Chinese whey purchasing that saw U.S. suppliers go from 15% down in the first six months to 10% up at year-end.
- Competitive U.S. prices for the majority of the year.
- Lagging milk production in the EU and New Zealand that limited their exportable supply.

One of the few negative results in 2022 came in nonfat dry milk/skim milk powder (NFDMS/SMP), but that was due primarily to reduced U.S. NFDMS/SMP supplies in the first half of the year. However, in a positive sign, U.S. NFDMS/SMP exports grew 5% in the final quarter.

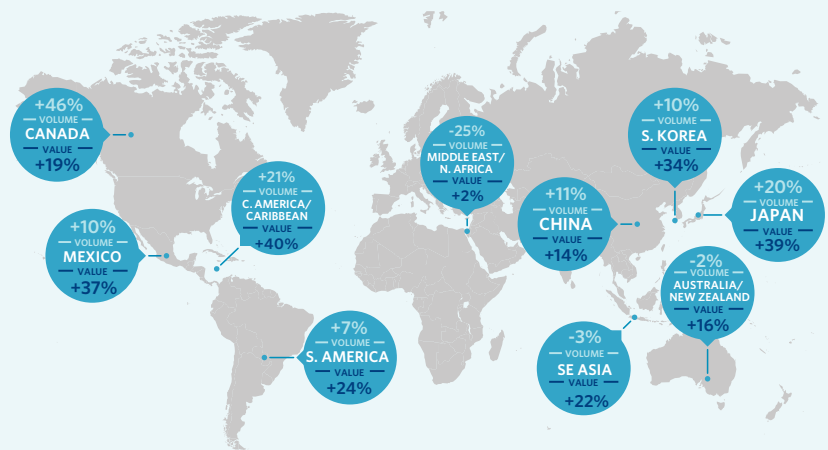
U.S. DAIRY EXPORT VOLUME AND VALUE



Product	2022 Volume (in metric tons)	YOY % Change
Total Milk Solids	2,400,952	▲ 5%
NFDMS/SMP	827,313	▼ 6%
Whey	667,201	▲ 9%
Lactose	452,438	▲ 16%
Cheese	451,370	▲ 12%
Butterfat	81,721	▲ 43%
MPC	47,434	▲ 16%
WMP	38,671	▼ 1%

U.S. EXPORTS SURGE IN 2022

U.S. DAIRY EXPORTS—VOLUME AND VALUE
(% change, year-end 2022 vs. 2021)



TRADE POLICY

A Year of Successfully Addressing Impediments to Trade



Left to right: USDEC President and CEO Krysta Harden talked supply chain solutions with USDA Secretary Tom Vilsack, former Biden Administration Supply Chain Port Envoy John Porcari, Rep. John Garamendi (D-CA) and Rep. Dusty Johnson (R-SD) at a January 2022 seminar on the ag export supply chain crisis hosted by USDEC, NMPF and Agri-Pulse.

In 2022, the Trade Policy team worked with the U.S. and foreign governments and international partners to address trade barriers, resolve export logistics challenges and ensure that American dairy exports continued to reach global customers. Highlights include:

Working with the National Milk Producers Federation (NMPF) and other partners, USDEC successfully **pursued solutions to the export supply chain crisis** through a robust advocacy and media campaign. The organization helped secure congressional intervention in rail labor negotiations to stave off a service shutdown and shaped and championed the Ocean Shipping Reform Act (OSRA), bringing a much-needed reprieve to logistics congestion and record fees. The work continues through ongoing OSRA implementation, with USDEC pressing for strong rules to ensure that ocean carriers cannot unreasonably refuse to carry U.S. exports, increased transparency into shipping schedules and limits on when fees can be incurred.

USDEC **defended U.S. dairy's market access rights** around the world. That included extensive work first to secure a positive ruling in a U.S.-Mexico-Canada Agreement dispute settlement panel to expand dairy access into Canada and then to push for a second panel to maximize Canadian compliance.

The team worked through the USDEC-founded Consortium for Common Food Names (CCFN) to preserve export opportunities for U.S. cheesemakers in global markets.

