

ITC Report Agrees: MPC Imports Displace Domestic Milk

Elwood Kirkpatrick
President

The recently released government report determining the impact of imported dairy proteins on the U.S. dairy industry confirms our concerns that the U.S. dairy market is being negatively impacted through unfair competition from imported dairy products.

The report, released in late May by the International Trade Commission (ITC), validates the U.S. dairy industry's belief that imported milk proteins are being directly and substantially substituted for milk produced on America's dairy farms.

The ITC concluded that, on a protein basis, imports of MPC, casein, and caseinate may have displaced 318 million pounds of U.S. produced milk proteins between 1998 and 2002.

That 318 million pounds of displaced U.S. produced skim milk powder (SMP) is equivalent to 1/3 of all powder that ended up in government warehouses. The ITC report agreed that dairy protein imports have contributed to the buildup of government skim milk powder stocks, and acknowledged that in response to mounting government SMP stocks, the U.S. Department of Agriculture twice reduced the support price of SMP and raised the butter support price during 2001-2002. The tilts have contributed to a reduction in dairy farmer income since 2001.

The ITC report countered

claims made by dairy processors and importers that most imported MPCs are not used in specialized nutritional supplements, but in fact are used to make cheese, displacing domestically produced milk. According to the report, more than half –62 percent– of MPC imported into the United States during 1998-2002 was used to make processed cheese. Only 24 percent was used for specialty nutrition in items like sports bars and diet bars.

Imports of MPC between 1998-2002 equaled 70,000 tons from the European Union, 87,000 tons from New Zealand and 20,000 tons from Australia according to the ITC report.

New Zealand and Australia make true MPC by running fluid milk through an ultra-filtration process and then drying it to produce the final product. These two countries are able to use this costly filtration process, yet offer MPC to the world market at a very low price because most milk in Australia and New Zealand is produced on grass-based dairies with a very low cost of production.

The European Union, on the other hand, does not produce MPC through an ultra-filtration process. Instead, they create a blend of casein and skim milk powder that they call MPC. The European dairy industry is not cost competitive with the United States, however, the EU subsidizes production of both casein and skim milk pow-



der, allowing the European dairy industry to sell their product competitively on the world market.

By affixing an MPC label to the blend of casein and skim milk, the European dairy industry bypasses the quota on skim milk powder. In my opinion, since this blend is not actually MPC, this practice is illegal under World Trade Regulations. The ITC investigation confirms that heavy production and export subsidy use by the European Union severely distorts world trade in dairy products.

The U.S. dairy industry will use the results of the report to continue its efforts to minimize the economic harm of imported dairy proteins, including pushing for more support for the Milk Import Tariff Equity Act (MITEA), which now has 189 House cosponsors and 34 in the Senate.

I encourage you to use this information when contacting your Congressional Representatives and Senators to urge them to support and expedite the MITEA legislation.

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