

Imports. Imports. Imports. U.S. Dairy “Surplus” – A Complete Lie

by Pete Hardin

Dairy farmers, and all folks earning their livelihoods in dairy, should truly recognize the primary factor that’s destroying our industry: rampant use of imported dairy ingredients.

U.S. dairy farmers have bled red ink at an incredible rate in 2009. Let’s use Wisconsin farm milk data as a good measure of 2009’s overall milk price plunge. According to the Wisconsin Agricultural Statistics Service, the state’s January-June 2009 average “all-milk price” was \$7.66/cwt. below 2008’s first half. We can project such income shortfalls nation-wide. Current milk prices are similar to what producers received in the late 1970s. Why? “Milk surplus,” the experts say.

YES, dairy has seen shortages of processing capacity in some regions, like California. In some seasons (spring) and holidays (Christmas), milk supplies admittedly stress manufacturing plant “balancing” capacity. However ... the “big picture” shows that increasing reliance on imported dairy proteins has seriously dropped domestic demand for U.S.-produced farm milk. Persons seeking to trivialize the impact of dairy imports – especially Milk Protein Concentrates (MPCs) – fall into statistical abuse or seek to trivialize data based on mere year-to-year comparisons. The big picture: MPC imports have increased, in just the past few years, from 5.9% (in 2004) to just over 7% (January-April 2009) of the U.S. farm milk supply. (These numbers measure MPC imports on a skim-milk equivalent basis).

Increasingly, certain U.S. dairy and food processors have become addicted to cheap, imported milk protein powders. Curiously, that addiction serves to depress prices of “old-fashioned” dairy proteins found in U.S.-produced farm milk. MPC imports and use are a “win-win” deal for Kraft Foods: lower-cost ingredients that depress U.S. farm milk prices.

U.S. a “milk-deficit nation” since 1996

Since 1996, the U.S. has been a net “deficit milk-producing nation.” For the past 13 years, this nation’s population has consumed more dairy products – cheese, fluid milk, yogurt, ice cream, butter, etc. – than our dairy farmers have made enough milk to produce. These data come from USDA’s Economic Research Service’s “World Agricultural Supply and Demand Estimates.”

Curiously, these USDA numbers understate the problem. USDA economists fail to calculate imports of MPCs and casein products in the supply/demand estimates. Why? USDA’s bean-counters “don’t know” how much imported MPCs and caseins is used in the human food supply. (Memo to USDA bean-counters: look at many Kraft Foods’ products in the supermarket, if you want to know how MPCs are being used.)

Massive imports of dairy protein powders and milk fat cause our “surplus.” Imported ingredients are replacing U.S.-produced farm milk in some cheese plants’ vats (and other food processing uses). Surplus “cheese” in storage probably resulted from illegal “alchemy” occurring in cheese vats. Want proof?

California data: 13.7 lbs/Cwt.??? Definitely NOT Cheddar!

In 2007, California reported 40-pound block Cheddar yields increased by 1.2 pounds per hundredweight of farm milk in just one year! No corresponding increase in California’s farm milk protein content occurred. In 2007, California produced an astounding 13.7 pounds of 40-block Cheddar per 100 pounds of milk, according to that state’s agriculture department data. That’s a Cheddar yield 43% higher than farm milk of average protein/milk fat content should yield. To achieve such yields using farm milk, the protein/butterfat content of farm milk would have to be roughly 4.6% and 5.2% respectively. Suspicions are that such “alchemy” in cheese vats extends to other cheese varieties and other states.

Products resulting from such cheese vat “alchemy” are NOT “Cheddar” (under FDA’s standards of identity for natural cheese) and cannot LEGALLY be marketed as such. This ersatz “Cheddar” is technically “imitation” cheese (yuck!) and should be labeled as such. How much lower would inventories of American cheeses be if only legal “Cheddar” was counted? Truth is: the U.S. dairy industry has a “cheese vat integrity” problem, not a farm milk surplus.