Hand in hand with the Market Access and Regulatory Affairs (MARA) team, the Trade Policy team successfully collaborated with U.S. and foreign governments to iron out the introduction of a new EU dairy certificate, kept at bay anti-import policies across Latin America, secured a delay of new Egyptian import requirements and advanced progress in U.S. dairy facility approvals in Indonesia.

(continued on next page)

WORKING FOR PROACTIVE TRADE POLICY

Worked with USDA and USTR to secure **FIRST EVER** U.S.-Mexico-Canada Agreement dispute settlement ruling, declaring Canada had failed to meet its dairy market access obligations. Secured pursuit of **SECOND** dispute settlement case after Canada failed to comply with the initial ruling.



Shaped and championed the Ocean Shipping Reform Act into law in June with the support of **464** members of Congress and submitted **3** sets of detailed comments as the law was implemented.

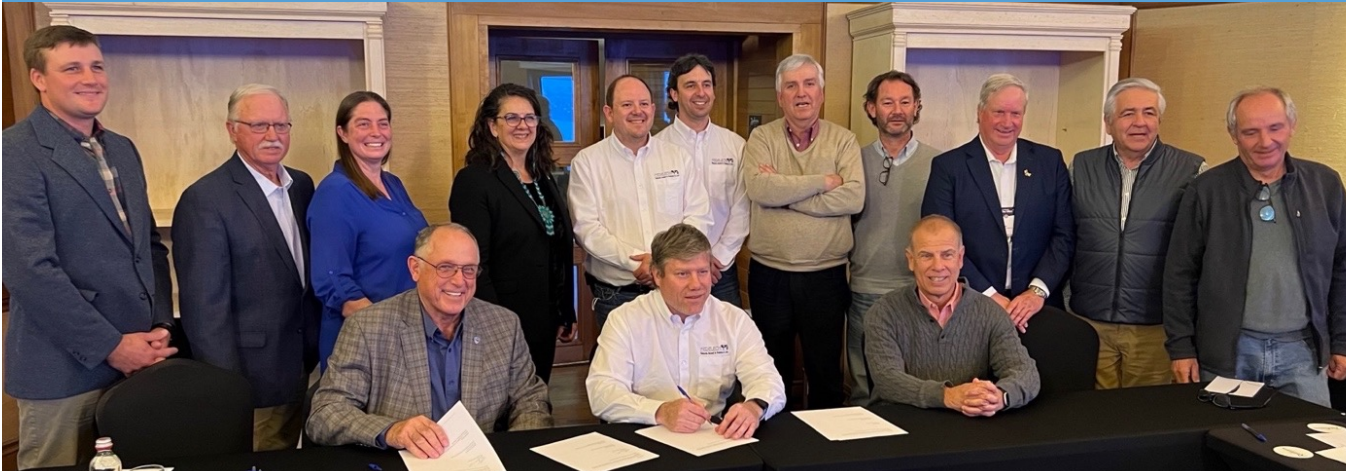
Sent **58 LETTERS** and submitted formal comments to U.S. and foreign officials calling for actions to expand market access opportunities, lower barriers to trade and address supply chain issues.



Tackled trade barriers in Australia, Brazil, Chile, Costa Rica, Colombia, Ecuador, Egypt, EU, Indonesia, Mexico, Panama and Peru to preserve export sales in markets totaling over **\$3 BILLION**.



Launched or renewed **5 STRATEGIC PARTNERSHIPS** with dairy and agriculture allies in key markets to advance science-based trade policies and limit trade barriers in international bodies, including Codex and the World Health Organization.



USDEC, NMPF and the Chilean Federacion Nacional de Productores de Leche (Fedeleche) finalized an agreement that will facilitate better sharing of knowledge and information and foster collaboration as the three groups advocate for science-based standards and guidelines in agricultural trade policy across the world.

The Trade Policy and Sustainability and Multilateral Affairs teams **strengthened and expanded key partnerships** around the globe. USDEC secured new and expanded agreements with like-minded agricultural organizations in Mexico, Chile and Argentina to strengthen the global dairy industry's goals in international forums, including Codex

and the World Organization for Animal Health. Agreements with the Inter-American Institute for Cooperation on Agriculture and the Pan-American Dairy Federation were updated to align efforts to fight off potential barriers to trade in key markets throughout Latin America.

