



KERRY

Kerry Inc.

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STAN McCARTHY
President & CEO

June 6, 2002

The Honorable Philip M. Crane
Chairman, Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

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Dear Mr. Chairman:

On behalf of Kerry Inc., I am writing to express our strong opposition to H.R. 1786, a bill that would mandate costly new restrictions, through tariff-rate quotas, on imported casein and milk protein concentrates (MPC). I understand this legislation, which has not had a public hearing in either the House or Senate, has been included as part of a package of miscellaneous and non-controversial tariff reduction bills pending before the Ways and Means Subcommittee on Trade. Limiting the availability of these key ingredients will have the detrimental effect of increasing the cost of a variety of products that rely on the unique properties of casein and MPC.

Our company directly employs more than 1,900 people in the United States and is an important contributor to the local economies and tax bases around the country. We have for years provided good employment opportunities. We manufacture food ingredients that include casein and milk protein concentrates, and we want that business to grow, not shrink, because it is important to our customers.

Casein and milk protein concentrates (MPC) are milk-derived ingredients used in a wide variety of applications, including non-dairy creamers, frozen desserts, cheeses, breakfast foods, soups, baby food, including hypoallergenic infant formulas, bakery products, processed meat, high protein bars and sport beverages and other nutritional foods.

Demand for these high-protein dairy ingredients has been growing over the past decade, yet there is no domestic production of casein and virtually no production of MPC. This is largely due to the economic effects of the U.S. dairy price support program which has guaranteed a market for nonfat dry milk and made it uneconomical to invest in value-added production facilities. Why risk investing in new technologies if you get a good guaranteed price for a lower technology product?

The bill's proponents claim that imports of casein and MPC take away sales of domestic nonfat dry milk, yet nonfat dry milk is simply not a substitute for casein or MPC in our products. Both casein and MPC provide functionally superior attributes to nonfat dry milk, by offering higher levels of protein, consistency of protein content levels, and removal of other milk components that may not be desired in the particular end product (for example, lactose and minerals). Increased availability of these products from foreign suppliers in recent years is a direct result of the use of more modern filtration technologies being used by dairy suppliers around the world.

The bill's proponents also claim that H.R. 1786 is consistent with our international trade obligations. Not only will the bill disrupt international trade and our trade relations with key trading partners, but I have been informed it is blatantly inconsistent with our international trade obligations and will surely result in retaliation or demands for compensation.

We respectfully ask you and members of the committee to oppose legislation that would raise import tariffs on casein and milk protein concentrates. This is an important issue to our company and to the U.S. food industry if we are to remain competitive.

Thank you for your consideration.

Sincerely,

Stan McCarthy
President and CEO
Kerry Inc.