April-June 2009 retail cheese sales up 7.1%

Consumer dairy product purchases in 2008 have generally been excellent. For the 90 days ending June 28, 2009, retail cheese purchases increased 5.1%



USDA economists do not count Milk Protein Concentrate imports because they “don’t know” how MPCs are utilized. MPC is the fourth leading ingredient in Kraft’s Velveeta.

over year-ago figures – amazing! And fluid milk sales registered an excellent growth rate of 1.4% for that same period. (Source: Information Resources Inc.)

What “surplus?” Dairy products are flying off the supermarket shelves, as families cook more meals at home – using plenty of cheese and drinking more milk. Retail dairy sales growth (for home consumption) mirrors food/lifestyle changes that follow tough financial realities of the past year. Dairy marketers can enjoy unprecedented opportunities for our products if we boost consumers’ awareness of all the good nutrition and taste the dairy products bring to the home table. But even if farmer-funded dairy promotion efforts want to use USDA-mandated checkoff funds to promote U.S. dairy products to hungry U.S. consumers, they couldn’t legally do that!

The job of dairy promotion may have just gotten more difficult. Incredibly, the mandatory national dairy checkoff program will be prohibited from promoting genuine American-made butter, cheese, milk powder and milk under new rules for the dairy import assessment published in the Federal Register in May 2009 by thick-skulled bureaucrats at USDA.

Yes, business at pizza parlors has declined. U.S. Mozzarella cheese production has slowed – down a couple percentage points, volume-wise for the past year-plus. But there is little Mozzarella “surplus” because Mozzarella is not heavily inventoried. Manufacturers adjusted to lower demand by producing less. Truth be known: much product categorized as “Mozzarella” used on the nation’s pizzas is in fact Mozzarella’s degenerate second cousin, “pizza cheese” – which lacks federal standards. Major national pizza chains (like Pizza Hut) feature a predominance of “pizza cheese” atop their entrees. (Editor’s note: Truth be known, the water and salt content of Pizza Hut’s “pizza cheese” is astronomical.)

2004: dairy protein imports were 5% of U.S. milk supply

The question becomes: if the U.S. is a “deficit milk-producing nation” ... and we see spectacular consumer sales in 2009, then why are milk prices low due to alleged cheese “surplus?” Answer: DAIRY IMPORTS.

In 2004, a report from USDA’s Agricultural Marketing Service determined that imported dairy protein powders constituted 5.9% of the U.S. raw milk supply (on a skim-milk basis), for the period January-August 2003. Since that time, MPC and casein imports have increased by 25%, while U.S. milk production has climbed 11%. Thus, we may presume that on a skim-milk basis, dairy protein powder imports equal close to seven percent of the current U.S. milk supply. Seven-percent! That’s a price-buster, particularly when coupled with a cooler dairy export climate since late fall 2008.

In early 2009, the U.S. became a dumping ground for global dairy proteins. For the first several months of 2009, imports of MPCs and high milk fat products (butter, anhydrous milk fat) have increased dramatically, compared to 2008. MPCs are high-protein dairy powders. MPC imports for January-February 2009 totaled 29.1 million pounds – 16% higher than 2008’s first four months of 2008. Those January-February 2009 MPC imports equaled roughly 523 million pounds of skim farm milk. At 55,000 pounds of skim milk per milk tank trailer, those 29.1 million pounds of imported MPCs would have required 10,475 trailers of milk. Nose-to-tail, that may 50-foot milk trailers full of skim milk would stretch nearly 100 miles!

How are MPCs used? Look in the supermarket

At a major supermarket you can easily find three dozen (or more) Kraft Foods’ processed food products containing MPCs. Old stand-bys like Velveeta, Cheez-Whiz, Singles and Kraft Macaroni & Cheese” are chockfull of MPCs. See pictures on these pages.

MPCs don’t make better-tasting, cheese-type products, but MPCs are cheaper than farm milk. FDA “caught” Kraft Foods using MPCs in standardized processed cheese products in 2003 – several years after that practice had been revealed by *The Milkweed*. Why do firms like Kraft Foods use MPCs, if the resulting food products are less tasty? MPCs are generally cheaper than U.S. farm milk. MPCs absorb a lot of water. And MPC imports help beat down costs of U.S.-procured dairy products/ingredients.