MARKET ACCESS AND REGULATORY AFFAIRS (MARA)

A Year of Enhanced Overseas Outreach



Jonathan Gardner (center), USDEC senior vice president, MARA, shakes hands with Indonesian President Joko Widodo during a meeting between Indonesian leaders and senior members of the U.S.-ASEAN Business Council.

USDEC's MARA team continued the enormous task of keeping tabs on new and developing trade regulations around the world. That entailed updating nearly 1,000 *USDEC Export Guide* entries, reviewing nearly 300 World Trade Organization (WTO) notifications and draft regulations, enabling the release of 155 detained shipments worth nearly \$11 million and working to defuse dozens of unfair regulatory trade barriers.

But apart from the day-to-day intricacies of global dairy trade regulations, the team kicked off a multi-country global engagement effort in 2022 to strengthen relationships in key U.S. markets and heighten understanding and cooperation on regulatory issues that hinder dairy trade.

(continued on next page)



Gardner welcomes attendees to the MENA leg of USDEC's global engagement series.

USDEC met with government leaders and regulatory authorities worldwide to affirm U.S. dairy as a trusted and committed partner for the long term, generate a better understanding of the U.S. regulatory system and facilitate trade. The support of local and national government agencies throughout the world is critical to ease long-term market access issues.

The effort started in Indonesia, where Jonathan Gardner, USDEC senior vice president, MARA, and members of USDEC's Southeast Asia office held a **series of meetings and workshops** with government officials, regulatory authorities and local stakeholders on pressing issues such as plant registration. The USDEC delegation emphasized U.S. dairy's alignment with Indonesian domestic priorities to achieve food and nutrition security and support farmers. Gardner also met with Indonesian President Joko Widodo at the Presidential Palace, where he spoke of capacity-building efforts to improve domestic dairy farming practices and help Indonesia's smallholder dairy farmers.

USDEC's **bilateral border seminar** in El Paso, Texas, brought together USDEC members, U.S. and Mexican officials, and industry representatives to deepen collaboration between the two countries by sharing information and goals. The meeting addressed trade roadblocks and emphasized the U.S. commitment to a true partnership with Mexico to ensure the flow of products through cooperation and understanding of the different components of the U.S. dairy export chain. The seminar strengthened government and industry relationships, facilitating open engagement and the resolution of regulatory issues.

The **Middle East/North Africa (MENA) government relations seminar** in Dubai engaged 70 senior regulatory representatives from food and agriculture in 10 Arab countries to build deeper relationships and help keep markets open in case of market access issues. The event greatly enhanced attendees' understanding of the U.S. regulatory system, even prompting inquiries on how aspects of the U.S. system could potentially be applied to their own domestic regulatory processes.

MARKET ACCESS FACILITATING EXPORT SALES



Resolved more than **500 QUESTIONS** from USDEC members on technical and regulatory issues.

MADE NEARLY 1,000 UPDATES to the USDEC Export Guide, a comprehensive reference providing market access requirements for **90 COUNTRIES**. New online enhancements made to simplify and streamline complex information.



Enabled release of **155** detained dairy shipments totaling **2,671 TONS** valued at nearly **\$11M**.



Defended U.S. dairy by reviewing **297 FOREIGN DRAFT REGULATIONS** that could affect U.S. exports.

CHEESE MARKETING

A Year of Educating the World About U.S. Cheese



Winners from USDEC's USA Cheese Specialist Recipe Competition in Dubai display their awards along with contest judges and USDEC staff.

The Cheese team told the U.S. cheese story to an ever-growing crowd of end-users around the world in 2022 through coordinated retail, foodservice and communications activities. To help the industry thrive beyond U.S. borders, USDEC works to put USA cheese in both the minds (through education) and mouths (through trial) of international key target audiences. USDEC's efforts include social and traditional media outreach, public relations events, promotions and menu development.

