



BOX 842 LITCHFIELD, MINNESOTA 55355
 OFFICE PHONE (320) 693-3236
 OFFICE FAX (320) 693-6243
 SALES DEPT. FAX (320) 693-6708

FIRST DISTRICT ASSOCIATION

1687 00 SEP 29 P2:27

September 26, 2000

Ms. Jennie Butler
 Dockets Mgmt. Branch (HFA-305)
 Food and Drug Administration
 Room 1061 5630 Fishers Lane
 Rockville, MD 20852

Dear Ms. Butler,

Enclosed are some statistics along with another disturbing article written by Jim Tillison in the September 8, 2000 issue of Cheese Market News. I continue to witness astonishing increases in milk protein concentrate, casein, and other casein mixtures. The latest report I received for volumes of milk protein concentrate imported into the United States is 32,619,875 pounds through June 2000, up 70% from the same period one year ago. One might relate this quantity of MPC as greater than 1.5 billion pounds of milk equivalent annually!

The U.S. Dairy Industry is in a state of crisis with milk prices at 20 year low levels. U.S. Dairy Farmers deserve and need your help desperately and immediate action is required.

First District Association, a cooperative representing over 1100 dairy farmers in the Midwest is very concerned that very little action has been taken to address and resolve the issue which if allowed to grow, will ultimately and seriously damage the U.S. Dairy Industry further. We appreciate your strong voice and support of the dairy industry.

Sincerely,

Clint Fall
 President/CEO

CF/dw

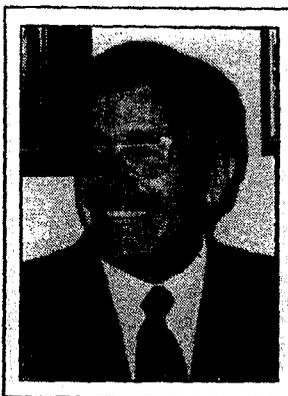
Enclosures

00P-0586

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CC Creamery Managers / MPC Report at MPC
Field Service is a HUGE PROBLEM
for the U.S. Dairy Industry.

OPINIONS CMN Exclusive . . . CMN Exclusive . . . CMN Exclusive . . . CMN Exclusive . . .



Perspective: Industry Issues

Jim Tillison is executive vice president and CEO for the Alliance of Western Milk Producers. He contributes this column exclusively for *Cheese Market News*®.

MPC data startling

The American Dairy Product Institute's (ADPI) report on the use of nonfat dry milk (NDM) in 1999 is extremely revealing. If major cheese producing states needed circumstantial evidence in order to begin investigating the use of milk protein concentrates (MPC) in cheesemaking, the ADPI report sure provides it. (For more on ADPI's report, see related article this issue.)

According to ADPI, the use of nonfat dry milk powder in hard cheesemaking was down nearly 23 percent in 1999 compared to 1998. That comes to 57 million fewer pounds of domestically-produced nonfat dry milk used to make cheese. That drop in commercial use alone accounts for nearly one-third of the 179 million pounds of nonfat powder the Commodity Credit Corporation bought in fiscal 1998-99. Since 1996, ADPI data shows that the use of nonfat powder in cheesemaking has declined over 150 million pounds.

Normally, when milk production ex-

pands, cheesemakers will use condensed skim milk to make cheese. Quality is the primary reason cheesemakers prefer "wet" nonfat solids to dry. In 1998, milk production nationally increased just a billion pounds compared to 1997. The leading cheese producing states — Wisconsin, California, Minnesota — experienced almost no increase in milk production. In 1999, milk production recovered, rising over 5 billion pounds. Nonfat powder production rose by 200 million pounds that year compared to 1998. Cheese production rose 500 million pounds. One interpretation of these numbers is that nonfat dry milk powder and wet solids were displaced by something else. ADPI numbers appear to indicate that it was imported milk protein concentrate that displaced domestically-produced milk solids.

In 1999, ADPI estimates that MPC imports rose to more than 121 million pounds.

That is up substantially from 1997's 63 million pounds and 30 million pounds

above 1998 imports.

Milk protein concentrate is exactly what the name implies. It is milk protein separated and concentrated from skim milk through the use of ultrafiltration (UF) technology. It is primarily milk protein while nonfat dry milk is primarily lactose. As such, MPC provides more bang for the buck since it is protein (specifically casein) that increases cheese yield by capturing additional fat. Remember, a pound of milkfat will yield 1.58 pounds of Cheddar cheese, so a pound of milkfat in cheese today is worth almost \$2 a pound. By comparison, a pound of milkfat in butter is worth about \$1.40 in butter.

The Code of Federal Regulations limits the quantity of milk protein concentrate or casein that can be used in starter cultures in making standardized cheeses like Cheddar and Mozzarella to about 3 percent. However, for non-standardized cheeses like Ricotta or pizza cheese, there is no limit on the amount of imported MPCs that can be used.

The use of domestic wet ultra-filtered milk components in cheesemaking, other than those produced at the plant where the cheese is produced, is not allowed. There are a couple of off-plant UF systems operating under special permission from the FDA, but the blanket use of this technology is not allowed. Petitions have been submitted to FDA to allow off-plant wet UF milk solids to be used in cheesemaking, but there is strong opposition from milk producers to allowing dry UF milk solids (milk protein concentrate) to be used.