Kraft Foods’ greed in processed cheese products is coming back to haunt the firm. Market share of processed Kraft Foods’ products such as Singles and Velveeta are losing sales, big-time, to private-label (supermarket brands). From bases of both price and quality, shoppers are turning away from Kraft’s processed cheese products.

Kraft Food’s patent #6,372,268 (4/12/02)

The “beauty” of MPCs for cost-conscious food processors was defined in U.S. patent #6,372,268 filed by Kraft Foods on April 12, 2002. Language in the patent (that substituted MPCs in cheese-type products) lists advantages of not having to locate production facilities (i.e., cheese plants) near the sources of farm milk supplies. That patent reads, in part:

“This process enables the manufacturer of cheese from non-perishable or self-stable ingredients **such as milk protein concentrate and anhydrous milk-fat. This enables greater flexibility in the location of cheese manufacturing facilities as handling and/or transporting large quantities of fresh milk is not required.**” (Emphasis added.)

Further on, that Kraft Foods’ patent lamented costs and headaches associated with raw milk:

“Finally, there is a significant financial and logistical burden associated with the use of fluid milk since large quantities of fresh milk must be shipped and stored under refrigerated conditions.” (Emphasis added.)

MPC: ILLEGAL food ingredient

Massive use of MPCs in our foods is dubious because, technically, MPCs

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are ILLEGAL food ingredients. All food ingredients developed since 1958 must be subjected to FDA’s mandatory “GRAS” (Generally Recognized as Safe) food-safety testing. Such mandatory tests for MPCs have never been submitted to and reviewed by FDA. Further, MPCs have no standard of identity. How to test for something that lacks formal definition?

Should we be concerned about ostensibly illegal, (mostly) foreign proteins in our food supply? Last year’s melamine scandal in China – where coal-based derivatives were passed off as “proteins” in human foods – shows every reason for extreme caution. Yes, melamine hit our shores. And what did FDA do? FDA now allows trace amounts of melamine contamination in infant formulas sold in the U.S. Why? Equipment in (many times foreign) plants producing infant formulas sold in the U.S. is so contaminated by “protein” sources once spiked with melamine that it’s impossible to eliminate the melamine residues! FDA has merely shifted “safety” oversight to allow a few parts per billion of melamine – a lethal contaminant – in infant formulas, accommodating the original illegality!



Milk Protein Concentrate is the fourth-leading ingredient in Cheez Whiz.

Do your own research: try to find “cheese” on the list of ingredients on a Cheez Whiz jar. The third ingredient listed is “milk.” (Remember: no dairy industry in the Philippines.) The fourth ingredient in Cheez Whiz is “milk protein concentrate.” It is difficult to make “Real” cheese with illegal food ingredients like MPC.

Why do some dairy figures deny imports’ impact???

Improving low farm milk prices will certainly be more difficult if we don’t pinpoint THE problem.

While some analysts (Bunting, Hardin) in dairy have pointed to imports as the major cause of our farm milk price woes, a chorus of dairy “experts” has chimed harmoniously that dairy imports are not a problem causing low milk prices. Those “experts” include two Cornell University professors (Andy Novakovic and Mark Stephenson), and representatives for National Milk Producers Federation. (Note: NMPF’s biggest member – Dairy Farmers of America – held 12 dairy import licenses in 2008. Why DFA imports massive quantities of dairy products – including “butter substitutes” – is mystery.)

What to do???

Wisconsin U.S. Senator Russell Feingold (D) has twice offered legislation seeking to attack blatant MPC use. Those bills didn’t get far in a political system “greased” by political contributions from Kraft Foods and the big dairy co-ops. Most recently, New York Senator Charles Schumer (D), with Feingold as a co-sponsor, authored new legislation seeking to impose tariffs on imported MPCs. (See article on page for more details.)

Perhaps a quicker way to focus the MPC issue would be to have a citizen’s petition submitted to FDA, seeking immediate review of MPC use (with an emphasis on its illegality). Dairy-state elected officials – from governors to Senators and Congress persons – should sign on to a well-publicized citizen’s petition to FDA seeking an immediate ban on MPCs in our food supply. Until MPC is carefully proven safe, these (mostly) imported dairy proteins should not be in our food supply.