Highlights from 2022 focusing on both education and trial include:

The USA Cheese Specialist Certification Program (USA CSCP) continued to grow in 2022. To date through the end of the year, USDEC trained 2,147 people across the retail and foodservice sectors in nine markets, almost double the number at the end of 2021.

In 2022, USDEC kicked off the Importer/Distributor track of the program with trainings in all key markets, aiming to ensure that U.S. cheese is the choice when they face decisions about their imported

cheese portfolios. On the culinary side, the USA CSCP for Culinary Students expanded to Chile, Singapore, Hong Kong and China, while the Culinary Professionals track launched in four key markets: Korea, China, Mexico and MENA.

The inaugural **USA Cheese Specialist Recipe Competition** in MENA was the first USA CSCP activity to focus on past participants, strengthening the U.S. cheese connections established in the original training.

The **Global Instructor Conference** was another cheese first in 2022. USDEC hosted 16 USA CSCP instructors from Mexico, Chile, Korea, MENA and Southeast Asia on a 10-day U.S. educational tour—including dairy farm and cheese manufacturing facility visits—to bolster their U.S. cheese knowledge by providing further exposure to and instruction on the U.S. dairy industry.

USDEC also opened a first-of-its-kind **"pop-up" cheese store** in a prestigious shopping district in Tokyo as part of the effort to transform

(continued on next page)

BUILDING GLOBAL DEMAND FOR U.S. CHEESE



Lifted USA cheese sales **112%** at retail by working with **53 RETAILERS** across **13 COUNTRIES**, holding **15,086 DEMO DAYS** supporting **2,421 SKUS** (including 349 new launches) in **3,274 OUTLETS**. Implemented **4,604 PROMO DAYS** through **113 FOODSERVICE OPERATORS** at **1,639 OUTLETS**, launching **167 NEW MENU ITEMS** and selling **340,970 DISHES** containing U.S. cheeses. Assisted **67 U.S. SUPPLIERS** in the process to grow their export business.



Reached **261,927 GLOBAL FOLLOWERS** on social media with a reach of **49.7 MILLION PEOPLE** being exposed to the U.S. Cheese Story.

Trained **2,147 PEOPLE** (to date) across the retail and foodservice sectors in **9 MARKETS** through the USA Cheese Specialist™ Certification Program.



Dean Sommer, cheese and food technologist at the Center for Dairy Research-UW Madison, demonstrates mozzarella stretch during last year's Global Instructors Conference.



Hisao Fukuda (left), business development director at the USDEC Japan office, highlights the rich history, variety and quality of U.S. cheeses at the Cheese From The USA pop-up store in Tokyo.

Japanese consumers' perceptions of U.S. cheeses by showcasing cheeseboards of products available in the market. Popular food and lifestyle social media influencers attended opening night to spread that message further.

Global outreach via USDEC's @CheeseFromTheUSA social media channels set new highs in 2022, rising to more than 260,000 followers, exposing the U.S. cheese story to nearly 50 million people.

INGREDIENTS MARKETING

A Year of Reconnecting with End-users and Consumers



Tec de Monterrey officials and USDEC staff pose after signing the enhanced partnership agreement.

It was a year of post-pandemic reconnecting for USDEC's Ingredients team, as most markets and companies emerged from COVID restrictions. USDEC ingredient programs consistently focus on the key strategic pillars of driving category penetration and innovation, positively positioning dairy ingredients as a value-adding health and wellness solution, and strengthening confidence in the U.S. as a top-tier, committed supplier of sustainably produced, high-quality dairy ingredients.

It's a long-term strategy that proved its value over the past two years when customers stuck with the U.S. during extreme supply chain delays.

Ingredient highlights include:

In 2022, the Ingredients team expanded and deepened innovation partnerships, including signing a **memorandum of understanding (MOU) with Mexico's Tec de Monterrey University**. The MOU formalizes and broadens USDEC and Tec de Monterrey's four-plus-year relationship with U.S. dairy ingredient training courses and workshops for food science students and the Mexican cheese and bakery industries. This win-win arrangement aims to drive long-term U.S. dairy ingredient demand while helping food and beverage manufacturers grow their businesses and helping students advance their post-graduate food careers.