The reasons milk producers are opposed to the use of dry UF milk solids (MPC) is obvious. MPC is an imported product coming from countries that ei-

ther subsidize exports or where government-sanctioned state trading enterprises essentially spread the cost of subsidizing exports over all milk producers. In the United States, there are no restrictions on the quantity that can be imported nor are there tariffs on either MPC, casein, or caseinates. As the ADPI data shows, these imported milk proteins are displacing domestic milk solids-not-fat.

Cheese processors are feeling the pinch that the use of imported MPC is causing as well. As one cheesemaker recently stated, "We have to compete with cheese manufacturers using imported MPC and we can't."

Soon, hopefully, the dairy industry will agree that the use of wet UF milk solids is a good start. The other thing the dairy industry should agree on right now is that the use of imported MPC beyond that small amount allowed in starters is not legal. Milk producers and processors should join together to urge their state departments of agriculture to crack down on those using MPC over and above starter needs in standardized cheeses.

When I see the dramatically increased tonnages of imported MPC and the claims it is used in cheese starter, it reminds me of the kid who goes into the hobby store and asks for one model airplane and three cases of airplane glue. There's more than model building going on in that kid's room and there is more than mixing up starter going on in some cheese plants. CMN

The views expressed by CMN's guest columnists are their own opinions and do not necessarily reflect those of Cheese Market News®.



American Dairy Products Institute

300 West Washington Street, Suite 400 - Chicago, Illinois 60606-1704 U.S.A.

(312) 782-4888 or -5455

FAX (312) 782-5299

Email: adpi@flash.net

Web site: <http://americandairyproducts.com>

Summary of Selected U.S. Dairy Product Imports¹

June, 2000

HTS Classification Tariff #	Product Nomenclature	-- Volume of Imports ² --		Difference from Same Period Last Year ²
		Current Month	Year to date	
0402.10.10	Nonfat Dry Milk	181,870	1,914,830	- 325,369 (- 15%)
0402.21.30	Dry Whole Milk	108,462	476,911	- 59,938 (- 11%)
0402.21.75	Dry Whole Milk >35% milkfat	0	9,321	+ 9,311 (³)
0402.91.10	Evaporated Milk, in cans ⁴	35,660	5,535,149	+ 2,791,486 (+ 102%)
0402.99.10	Sweetened Condensed Milk, in cans	0	1,008,232	+ 117,442 (+ 13%)
0403.90.41/ 0404.10.50	Dry Buttermilk/Dry Whey	0	81,650	+ 30,575 (+ 60%)
0404.10.05	Whey Protein Concentrate	690,677	3,299,226	+ 8,886 (0%)
0404.90.10	Milk Protein Concentrate	4,846,361	32,619,875	+ 13,465,650 (+ 70%)
0404.90.30	Butterfat Mixtures >5.5% milkfat	64,602	3,421,732	+ 858,951 (+ 34%)
0405.10.10	Butter	1,425,178	3,459,757 ⁵	+ 696,637 (+ 25%)
0406.30/40/90	Total Cheese ⁶	9,328,341	54,136,976 ⁵	- 748,048 (- 1%)
1702.11.00	Lactose/anhydrous	299,900	1,711,878	+ 1,069,221 (+ 166%)
1702.19.00	Lactose <99%	62,366	307,741	- 28,447 (- 8%)
1806.20.20 ⁷	Unfinished Sweetened ⁷ Chocolate (bulk)	4,896,071 ⁷	27,139,527 ⁷	+ 3,459,749 (+ 15%)
1806.20.2010	without Milkfat/Milk Solids	1,628,464	6,833,593	- 236,402 (- 3%)
1806.20.2090	contains Milkfat/Milk Solids	3,267,607	20,305,934	+ 3,696,151 (+ 22%)
1806.20.24	Chocolate Crumb >5.5% milkfat	3,082,292	17,415,400	+ 10,445,489 (+ 150%)
1806.20.34	Chocolate Crumb 5.5% or less milkfat	0	112	+ 54 (+ 93%)
1901.90.28	Infant Formula	0	100,000	+ 25,853 (+ 35%)
2106.90 ⁸	Food Preparations	0	47,412	+ 6,086 (+ 15%)
2309.90.24/ 2309.90.44	Animal Feed Milk Solids/Other	0	50	- 512,940 (- 100%)
3501.10.10/ 3501.10.50	Casein	9,137,658	40,405,214	+ 1,074,547 (+ 3%)
3501.90.60	Other Casein Mixtures	3,507,845	18,752,240	+ 3,655,250 (+ 24%)
3502.20.00	Milk Albumin	686,229	3,516,665	+ 1,322,763 (+ 60%)

¹Source: U.S. Census Bureau & U.S. Department of Agriculture.

²Expressed in Kilograms.

³Percent difference not calculated.

⁴Includes evaporated/condensed (undifferentiated) from Mexico under NAFTA.

⁵Revised.

⁶Does not include Non-Quota cheese imports.

⁷Total imports, including statistical separation reported below.

⁸Contains <5.5% milkfat & >16% milk solids (combines subheadings 2106.90.03, .06, & .09).

(8/29/00)