Further, FDA ought to honestly investigate what in Sam Hill is going on in those California block Cheddar vats ... and track the stuff through to the consumer, to determine whether “questionable” products are in fact being mislabeled as “Cheddar” to consumers. There’s no way that California cheese plants producing 40-pound blocks of Cheddar could have yielded 13.7 pounds of cheese per hundredweight of farm milk using legal practices.

USDA should investigate cheese products used in school meals programs to see if those products are in full compliance with all food safety and standards regulations. (See related article, p. 15: History of Quality Cheese Act.)

Cheese integrity cannot be compromised!

Turn back the pages of dairy history 100 years and you’ll find that dairy visionaries such as former Governor William D. Hoard fought vigorously against illegal products disguised as Wisconsin cheese. Such products were often made in Illinois and filled with ersatz ingredients like plant-based oils.

If anything, modern assaults by “improved technologies” (using questionable ingredients) comprise an almost identical battle for dairy product integrity,

a century after Gov. Hoard’s wars against filled cheeses from Illinois. Trouble is: today’s food regulators (like the FDA) have allowed politically-powerful food processors (like Illinois-based Kraft Foods) get away with unapproved food ingredients in our cheeses and dairy products. And Wisconsin agricultural officials are totally gutless when big processors are committing mischief in the cheese vat or on the retail shelf.

To conclude: No U.S. farm milk “surplus” exists. Rather, imports are being used now – as they have been historically positioned – to bust farm milk prices and denigrate the integrity of our industry’s products. All this in the name of processor profits! I challenge anyone in dairy to give an honest explanation as to how California’s 2007 40-pound block Cheddar yields could climb by 1.2 pounds (per cwt. of farm milk) in a single year ... all the way up to 13.7 pounds! What’s in those “Golden State” Cheddar vats in addition to farm milk?

Nationally, 50% of all U.S. farm milk is manufactured into cheese. Cheese is dairy’s pricing basis. Until the integrity of cheese products is restored, U.S. dairy farmers can expect more up-and-down milk-price cycles – with the ups never able to compensate the lows. The systematic wiping out our dairy industry’s productive resources (people, businesses and milk cows) fails to address the REAL problem: dairy protein imports (particularly MPCs) and their frequent, illegal use in our dairy and food supply.



Milk Protein Concentrate is the third listed ingredient in the “Cheese sauce” found in Kraft’s “Macaroni & Cheese” dinner.

Senator Charles Schumer Bill to Fix Tariffs on MPCs, Casein

Senator Charles Schumer has introduced S.1542 which is titled “A bill to impose tariff-rate quotas on certain casein and milk protein concentrates.” The short title is “Milk Import Tariff Equity Act.”

The bipartisan bill would impose tariffs on MPCs and caseins, making those products, which are mostly imported, more expensive by approximately one dollar a pound.

Obviously, one of the biggest reason for using MPC and caseins is that they are cheap. This bill, if passed, will be an immense step in the right direction.

Naturally, there are those who have already come out opposing this legislation as anti – free market. The largest export, in recent years, from America has been jobs and all in the name of free markets. There is no argument which will stand, for America importing more and more of its food.

At this point, the bill has nine co-sponsors and seems to be gaining more backers. The co-sponsor list and the date they signed on are as follows:

- Senator Feingold, Russell D. [WI] - 7/30/2009
- Senator Franken, Al [MN] - 8/6/2009
- Senator Gillibrand, Kirsten E. [NY] - 8/3/2009
- Senator Johnson, Tim [SD] - 8/3/2009
- Senator Klobuchar, Amy [MN] - 7/30/2009
- Senator Murray, Patty [WA] - 7/30/2009
- Senator Sanders, Bernard [VT] - 7/30/2009
- Senator Shaheen, Jeanne [NH] - 7/30/2009
- Senator Snowe, Olympia J. [ME] - 8/3/2009

The action taken on S.1452 to date the bill has been to refer the bill to the Senate Finance Committee. Senator Schumer sits on the Senate Finance Committee; therefore the likelihood of this bill moving forward is increased.

Some, however, feel the Senate Finance Committee is opposed to “protectionist” policy. The makeup of the committee has changed and hopefully the committee will see this bill as correcting a past mistake.