(continued on next page)



Attendees sampled Kiyota Sangyo prototypes during the tasting portion of the first in-person ingredients workshop in Japan since before the pandemic. One of the advantages of returning to in-person workshops is the ability for attendees to actually feel, smell and taste products made with U.S. whey and milk proteins.

Ongoing **innovation partnerships** in Japan (with Kiyota Sangyo), Singapore (with Singapore Polytechnic's Food Innovation and Resource Center), Vietnam (with Blue Techni), and China (with Jiangnan University) continued to inspire innovation with U.S. dairy ingredients (particularly dairy proteins and permeates) and enhance the U.S. reputation as ingredient experts. The partnerships, which developed 50 application prototypes and concepts across food and beverage categories, fed into USDEC instructional activities, such as a health and wellness webinar and workshop in Japan that utilized the prototypes and USDEC consumer insights to spur innovation in health and nutrition.

The **Arnold Sports Nutrition Conference and a subsequent sports nutrition seminar** helped USDEC reach end-users and key influencers in Brazil's large sports nutrition market, seizing opportunities for U.S. dairy proteins as value-added, nutritional solutions.

Three Korean Whey Protein Forums held in partnership with the Korea Food Forum (KOFRUM) continued USDEC's ongoing efforts to highlight dairy protein benefits for healthy aging. USDEC also **conducted seminars and participated in food and nutrition conferences** in Korea, Japan, Thailand and Vietnam.

IGNITING INTEREST IN U.S. DAIRY INGREDIENTS



DRIVING INNOVATION

SIX technical innovation partnerships across various markets driving application ideation and education.

Developed **50** prototype concepts with dairy proteins and permeates.

Conducted **110** ingredient marketing activities inclusive of seminars, workshops and webinars.



REACHING AUDIENCES

Reached over **6,000** B2B attendees, including buyers and food formulators.

Our Health & Wellness activities reached **1,946** health professionals.

Marketing ingredients workshops and student competitions reached over **55,000** students.

THE U.S. CENTER FOR DAIRY EXCELLENCE

A Year of Blossoming

The U.S. Center for Dairy Excellence (U.S. CDE) began to flourish in 2022 as the gateway between U.S. suppliers and customers in the region. While work has been going on at the U.S. CDE since it opened in 2020, Singapore’s COVID rules restricted capacity. As those rules eased last year, the U.S. CDE ramped up activities, hosting regional dignitaries, USDEC members and regional food and beverage manufacturers.

Seminars, workshops and other events highlighted the multitude of ways U.S. dairy proteins and permeate could be used to develop a seemingly endless array of everyday foods that align with the tastes and nutritional needs of Southeast Asian consumers and how the U.S. dairy industry was prepared to help innovate.

Here’s a picture-by-picture look at some of those activities:



In the U.S. CDE test kitchen, Martin Teo (standing, left), technical director, food applications, USDEC Southeast Asia, highlights U.S. permeate’s Southeast Asia-friendly innovation potential during the hybrid (in-person and remote) U.S. protein seminar. Cameras captured the action for online viewers.



Participants in the USDEC workshop, “Healthful Formulation: Boosting Snacks and Meals with Dairy Proteins and Permeate,” pose in the demo kitchen. The workshop was not only the largest in-person customer gathering held at the U.S. CDE since its early-pandemic opening but was also the first that brought in attendees from multiple countries throughout Southeast Asia.



Leveraging USDEC’s five-year relationship with the Food Innovation & Resource Centre (FIRC), participants in the protein and permeate seminar spent one day at the FIRC Mix and Bake Lab. This hands-on portion of the workshop included a prototype development challenge to create formulations using base recipes developed in conjunction with FIRC.



Dali Ghazalay (right), regional director, USDEC Southeast Asia, shows USDEC members the conference room facilities at the U.S. CDE in Singapore. Anoo Pothan (left), USDEC Southeast Asia director of consumer insights, assisted with the tours.



Timothy Harrison, Regional Agricultural Attaché, Embassy of the United States of America for Malaysia, Singapore, Brunei and P.N. Guinea, toasts to the future of the U.S. CDE with Dali Ghazalay. Harrison toured the facility to gain a first-hand understanding of its capabilities.

