



# Import Watch

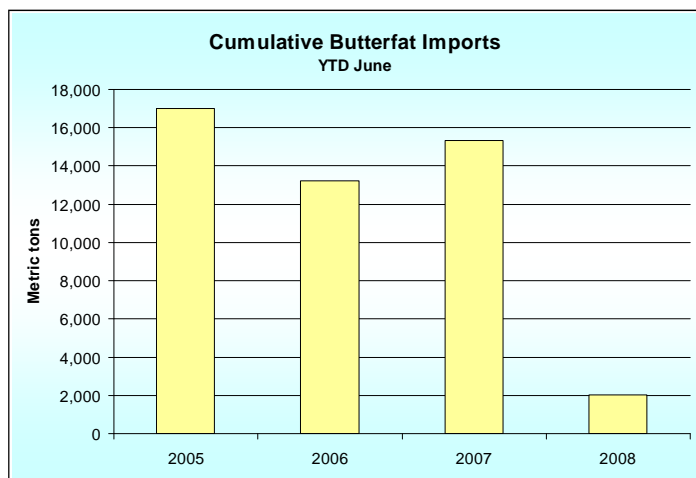
Second Quarter 2008

## Butterfat imports plummet reflecting world demand increase

Imports of dairy products, particularly those high in butterfat, continued to trend of significantly below levels for the same period in previous years. This is as much a reflection of growing world demand as of flat milk production outside of the United States.

### Butter, butter substitute imports down 87%

Year-to-date through June, imports of butterfat in the form of butter and butter substitutes are down nearly 87 percent from 2007 levels and down over 88 percent on average from the previous three years.



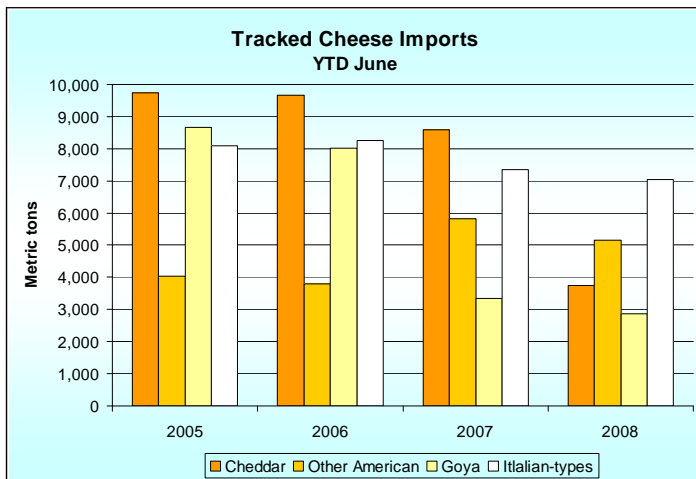
In the first six months of 2007, New Zealand exports of butter to the U.S. accounted for almost a third of the butter and butter substitutes NMPF tracks — just under 5,000 metric tons. In the first six months of 2008, New Zealand's 508 metric tons accounted for a quarter of the 2,044 metric tons of butterfat imported.

This dramatic decline in U.S. imports has as much to do with increased world demand as it does with a flat supply. Need proof? Look no further than U.S. exports of butter — over 45,000 metric tons for the first six months of 2008 compared to 5,800 metric tons for the same period in 2007.

### The same story for cheese imports

While not as dramatic as the drop of in butterfat im-

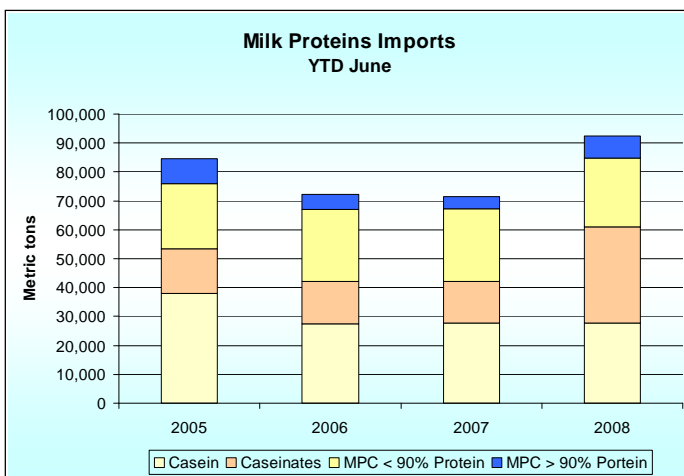
ports, imports of some cheeses are following a pattern similar to butterfat.




