



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

TO: Reporters and Editors
RE: ITC Report on Milk Protein Concentrates
DA: May 18, 2004

In May 2003, Sen. Chuck Grassley, chairman of the Senate Committee on Finance, requested a section 332 investigation by the U.S. International Trade Commission (ITC) on U.S. market conditions for milk proteins, including milk protein concentrate (MPC), casein, and caseinate.

Today, Sen. Grassley welcomed the release by the ITC of its report entitled Conditions of Competition for Milk Protein Products in the U.S. Market. Besides examining the milk protein industry in the United States, the report provides profiles of the industries in New Zealand, Australia, and the European Union, the world's major MPC exporting countries. The ITC's investigation focused on the period of 1998 to 2002.

Statement by Sen. Grassley —

"The ITC's report is the most comprehensive, complex, and detailed analysis of the MPC trade I have ever seen.

"According to the ITC, industry and academic experts agree that the degree of technical substitutability between imported MPCs and skim milk powder in many dairy applications is 'very high.' The report states that it appears that most of the substitution of skim milk powder occurs in the production of processed cheese products. The ITC found that it's possible to produce processed cheese products using either MPCs or skim milk powder with little or no change in equipment or manufacturing processes. Moreover, the report states that between 1998 and 2002, imported MPC, casein, and caseinate may have displaced on a protein basis 318 million pounds of domestically produced milk proteins. According to a follow-up question I posed to the ITC yesterday, the ITC found that this amount represents about 1.2 percent of domestic milk protein production over the five year period.

"The ITC explains as well that U.S. imports of MPCs from 1998 to 2002 were strongly influenced by government support provided to the European Union's dairy industry, both in the form of export refunds and production aids. I believe that these EU policies demonstrate the

importance of concluding agricultural negotiations at the WTO that will prohibit export subsidies and that will lower the level of domestic support provided by the European Union to fair levels.

"The ITC also found that, as skim milk powder market prices were generally equal to the U.S. support price over the period of 1998 to 2002, the major effect of imported milk proteins was on federal purchases of skim milk powder. The report finds that imported milk proteins may have contributed to a 25-35 percent increase in Commodity Credit Corporation (CCC) stocks from 1996 to 2002. The ITC reviewed economic studies conducted by various academic researchers regarding milk protein imports. These studies generally found that the predominant impact of milk protein product imports is on CCC stocks, and not on farm-level prices."

"I'm pleased that this report discusses in length many issues concerning imported MPCs and other milk proteins. I appreciate the work of the staff of the ITC in writing this report, which at over 400 pages in length, is probably the most comprehensive and best researched report ever on this topic. It raises a lot of issues and provides a wealth of data that will require a great deal of thoughtful analysis.

"That's why I've invited representatives of the National Milk Producers Federation and the International Dairy Foods Association to meet with my staff this afternoon to discuss the ITC's findings. I'm hopeful that this meeting will lead to constructive dialogue on how to move forward to resolve issues of concern to both producers and processors. There are no simple answers. This is an important issue, and we need to get it right."