SUSTAINABILITY AND MULTILATERAL AFFAIRS (SAMA)

A Year of Deepening Proactive Engagement



USDEC President and CEO Krysta Harden (center), Senior Vice President, SAMA Nick Gardner (third from left) and Senior Vice President, Trade Policy Shawna Morris (third from right) welcomed a group of UN dignitaries at a USDEC-organized dinner in Rome.

The SAMA team accelerated its proactive efforts to ensure that evolving regulations and policies promulgated by international organizations and standards-setting bodies do not introduce barriers to trade in safe, high-quality dairy products. SAMA did this by raising the U.S. dairy profile on the international stage, defending science-based rulemaking, strengthening collaboration with like-minded organizations, promoting the critical role of U.S. dairy in sustainable food systems and demonstrating the positive impact of U.S. dairy products on nourishing the world.

Highlights included:

Last May, USDEC President and CEO Krysta Harden headed a **USDEC delegation to Rome**. In a series of meetings with UN officials, diplomats and decisionmakers, the delegation showcased U.S. dairy's critical role in nutrition security, sustainable food systems, climate-smart agriculture and international trade.

USDEC encouraged the Rome-based UN agencies and missions to ensure that all multilateral organizations and negotiations advance science-based, trade-facilitative approaches in all food-related work and to highlight how the dairy sector and dairy trade drive food security and sustainability around the world.

Last fall, Harden led another **USDEC delegation to the UN Climate Change Conference (COP27)** in Sharm el-Sheikh, Egypt, to highlight the U.S. dairy sector's critical role in sustainable food systems, contributing directly and indirectly to the UN's Sustainable Development Goals.

The delegation made several engagement breakthroughs with global health and food security groups, which are often critical of the impact of dairy and other livestock's nutritional value and impact on the environment. It also strengthened USDEC's

relationships and U.S. dairy credibility with partners in that effort, like the Inter-American Institute for Cooperation on Agriculture (IICA). This partnership with IICA has focused on supporting science-based food standards and promoting the critical role of dairy in sustainable food systems—critical themes that USDEC brought to the COP forum.

USDEC also officially **received "observer status" from the Environment Programme (UNEP)**, allowing it to formally participate in the UNEP process, advocate directly for U.S. dairy's role in a sustainable food system and promote U.S. dairy as an environmental solution.



**BE
Dairy**

**Boundless Potential
Endless Possibilities**

IDF World Dairy Summit 2023
October 16-19 Chicago, USA

USDEC's Nick Gardner, senior vice president, Sustainability and Multilateral Affairs, and Shawna Morris, senior vice president, Trade Policy, led efforts for the United States to **host the International Dairy Federation's (IDF's) 2023 World Dairy Summit**. The summit, themed "BE Dairy—Boundless Potential. Endless Possibilities," provides a valuable opportunity to highlight U.S. global dairy leadership and commitment to global market development, sustainability and product innovation to a broad global audience.

STRATEGIC INSIGHTS

A Year of Expanding USDEC Consumer Research Capacity

The Strategic Insights team led proprietary research among more than 1,200 customers and 28,000 consumers across 19 countries in 2022. This marked a significant acceleration of our investment in insights compared to the previous year, performed as part of USDEC’s efforts to strengthen capabilities to identify strategic growth opportunities for U.S. dairy.

The research covered U.S. dairy’s largest markets—Southeast Asia, Mexico, China, Japan, South Korea and South America—as well as emerging markets like MENA. Studies explored product-specific opportunities, category trends and needs of U.S. dairy’s customers and consumers to support data-driven strategic decisions.

Some key insights from the research:

- U.S. dairy customers choose suppliers based on product quality, value and the ability to understand and deliver on local market needs. Sustainability is a key driver in the two largest U.S. export markets: Mexico and Southeast Asia.
- U.S. dairy’s perceived strengths among current and potential dairy buyers are product variety and responsiveness to technical support needs.
- Maximizing the volume and value of U.S. dairy exports requires reliability, thematic positioning and customer-specific offerings.
- South Korea is a strong and growing market for U.S. cheese. However, South Koreans do not associate the U.S. as a major cheese supplier. Opportunity exists to strengthen U.S. branding and tailor messaging based on Korean consumers’ unique taste preferences and usage occasions via localized marketing initiatives.

