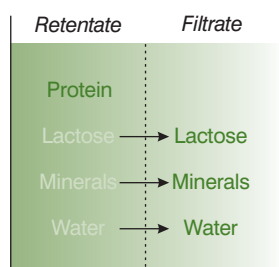


The Problem with Milk Protein Imports

Producer organizations in both the US and Canada are increasingly alarmed about imports of new dairy ingredients that appear to circumvent WTO trade agreements and threaten to erode domestic dairy markets. Although butteroil-sugar blends have been of interest to Dairy Farmers of Canada for several years, more recent concern has been focused on milk protein concentrates (MPCs).

What are MPCs?

Strictly speaking, milk protein concentrates are the products of *ultrafiltration*. In this new process, skim milk or whey components pass through a membrane, separating most of the water, lactose and other solids



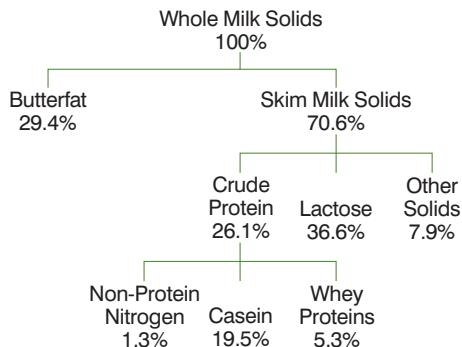
from a product containing anywhere from 35 to over 90 percent protein when dried. MPCs can be used in liquid form to make cheese or as a spray dried ingredient in many other products. Lower valued MPCs have a

protein content similar to skim milk powder, while those with higher protein concentrations command much higher prices.

The processing value of milk proteins

Milk protein concentrates with lower protein levels are used in the manufacture of certain types of yogurt, cheese and prepared foods such as desserts, baked goods, toppings and low fat spreads. Higher protein concentrates (70 to 90% protein) are used in the manufacture of products such as sports drinks and nutritional supplements. Concentrates containing 90 percent or more protein are especially useful for manufacturers seeking lactose and sugar-free claims for their product.

Edible-grade casein is used in the manufacture of processed cheese, infant formulas and coffee whiteners. 'Technical' grade casein has many non-food industrial uses.



Caseinates are water-soluble salts of casein, made by dissolving acid-precipitated casein in solutions of calcium, potassium or sodium hydroxide. These are used in a wide variety of food products.

How do MPCs escape import tariffs?

MPCs were not considered a significant trade issue during discussions on the Uruguay Round since very little of the product was produced commercially at the time. MPCs were therefore not subjected to the same import licensing rules as other dairy products such as cheese, butter and nonfat dry milk.

Many dairy exporting nations are taking advantage of the absence of trade restrictions and standards of identity for these products by simply blending dairy ingredients together and calling them MPC. As an example, some exporters are applying the MPC label to simple blends of skim milk powder, whey protein and casein. Dairy farmer organizations contend that this is a deliberate attempt to skirt tariffs which apply to these products.

Since 1995, imports of MPC-labeled products into Canada have increased significantly: casein and casein products by 178% and whey and whey products by 75%. At the same time the domestic 'structural surplus' of skim milk powder (SMP) has grown from 12,000 tonnes to 52,000 tonnes (see WDD Winter 2003, p4). MPCs contribute to this surplus, eroding producer income since it is producers that bear the costs of managing the balance of supply and demand in the system.

sources: Dairy Farmers of Canada; US National Milk Producers Federation; Ontario Milk Producer, Dec 2002, p 28