



# Import Watch

Fourth Quarter 2007

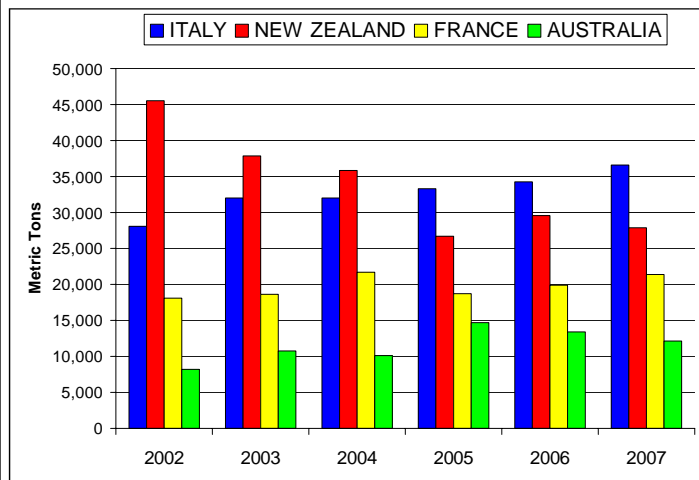
## 2007 Imports down from 2006

Reflecting both strong world demand and domestic supply, total imports of dairy products were down in 2007 compared to 2006. Total cheese imports were down 8,573 metric tons, 4.2% lower than the volume of cheese imported in 2006. However, imports of all other dairy products were up 1.2%, 5,043 metric tons.

Of the products *Import Watch* monitors, only high-end milk proteins imports — casein and 90% protein milk protein concentrate — were above year earlier levels. All the rest, Cheddar and American-type cheese, butter, butter substitutes and chocolate block are at or below year earlier volume levels.

### Where is the cheese coming from?

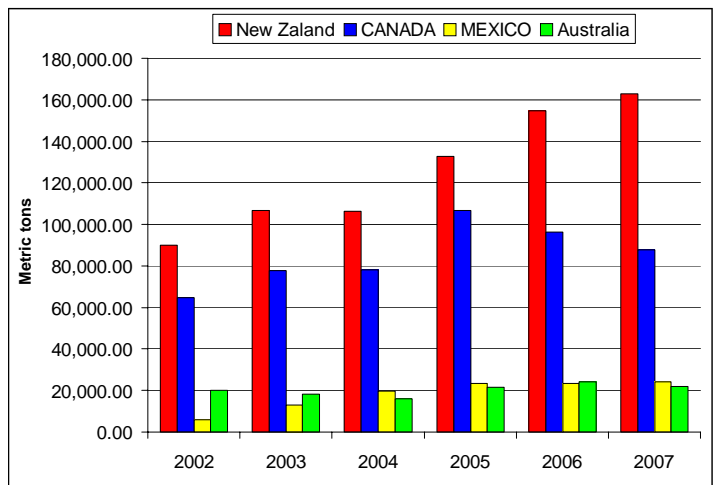
Four countries — Italy, New Zealand, France, Australia — account for 50% of the 197,614 metric tons of cheese imported into the U.S. in 2007.



What is interesting is since peaking in 2002 at 215,706 metric tons, cheese imports into the U.S. have fallen 18,093 metric tons. The biggest loser was New Zealand whose cheese exports to the U.S. fell 17,638 metric tons. Italy made up nearly half of New Zealand's loss increasing exports of cheese to the U.S. by 8,539 metric tons. France and Australia also registered gains of 3,198 metric tons and 3,956 metric tons, respectively.

### And all other dairy product imports . . .

Here, too, four countries account for the lion's share of the other dairy product imports entering the U.S. in 2007. New Zealand alone was responsible for 39% of these imports, Canada is next at 21% while Mexico and Australia add another 6% and 5% respectively, for a total of 71%, 296,803 metric tons.



While New Zealand's share of cheese imports into the U.S. has fallen by over 40%, its exports to the U.S. of other dairy products have nearly doubled since 2002. Specifically, New Zealand's exports to the U.S. of both casein and milk protein concentrate (MPC) with protein between 40% and 90% have more than doubled.

Overall exports of casein to the U.S. have been relatively flat. The growth in New Zealand exports of casein to the U.S. has offset a dramatic drop in exports of casein from the European Union. Ireland's exports dropped from 5,121 metric tons in 2002 to just 116 metric tons in 2007. Germany's casein exports to the U.S. dropped from 4,867 metric tons to 1,468 during the same period.

Unlike casein, U.S. imports of MPCs have grown from approximately 41,000 metric tons in 2002 to 61,000 metric tons in 2007. Most of that growth has occurred in the in

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Commodities [Annual Quota] (2007 Safeguard Level)	Jan-Dec 2007 Metric Tons	Jan-Dec 2006 Metric Tons	Jan-Dec 2006-07 Growth Rate	% of 2007 Quota/Safeguard Reached*
<b>QUOTA PRODUCTS</b>				
<b>Butter</b>				
In-quota [6,977 MT]	6,410	6,913	-7%	92%
Over-quota	216	345	-37%	
<i>TOTAL</i> <sup>1</sup> (11,502 MT)	6,627	7,258	-9%	<b>56%</b>
<b>Butter Substitutes (Butteroil &amp; AMF)</b>				
In-quota [6,080 MT]	5,215	6,088	-14%	86%
Over-quota	131	207	-37%	
<i>TOTAL</i> <sup>1</sup> (8,426 MT)	5,346	6,294	-15%	<b>62%</b>
<b>Cheddar</b>				
In-quota [13,256 MT]	12,109	12,304	-2%	91%
Over-quota	1,048	450	133%	
<i>TOTAL</i> <sup>1</sup> (12,657 MT)	13,158	12,754	3%	85%
<b>American-type Cheese</b>				
In-quota [3,523 MT]	2,846	3,065	-7%	81%
Over-quota	4,836	5,877	-18%	
<i>TOTAL</i> <sup>1</sup> (12,209 MT)	7,682	8,942	-14%	58%

*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-Dec 2007 Metric Tons	Jan-Dec 2006 Metric Tons	Jan-Dec 2006-07 Growth Rate	Jan-Dec 2005-07 Growth Rate
<b>NON QUOTA PRODUCTS</b>				
Butter Substitutes (<45% Butterfat)	12,773	13,749	-7%	-33%
Casein	89,635	80,861	11%	-8%
MPC (more than 40%, less than 90% protein)	50,249	52,634	-5%	13%
MPC (90% or more protein)	10,841	10,000	8%	0%
Total MPC	61,090	62,633	-2%	-8%
Chocolate Block	111,193	110,877	0%	-9%
Goya Cheese	7,321	14,793	-51%	-59%

the 40%-to-90% MPC, increasing nearly 17,000 metric tons, while the 90%-plus protein MPC imports grew just 3,000 metric tons.

#### **Dollar value of imports up even more**

While the overall volume of dairy product imports was down slightly in 2007 compared to 2006, the value of those imports were up fairly significantly, +7.5%. This was true for both cheese and other dairy product categories and reflects the increase in world prices which, along with the weak U.S. dollar, led to increased exports of U.S. dairy products in 2007. 

## **Future Issues of *Import Watch***

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

- 1st quarter 2008, June 2008
- 2nd quarter 2008, September 2008
- 3rd quarter 2008, December 2008
- 4th quarter 2008, March 2009

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