U.S. Role and Opportunities

"Tales from the front"

OR … confessions of a small coop in export markets

Craig Alexander
O-AT-KA Milk Products Cooperative

National Workshop for Dairy Economists – April 2019

O-AT-KA MILK PRODUCTS

O-AT-KA MILK PRODUCTS

O-AT-KA MILK PRODUCTS - 2018

O-AT-KA
MILK PRODUCTS

PRODUCT OPTIONS


Iced Coffee


Nutritional
(Diabetic, pediatric, weight loss)


Tea Latte


Recovery/
Protein Drinks


Ethnic Drinks


Flavored Milk Beverages

O-AT-KA
MILK PRODUCTS

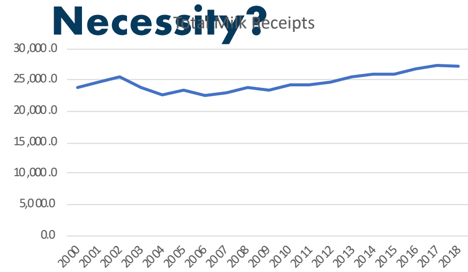
UPSTATE NIAGARA COOPERATIVE, INC.

FARMER OWNED

COOPERATIVE OWNERSHIP

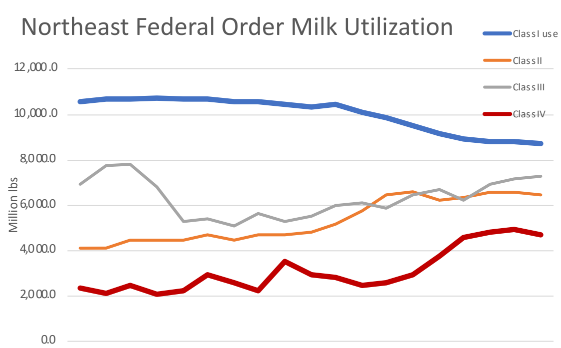
Dairy Farmers of America

For the Northeast -Choice or Necessity?



Milk Receipts up about 13% since 2000

- Fluid Sales down 17%
- Cheese up only 3%
- Class II up about 60% **but** plateaued in 2012
- Class IV Use has Doubled as Class I fell and Class II leveled off



O-AT-KA's Challenges

- <u>Balancing milk</u> – unstable milk supply for commodities
- <u>Small footprint</u> – One location.
- <u>Cooperative organization</u>– capitol limited and risk averse
- <u>High population</u> nearby – local domestic demand
- <u>Higher cost</u> of milk & processing costs – for commodity sales
- <u>Distance</u> to area of largest demand – Asia
- <u>No Brand</u> to market
- <u>Size of business</u> – high investment in exporting

O-AT-KA
MILK PRODUCTS

7

O-AT-KA
MILK PRODUCTS

Strategy 1: Get Bigger with partners

THE DAIRY AMERICA CASE

- Phase 1: 1995 – Establish Commodity Sales Group
- Phase 2: 2001 – Greater Export Involvement
- Phase 3: 2012 – Direct Export Marketing
- Phase 4: 2017 – Expanding the Value Chain

DairyAmerica

O-AT-KA
MILK PRODUCTS

Strategy 1: Get Bigger with partners

DAIRY AMERICA HELPS US:

- Allows us to access in foreign markets with a brand
- Lower risk/lower cost way
- Can deal with our fluctuating supply
- Will allow us to evaluate value-added powders as we develop our strategy
- Export – more relationship driven – more

DairyAmerica

O-AT-KA
MILK PRODUCTS

Strategy 2: Work with a Distributer

CANNED EVAPORATED MILK

- Mexico -We have been operating in Mexico for over 10 years
- Working with a distributer we trust
- Pricing has been difficult at times but has become piece of our business plan

O-AT-KA
MILK PRODUCTS

Strategy : What doesn't work

CANNED MILK

- Caribbean – tough price market (outside of Puerto Rico) – EU canned milk in that market – and poor population
- China Market – Interesting case -Targeted Food service – tea houses – *failed*. Worked a retailer for private label- *failed*
  - ✓ Marketing different – demand branded. At Food service and Co-packing Private Label – didn't work

O-AT-KA
MILK PRODUCTS

Strategy 3: Something More Unique to the Market

SPECIALTY PRODUCTS

- Middle East- working with a distributer
  - ✓ Relatively new product to market
  - ✓ Buyer has base in U.S. – less risk
  - ✓ They have brand presence and relationships in the market
- Mexico – Convenience chain
  - ✓ have their own brand known in the market
  - ✓ Trusting relationship (however cash in advance)

O-AT-KA
MILK PRODUCTS

Oh Canada …..

LOTS OF QUESTIONS

- We have some exports into Canada
  - ✓Milk and Butter for IREP
  - ✓We have some specialty products that go there – not considered milk products
- Opportunity?
  - ✓A small amount of access is part of USMCA
  - ✓The opportunity in UF is uncertain