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dry proteins (Chapters 4 and 35 MPC, casein, caseinates, and albumins) and convert them to tons of pure protein, imports in 2002 rose 6.3 million pounds (2,878 metric tons), or 2.3 percent. Wow, that's a lot of protein. Or is it?

Between 2001 and 2002 U.S. dairy farmers marketed an extra 138.6 million pounds of protein. That's roughly 22 times more

protein from U.S. milk marketings in 2002 than from imports. Or, stated another way, between 1997 and 2002, annual average production of protein from U.S. dairy farmers rose 74 million pounds a year. So, yes, imports of MPC and other protein products weighed on the farm gate milk price, but not nearly as much as growth in the U.S. milk supply.

That spreadsheet I talked about shows that over the period

1997-2002, imports of dairy products converted to a component basis rose significantly: butterfat rose 89 percent, protein rose 30 percent, and other solids rose 154 percent. As for exports, protein and butterfat exports were fairly small compared to growing exports of other solids.

The other half of the supply/demand equation is demand. What evidence is there that consumption of milk and dairy products fell in 2002? As I stated earlier, I don't like USDA's measure of dairy product consumption on a "milk fat, milk equivalent basis." That's because I really don't know what it means. What I do know is that ending stocks of dairy products, particularly butter, nonfat dry milk and cheese, are well above year-ago levels.

Cheese isn't as much of a problem as are the other two products. This can only occur when supply increases (production plus imports) and demand isn't strong

enough to absorb the extra product. The other source of information I have is complaints from industry folks describing flat dairy sales. Sales of dairy products just aren't growing at the same rate they did over the last 10 years.

I'm currently doing research into what factors caused the all-milk price to decline \$2.84 per CWT between 2001 and 2002. Trust me, it won't be easy. To do a good job, I have to account for imports, exports, production, stocks, and commercial disappearance of all dairy products on a protein, butterfat, and other solids basis. I have to not only reflect imports of dry proteins such as MPC, but also imports of fat mixes, cheese, chocolate block, etc. Then I have to figure out how these imported products were used. In some cases they do substitute with domestic dairy products, in other cases they don't. Try convincing a food processor that needs protein in their ingredient list but not lactose to

use U.S. produced nonfat dry milk instead of imported MPC.

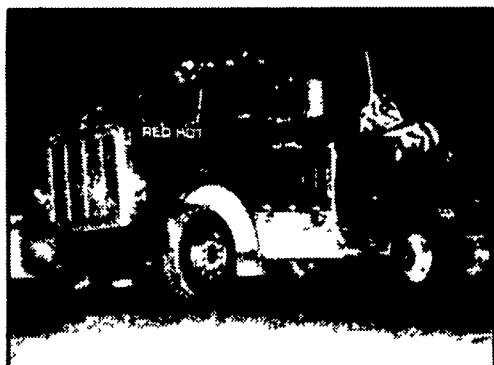
Of course while I'm toiling away at my spreadsheet, checking and cross checking the facts, someone out there will write that all university dairy economists (me in particular) are dummies and can't count. The fact is, the dairy industry needs good factual information regarding what imports have done and what they have not done. That's because we are at the beginning stages of a new WTO that will set global trading rules for everything from intellectual property to agricultural commodities for years to come. We can't simply outlaw dairy imports — they are part of the entire WTO. But the dairy industry can provide credible information on market impacts.

One thing is obvious to me. We'll have a hard time convincing others to listen to the dairy industry if we start with the assumption that supply and demand doesn't have anything to do with milk prices!

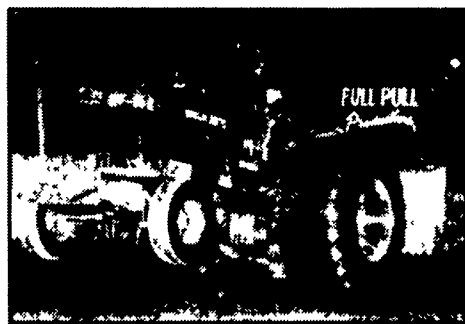
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 Children (Ages 5-10) - \$5.00 Advance & \$6.00 Gate

Final COOL Session In Lancaster

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Producers, meat packers, food wholesalers and retailers, and trade organization representatives assembled to hear the last words in a public forum for or against the mandatory labeling of beef, lamb and pork; fish and shellfish; fruits and vegetables; and peanuts to begin Sept. 30, 2004. Forty-five speakers were registered at 1 p.m. to provide three-minute commentary on COOL.

Representatives from Weis Markets, Hatfield, Taylor, Excel, Leidy's, Sisco, Quaker Meats, Pennsylvania Beef Council, and others addressed the impact of COOL. Several producers were present despite a break in the regional weather, which allowed many producers to catch up with fieldwork.

Meanwhile, in Washington, D.C., the House Agriculture Committee was conducting a session on COOL to hear from USDA officials, food groups, produce growers, and livestock groups. This was done to respond

to the actions of the House Appropriations Subcommittee, which last week voted to cut off funding to implement the COOL legislation.

Washington voted to not fund COOL.

In Lancaster, the American Meat Institute (AMI), representing meat packers and processors, organized an information session on COOL in the morning prior to the USDA meeting. They had invited the industry and the media to hear from them about the USDA's country of origin labeling regulations, which they called one of the most complex, costly, and cumbersome laws ever to hit the food industry.

AMI Vice President of Public Affairs Dan Murphy and AMI Senior Vice President of Regulatory Affairs and General Counsel Mark Dopp were on hand to conduct interviews with the media.

Early press deadlines prevented extensive coverage this issue. Look for more scheduled in the next issue of *Lancaster Farming*.

Lancaster Farming

Check out our Website!

www.lancasterfarming.com

LANCO DAIRY FARMS CO-OP, INC. Annual Meeting

Date: Tuesday, July 8, 2003
Time: 7:30 PM
Place: Family Cupboard Restaurant (Harvest Drive, Intercourse, PA)

The evening will begin with guest speaker Calvin Covington, General Manager of Southeast Milk Producers, Inc. Mr. Covington was the former Executive Secretary of the American Jersey Cattle Club. World Dairy Expo is recognizing Mr. Covington as the 2003 Industry Person of the Year. We invite other dairy producers to come and hear Mr. Covington. Following Mr. Covington's remarks

LANCO DAIRY FARMERS CO-OP
 Will hold their **ANNUAL MEETING**
 Refreshments will be served