In addition, the Strategic Insights team fulfilled 43 research requests initiated directly by USDEC members in 2022 and presented research findings at industry conferences and events, including World Dairy Expo, Hoard’s Dairy Livestream and the Midwest Dairy Foods Research Center’s annual meeting.



Strategic Insights asked interview subjects to video themselves explaining cheese preferences and how they use cheese. For instance, Koreans often eat cheese paired with beer or wine after work as an appetizer.



Interviewees were also asked to send images of the kinds of cheeses they use and how they incorporate them into daily diets—in this case, a processed cheese slice topping soup.

PROVIDING ACTIONABLE INSIGHTS



FULFILLED 43 CUSTOM RESEARCH REQUESTS for members, providing timely analysis on market sizes, global trade flows and consumer consumption and shopping trends.



Conducted proprietary research in **19 COUNTRIES** among **28,365 CONSUMERS** and **1,262 CUSTOMERS**.



Presented insights and perspectives on the future of exports at industry conferences and events to more than **500 DAIRY INDUSTRY PROFESSIONALS**.

ECONOMICS DIVISION

A Year of Creation and Expansion



Right to left: Stephen Cain, Peter Vitaliano and Will Loux provide the U.S. and global dairy market outlook and answer audience questions at last year's Joint Annual Meeting of the National Dairy Board, the National Milk Producers Federation and the United Dairy Industry Association.

USDEC has always had market analysts who monitor day-in, day-out developments in supply, demand, pricing and other factors that provide clues to market direction and overseas opportunities. But the increasingly critical importance of exports to the U.S. dairy industry, the growing volume of data from a wider variety of sources, and the rising number of questions from industry stakeholders helped usher in a new USDEC Economics Division in 2022.

Formed through collaboration with NMPF, the Economics team is an example of maximizing member and farmer dollars and leveraging in-house expertise to enhance and expand USDEC's analysis and commercial understanding. As part of the collaboration, the team expanded to include not only USDEC's Will Loux, vice president, Global Economic Affairs, and Stephen Cain, director, Economic Research and Analysis, but also NMPF's Vice President, Economic Policy and Market

Research, Peter Vitaliano and USDEC's newest employee Allison Wilton, economic coordinator.

The full team delivers—on behalf of USDEC members—biweekly market intelligence updates through the "Leading Indicators" email newsletter, monthly analyses into U.S. exports and international dairy trade through the "International Demand Analysis," monthly trade data columns on the U.S. Dairy Exporter blog, and ongoing updates on pricing, production, exports and key importing markets on the USDEC Data Hub online resource.

In addition to such regularly occurring assignments, the Economics team is often called upon to educate and provide guidance to a variety of U.S. dairy stakeholder audiences. In 2022, in collaboration with NMPF, the team delivered more than 60 presentations, authored over 50 reports and assisted countless members and staff by delivering thoughtful and forward-looking analysis on a daily basis.

MEMBERSHIP

A Year of Development and Growth



The USDEC delegation visited INACAP—a nonprofit, higher education institute and the USA Cheese Specialist™ Certification Program’s partner in Chile. Besides the farmers and USDEC staff, the photo includes INACAP teachers and administrators. The treats in the center are products made by INACAP students using U.S. cheese.

From a Membership standpoint, 2022 was a year of increased member outreach and program expansion—activities to lay the foundation for 2023 and create a path to new opportunities.

USDEC added two new allied members, two new processor members and five new trading companies, bringing membership to a total of 114 at the end of 2022—the highest total since 2018. But the Membership team’s responsibilities extend well beyond on-boarding new members.

The team, working with other USDEC departments, plans and implements farmer missions. The purpose of these missions are twofold: show U.S. dairy farmers USDEC’s work in overseas markets and have U.S. dairy farmers act as emissaries for U.S. dairy suppliers.