Imports of cheddar cheese registered the biggest drop from 2007 while Goya and Italian-types registered less of a down turn. Looking at imports of all cheese, they are down 4.2%.

### Milk protein imports

Unlike cheese and butterfat, imports of milk proteins registered an increase.



Imports of caseinates and milk protein concentrate (MPC) 90% protein nearly doubled, while imports of casein and MPC less than 90% dropped slightly. 

Commodities [Annual Quota] (2008 Safeguard Level)	Jan-Jun 2008 Metric Tons	Jan-Jun 2007 Metric Tons	Jan-Jun 2007-08 Growth Rate	% of 2008 Quota/Safeguard Reached*
<b>QUOTA PRODUCTS</b>				
<b>Butter</b>				
In-quota [6,977 MT]	866	3,242	-73%	12%
Over-quota	209	59	256%	
<i>TOTAL</i> <sup>1</sup> (8,119 MT)	1,075	3,301	-67%	<b>13%</b>
<b>Butter Substitutes (Butteroil &amp; AMF)</b>				
In-quota [6,080 MT]	503	3,390	-85%	8%
Over-quota	113	86	30%	
<i>TOTAL</i> <sup>1</sup> (7,852 MT)	615	3,476	-82%	<b>7%</b>
<b>Cheddar</b>				
In-quota [13,256 MT]	4,205	8,382	-50%	32%
Over-quota	351	623	-44%	
<i>TOTAL</i> <sup>1</sup> (12,879 MT)	4,556	9,005	-49%	<b>34%</b>
<b>American-type Cheese</b>				
In-quota [3,523 MT]	2,051	1,147	79%	58%
Over-quota	3,113	4,685	-34%	
<i>TOTAL</i> <sup>1</sup> (8,616 MT)	5,163	5,832	-11%	<b>57%</b>
<b>Italian-type Cheese</b>				
In-quota [13,481 MT]	3,386	3,971	-15%	25%
Over-quota	3,574	3,265	9%	
<i>TOTAL</i> <sup>1</sup> (22,934 MT)	6,960	7,236	-4%	<b>30%</b>
<b>Food Preparation</b>				
In-quota [4,105 MT]	3,018	5,018	-40%	74%
Over-quota	11,639	20,374	-43%	
<i>TOTAL</i> <sup>1</sup> (59,002 MT)	14,657	25,391	-42%	<b>24%</b>
<i>1. Special Safeguard tariffs can be imposed when total imports, both in-quota and over-quota, exceed the applicable trigger level.</i>				
<i>*Neither the Safeguard Level nor the % of Safeguard Level include countries with which the U.S. has FTAs.</i>				
<i>However, the metric tons of product imported do include product from countries with which the U.S. has FTAs.</i>				
Commodities	Jan-Jun 2008 Metric Tons	Jan-Jun 2007 Metric Tons	Jan-Jun 2007-08 Growth Rate	Jan-Jun 2005-08 Growth Rate
<b>NON QUOTA PRODUCTS</b>				
Butter Substitutes (<45% Butterfat)	504	8,491	-94%	-95%
Casein	60,907	42,152	44%	14%
MPC (more than 40%, less than 90% protein)	23,980	25,055	-4%	6%
MPC (90% or more protein)	7,563	4,238	78%	-11%
Total MPC	31,542	29,292	8%	14%
Chocolate Block	46,549	51,745	-10%	-21%
Goya Cheese	2,852	3,330	-14%	-67%
Mixes and Dough	77,365	83,239	-7%	13%

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

- 3rd quarter 2008, December 2008

- 4th quarter 2008, March 2009

- 1st quarter 2009, June 2009

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