



Import Watch

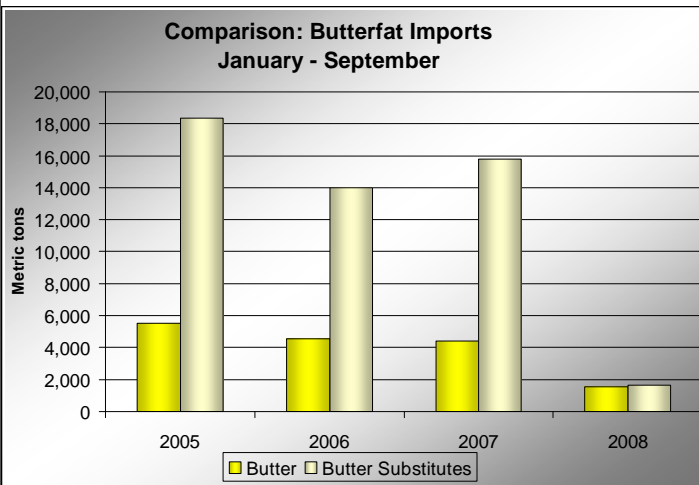
Third Quarter 2008

Butterfat, cheese imports below previous years

Through the first three quarters of 2008, the imports of butterfat and cheese that NMPF's *Import Watch* tracks are running well below the same period in the previous three years. Only imports of casein and milk protein concentrates are up (and up significantly) compared to the first three quarters of 2008.

Butter, butter subs down significantly

Imports of both butter and butter substitutes for three quarters of 2008 are down significantly for the same period from each of the previous three years and the average of those three years.



There are two primary reason for this occurring — the relationship of U.S. butterfat prices compared to world prices and growing world demand for butterfat.

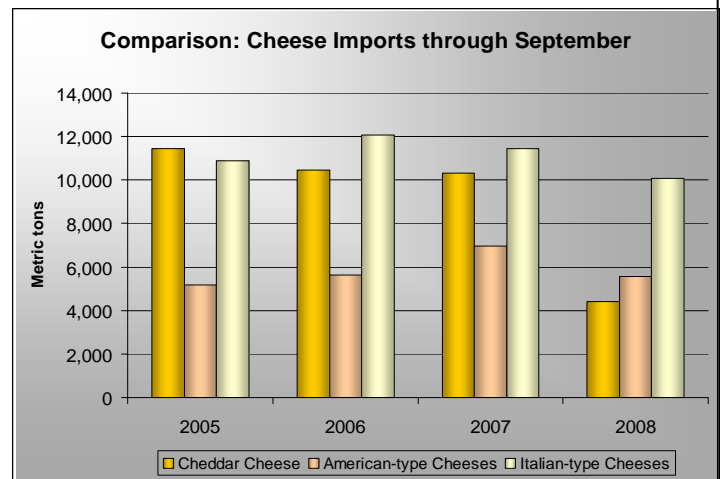
Until the second half of 2008, the world butter price was substantially higher than the U.S. price, even taking into consideration that the U.S. butter price is for 80% butterfat content while the world price is for 82%.

The other factor is world demand. USDA data shows that so far in 2008, U.S. exports of butter are four times what they were in 2007. Butter exports in the first nine months of 2007 were nearly three times the

volume for the same period in 2006.

Cheese imports down as well

NMPF'S *Import Watch* tracks imports for three types of cheese — Cheddar, American-types and Italian-types. As with butter, imports of these cheeses are down compared to the previous three years.



Again, drought and European Union production limits tightened world supplies which drove world cheese prices significantly higher than U.S. prices for much of the first nine months of 2008.

Only casein imports above previous years

Imports of casein are up substantially in 2008 compared to the three previous years. Driving the increase were imports of caseinates, more than double so far this year compared to the levels imported for the same nine months in 2005, 2006 and 2007.

Imports of lower protein milk protein concentrates (MPC) were essentially unchanged from 2007 but down nearly 20% from 2006. Meanwhile, 2008 MPC imports containing over 90% protein registered a 37% increase compared to the first nine months of 2007. This reflects the U.S. demand for high-end milk proteins apparently not being filled by domestic product.

Commodities [Annual Quota] (2008 Safeguard Level)	Jan-Sep 2008 Metric Tons	Jan-Sep 2007 Metric Tons	Jan-Sep 2007-08 Growth Rate	% of 2008 Quota/Safeguard Reached*
QUOTA PRODUCTS				
Butter				
In-quota [6,977 MT]	1,376	4,227	-67%	20%
Over-quota	159	157	1%	
<i>TOTAL</i> ¹ (8,119 MT)	1,535	4,385	-65%	18%
Butter Substitutes (Butteroil & AMF)				
In-quota [6,080 MT]	839	3,786	-78%	14%
Over-quota	119	130	-8%	
<i>TOTAL</i> ¹ (7,852 MT)	958	3,915	-76%	11%
Cheddar				
In-quota [13,256 MT]	4,694	10,051	-53%	35%
Over-quota	560	763	-27%	
<i>TOTAL</i> ¹ (12,879 MT)	5,254	10,815	-51%	33%
American-type Cheese				
In-quota [3,523 MT]	2,238	2,145	4%	64%
Over-quota	3,327	4,821	-31%	
<i>TOTAL</i> ¹ (8,616 MT)	5,565	6,966	-20%	62%
Italian-type Cheese				
In-quota [13,481 MT]	6,747	6,731	0%	50%
Over-quota	5,399	4,698	15%	
<i>TOTAL</i> ¹ (22,934 MT)	12,146	11,429	6%	44%
Food Preparation				
In-quota [4,105 MT]	3,018	5,018	-40%	74%
Over-quota	14,604	33,671	-57%	
<i>TOTAL</i> ¹ (59,002 MT)	17,622	38,689	-54%	29%
<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-Sep 2008 Metric Tons	Jan-Sep 2007 Metric Tons	Jan-Sep 2007-08 Growth Rate	Jan-Sep 2005-08 Growth Rate
NON QUOTA PRODUCTS				
Butter Substitutes (<45% Butterfat)	707	11,879	-94%	-95%
Casein	88,400	61,998	43%	19%
MPC (more than 40%, less than 90% protein)	33,611	33,493	0%	7%
MPC (90% or more protein)	9,772	7,136	37%	3%
Total MPC	43,382	40,628	7%	6%
Chocolate Block	65,273	82,178	-21%	-29%
Goya Cheese	5,663	6,122	-7%	-58%
Mixes and Dough	114,654	126,307	-9%	11%

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

- 4th quarter 2008, March 2009

- 1st quarter 2009, June 2009

- 2nd Quarter 2009, September 2009

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