This year, USDEC took six U.S. dairy farmers and one U.S. farm reporter to Chile for a **fact-finding and relationship-building mission**. The delegation took part in more than a dozen events, activities and meetings, gaining a deeper understanding of Chilean dairy markets

and how the U.S. and Chilean industries can work together to build a mutually beneficial business relationship. This included attending an influencer event promoting U.S. cheese to Chilean audiences, promoting U.S. dairy at the ESPACIO food show in Santiago, meeting Chilean dairy farmers and processors, and visiting a program geared towards educating the next generation of Chilean chefs at the top technical education center in the country, INACAP, about the flavor profiles and advantages of U.S. cheese.

Working with the executive offices, Membership also played a role in a new initiative—a series of **“listening tours”**—to deepen and align U.S. and overseas office activities. In 2022, USDEC conducted three listening tours in Mexico, MENA and Korea. The tours, which are continuing in 2023, serve to connect USDEC in the U.S. more deeply with its overseas offices, both to increase cohesion and ensure that the organization is working as one team, globally, for the benefit of members.



Left to right: The six U.S. farmers who represented U.S. dairy at this year’s farmer mission in Chile are Marilyn Hershey, chair of Dairy Management Inc. (DMI); Neil Hoff, USDEC founder; Larry Hancock, USDEC chair; Joanna Shipp, DMI board member; Jim Reid, DMI board member; and Alex Peterson, USDEC vice chair.



The USDEC delegation visited with a group of Chilean social media influencers for an afternoon of cheese tastings and demos. The farmers and staff answered questions and even participated in influencer videos taken on the spot. Social media is part of USDEC’s multi-pronged approach to increase demand by educating consumers about U.S. cheese.

Governance, Structure and Funding

The U.S. Dairy Export Council (USDEC) is a nonprofit, independent membership organization representing the export interests of U.S. milk producers, dairy cooperatives, processors, traders and industry suppliers. USDEC, based in Arlington, Virginia, was established in 1995 by Dairy Management Inc.™ (DMI), the farmer-funded marketing, promotion and research organization, to build global demand for U.S. dairy products.

USDEC revenues come primarily from DMI, state and regional dairy associations, U.S. Department of Agriculture's Foreign Agricultural Service and member dues.

USDEC is structured to facilitate membership participation. Each member-company is represented on the Board of Directors, and delegates provide valuable input and leadership to USDEC's four advisory committees: Cheese Marketing Advisory Panel, Ingredients Advisory Group, Trade Policy and Finance. A 13-member Operating Committee, including USDEC officers, leadership from the advisory committees and four at-large

members elected by the Board of Directors, is responsible for operations of the organization.

An experienced staff of marketing and technical experts executes USDEC programming on behalf of the Operating Committee and the membership. Staff is split among 10 departments: Cheese Marketing, Ingredients Marketing, Trade Policy, Market Access and Regulatory Affairs (MARA), Sustainability and Multilateral Affairs (SAMA), Strategic Insights, Economics, Operations, Communications and Membership.

USDEC's mission is further facilitated by overseas offices in China/Hong Kong, Europe, Japan, Mexico/Central America, the Middle East/North Africa, South America, South Korea, Southeast Asia (including U.S. Dairy Export Council Singapore Ltd.), Taiwan and Vietnam. These overseas offices provide in-country intelligence, program guidance and technical assistance—all critical components to enhancing international demand for U.S. dairy products.

2022 Revenues (in thousands)	
Dairy Management Inc.	\$20,785
Foreign Agricultural Service	\$8,895
State and regional and DMI incremental contributions	\$4,952
Membership dues	\$1,800
Other	\$1,217
Total	\$37,649

2022 Investments (in thousands)	
Cheese programs	\$7,192
Ingredient programs	\$5,229
MARA/SAMA*	\$5,025
Representative offices	\$4,575
U.S. Dairy Export Council Singapore Ltd.	\$3,040
Trade Policy	\$2,937
Communications & Membership*	\$2,648
Strategic Insights	\$2,582
Foreign partnership opportunities	\$2,434
General & Administrative	\$1,221
Operations & Evaluation	\$766
Total investment	\$37,649

*Separate departments; combined to merge their overhead costs.