



National Milk Producers Federation's

Import Watch

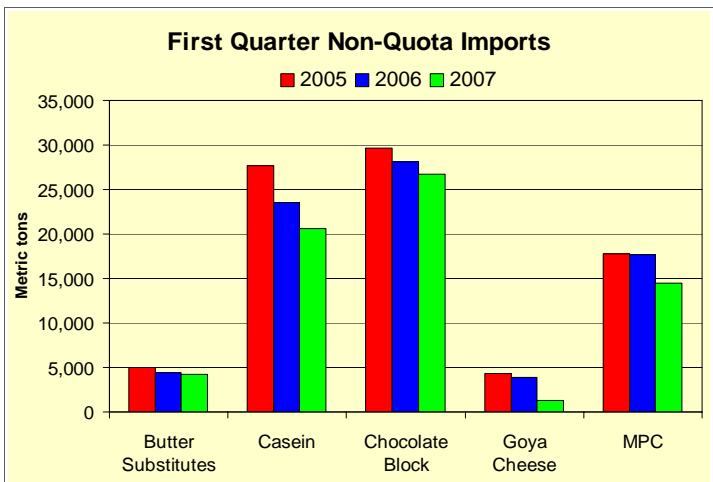
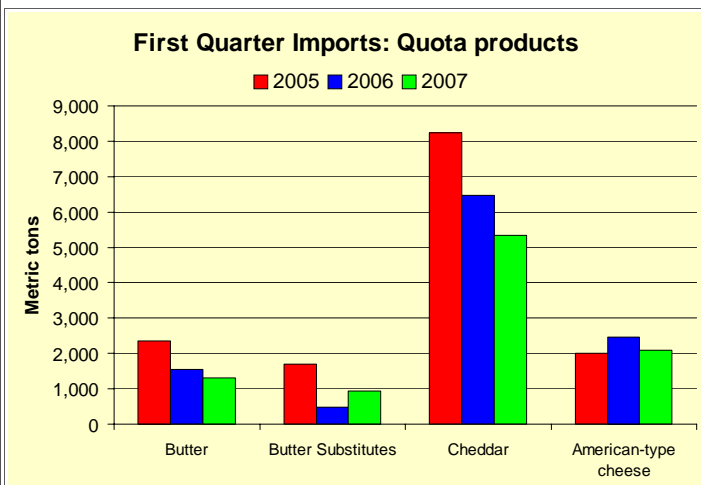
First Quarter 2007

First Quarter imports down compared to 2006

Imports of the dairy products *Import Watch* monitors were down in the first quarter of 2007 compared to the first quarter in both 2005 and 2006. In the past this has been due primarily to tightness in domestic milk supplies compared to world supplies. The primary reason for this situation is strong world demand versus world milk production rather than abundant U.S. milk production.

Total cheese imports were also down in the first quarter of 2007 (28,820 metric tons) compared to the first quarter of 2006 (30,980 metric tons). They were also down significantly from the 10-year high level of 37,270 metric tons reached in the first quarter of 2005.

Non-quota imports down, too



Cheese imports drop

In the first quarter of 2005 Cheddar cheese imports reached a ten-year high topping 8,000 metric tons. For the same period in 2007, Cheddar imports were 35 percent lower at 5,336 metric tons.

American-type cheese imports in the first quarter of 2007 were down slightly from the first quarter of 2006. American-type imports differ from cheddar and other cheese imports in that the safeguard level (12,209 metric tons) is significantly higher than the quota import level established under the GATT agreement (3,523 metric tons). This is because over-quota imports of American-type cheeses have consistently been higher than quota imports. The safeguard level is calculated using average total imports less those from countries with which the U.S. has free trade agreements.

The tightness in world milk supplies is also reflected in the drop in the other dairy product imports which *Import Watch* tracks as well. Butter, Goya cheese, Casein and milk protein concentrates all came in at lower levels in the first quarter of 2007 compared to the first quarter of 2006. Only imports of butter substitutes under quota registered a slight increase.

World markets are expected to remain tight for the remainder of 2007 and well into 2008. Milk production in the old EU-15 countries is expected to continue to decline, however this will be offset by increases in milk production in the eastern European countries now in the EU. New Zealand production is expected to increase only about 1% and Australia milk production is not expected to increase.

Another factor is the rapidly growing demand for milk in China. According to international estimates,

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Commodities [Annual Quota] (2007 Safeguard Level)	Jan-Mar 2007 Metric Tons	Jan-Mar 2006 Metric Tons	Jan-Mar 2006-07 Growth Rate	% of 2007 Quota/Safeguard Reached*
QUOTA PRODUCTS				
Butter				
In-quota [6,977 MT]	1,243	1,386	-10%	18%
Over-quota	60	151	-60%	
<i>TOTAL</i> ¹ (11,502 MT)	1,302	1,537	-15%	11%
Butter Substitutes (Butteroil & AMF)				
In-quota [6,080 MT]	916	469	95%	15%
Over-quota	26	10	156%	
<i>TOTAL</i> ¹ (8,426 MT)	942	479	97%	11%
Cheddar				
In-quota [13,256 MT]	5,107	6,411	-20%	39%
Over-quota	228	60	283%	
<i>TOTAL</i> ¹ (12,657 MT)	5,336	6,471	-18%	38%
American-type Cheese				
In-quota [3,523 MT]	420	1,184	-65%	12%
Over-quota	1,677	1,271	32%	
<i>TOTAL</i> ¹ (12,209 MT)	2,097	2,456	-15%	17%

I. 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-Mar 2007 Metric Tons	Jan-Mar 2006 Metric Tons	Jan-Mar 2006-07 Growth Rate	Jan-Mar 2005-07 Growth Rate
NON QUOTA PRODUCTS				
Butter Substitutes (<45% Butterfat)	4,202	4,370	-4%	-15%
Casein	20,622	23,539	-12%	-26%
MPC	14,503	17,692	-18%	-18%
Chocolate Block	26,750	28,086	-5%	-10%
Goya Cheese	1,270	3,876	-67%	-70%

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the average Chinese consumer drinks about a glass of milk a week. It is expected that level of consumption will grow at 15% per year. Considering that the population of China is 1.3 billion people, that's an increase in demand of 5.4 billion pounds of milk per year.

Making *Import Watch* better

NMPF wants to make *Import Watch* as useful a publication to its readers as possible. To help do that, readers are being asked to complete and return the attached survey via e-mail (jtillison@nmpf.org) or fax (703-841-9328) to Jim Tillison. With reader input, *Import Watch* can only improve. ■■■

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. ■■■