

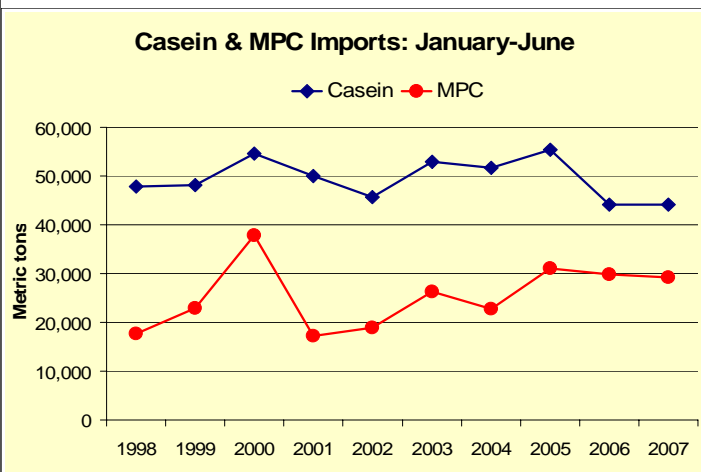


Import Watch

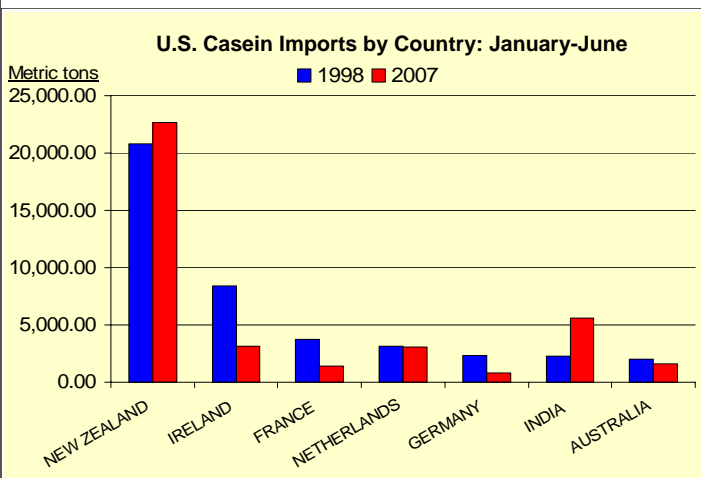
Second Quarter 2007

The sources of imported dairy products have changed

Over the last ten years, not only has the volume of dairy products imported into the U.S. changed, where those dairy products have come from has changed also. Milk protein concentrates and casein are good examples.



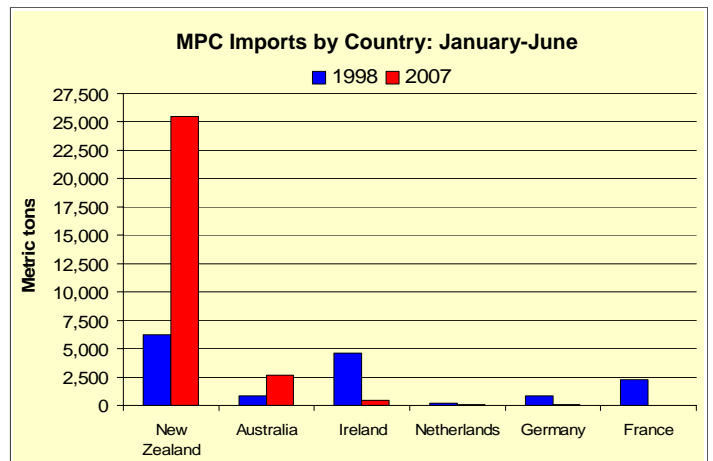
The chart above shows the variation in the imports of these two products for the first half of the year for the last ten years. While the volume of casein and caseinate imports have varied, they haven't increased much. However, where the products are coming from has changed somewhat.



While New Zealand continues to be the primary exporter of casein to the U.S., accounting for 51% of the

imports so far in 2007, the share from European countries has dropped dramatically from 37% to 19%. Meanwhile, India's and Australia's combined share has increased from 9% to 16%.

The story is somewhat similar for imports of milk protein concentrate.



Comparing the first six months of 1998 to the same period in 2007, total imports of MPC have grown from 17,638 metric tons to 29,292 metric tons. As can be seen from the chart above, all of the growth and more has been from New Zealand and Australia while Ireland, Germany, the Netherlands and France have seen their exports of MPC to the U.S. drop to almost nothing. The drop in MPC imports from Europe coincided with National Milk's raising the issue of MPC blends.

Just as significant is the type of MPC in which the growth has occurred. In 1998, MPC with protein above 90% accounted for 41% of imports with MPC below 90% protein at 59% of MPC imports. Since then, the percentage of MPC imports below 90% protein content has increased significantly reaching 86% of MPCs imported into the U.S.

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Commodities [Annual Quota] (2007 Safeguard Level)	Jan-Jun 2007 Metric Tons	Jan-Jun 2006 Metric Tons	Jan-Jun 2006-07 Growth Rate	% of 2007 Quota/Safeguard Reached*
QUOTA PRODUCTS				
Butter				
In-quota [6,977 MT]	3,242	2,641	23%	46%
Over-quota	124	191	-35%	
TOTAL¹ (11,502 MT)	3,366	2,832	19%	29%
Butter Substitutes (Butteroil & AMF)				
In-quota [6,080 MT]	3,390	3,102	9%	56%
Over-quota	86	96	-10%	
TOTAL¹ (8,426 MT)	3,476	3,198	9%	41%
Cheddar				
In-quota [13,256 MT]	7,978	9,495	-16%	60%
Over-quota	177	623	-72%	
TOTAL¹ (12,657 MT)	8,155	10,117	-19%	59%
American-type Cheese				
In-quota [3,523 MT]	1,147	1,737	-34%	33%
Over-quota	4,685	2,066	127%	
TOTAL¹ (12,209 MT)	5,832	3,803	53%	46%

1. Special Safeguard tariffs can be imposed when total imports, both in-quota and over-quota, exceed the applicable trigger level.


**Neither the Safeguard Level nor the % of Safeguard Level include countries with which the U.S. has FTAs.*

However, the metric tons of product imported do include product from countries with which the U.S. has FTAs.

Commodities	Jan-Jun 2007 Metric Tons	Jan-Jun 2006 Metric Tons	Jan-Jun 2006-07 Growth Rate	Jan-Jun 2005-07 Growth Rate
NON QUOTA PRODUCTS				
Butter Substitutes (<45% Butterfat)	8,491	7,208	18%	-13%
Casein	42,152	42,221	0%	-21%
MPC (more than 40%, less than 90% protein)	25,055	24,820	1%	11%
MPC (90% or more protein)	4,238	5,084	-17%	-50%
Total MPC	29,292	29,903	-2%	-6%
Chocolate Block	51,745	53,832	-4%	-12%
Goya Cheese	3,330	8,028	-59%	-62%

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Another major area of change as far as country of origin is Goya cheese. From 1998 through 2004, Lithuania accounted for most of the Goya cheese imported into the U.S. In 2005 through 2007, the majority of Goya cheese has come from South America.

Considering that in 2007 Cooperatives Working Together has helped export 24 million pounds of butter and almost 10 million pounds of anhydrous milk fat, it is surprising the butter imports are up somewhat from a year ago. It will be interesting to see if that trend continues through the rest of the year. 

Future Issues of *Import Watch*

Import Watch is published every three months by the National Milk Producers Federation. Issues covering the following time periods will be available by the following dates:

- 1st quarter 2007, June 1, 2007
- 2nd quarter 2007, September 1, 2007
- 3rd quarter 2007, December 1, 2007
- 4th quarter 2007, March 1, 2008

Please contact Jim Tillison, Senior VP Special Projects, with questions and comments, 703-469-2375.