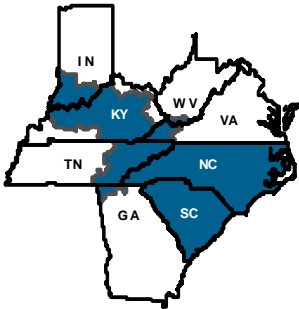




THE COURIER

FMMO Packaged Fluid Milk Sales



The U.S. Department of Agriculture recently released the publication, *Packaged Fluid Milk Sales in Federal Milk Order Markets: By Size and Type of Container and Distribution Method* during November 2003.

Sales of fluid milk in plastic containers accounted for 83.9 percent of total sales, while paper containers accounted for 15.9 percent and glass containers accounted for 0.2 percent of total sales. The proportion of total fluid milk products sold in plastic increased or held steady for nearly all container sizes smaller than a gallon.

The sales of fluid milk products in gallon containers accounted for 65.0 percent of total milk sales. The market share of gallons ranged from 53.4 percent in the Northeast Order to 73.8 percent in the Arizona-Las Vegas Order. The market share of half-gallon containers was 18.3 percent, while about 9.0 percent of total sales were made in half-pint containers. In the Appalachian Order, sales of fluid milk products in gallon containers accounted for 71.0 percent of total milk sales. The market

share of half-gallon containers was 15.0 percent, while the market share of half-pint containers was 10.2 percent for the Appalachian Order.

Gallon containers accounted for much larger proportions of the sales of whole milk, reduced-fat (2%) milk, low fat (1%) milk, and fat-free (skim) milk. Close to 60 percent of the sales of flavored whole milk and nearly 71 percent of the sales of flavored fat-reduced milk were made in pint and half-pint containers. The sales of flavored milk products are made predominately through schools and other food service outlets.

The proportion of fluid milk products sold through wholesale outlets remained unchanged at 99.6 percent, while the remaining 0.4 percent was home delivered.

The most important wholesale outlet continues to be food chain stores, which accounted for more than 60 percent of total fluid milk sales. However, the market share did drop 3.3

(Continued on page 3)

Data Shows Demand Strong

In the monthly publication, *Livestock, Dairy, and Poultry Outlook*, the Economic Research Service of USDA reported strong demand data in recent months for dairy products. Commercial disappearance of all dairy products during the three months of November 2004 through January 2005 totaled 44.8 billion pounds, 3.8 percent above the same period in 2003/2004. The recent strong demand follows slow growth in commercial disappearance in most of 2004, likely due to high retail prices. Commercial disappearance of all dairy

products increased by only 0.6 percent in 2004 compared to 2003.

Comparing commercial disappearance levels for selected dairy products during November 2004 through January 2005 with year earlier levels: butter increased by 5.1 percent; American cheese increased by 9.6 percent; other cheese increased by 4.6 percent; nonfat dry milk increased by 62.6 percent; and fluid milk products increased by 0.3 percent.

Harold H. Friedly, Jr.
Market Administrator

Inside this Issue:

Statistical Summary 2

February Milk
Production 2

Commercial
Disappearance 3

Federal Milk Marketing
Order Statistics
February 2005 4

Appalachian Statistical Summary

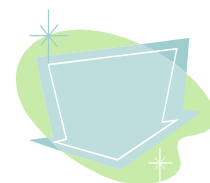
| | March 2005 | February 2005 | March 2004 |
|----------------------------------|-------------|---------------|-------------|
| PRICES: (Base Zone) | | | |
| Uniform Price | \$16.74 | \$15.90 | \$15.80 |
| Class I Price | 18.53 | 16.89 | 15.04 |
| Class II Price | 13.25 | 13.36 | 14.79 |
| Class III Price | 14.08 | 14.70 | 14.49 |
| Class IV Price | 12.66 | 12.74 | 14.10 |
| Uniform Skim Milk Price | \$10.98 | \$10.03 | \$8.65 |
| Class I Skim Milk Price | 12.69 | 11.07 | 9.06 |
| Class II Skim Milk Price | 7.44 | 7.38 | 6.66 |
| Class III Skim Milk Price | 8.32 | 8.79 | 6.38 |
| Class IV Skim Milk Price | 6.85 | 6.76 | 5.97 |
| Uniform Butterfat Price | \$1.7544 | \$1.7778 | \$2.1307 |
| Class I Butterfat Price | 1.7968 | 1.7748 | 1.7985 |
| Class II Butterfat Price | 1.7349 | 1.7824 | 2.3883 |
| Class III Butterfat Price | 1.7279 | 1.7754 | 2.3813 |
| Class IV Butterfat Price | 1.7279 | 1.7754 | 2.3813 |
| PRODUCER MILK: | | | |
| Class I | 376,762,730 | 329,828,034 | 381,136,426 |
| Class II | 102,203,294 | 79,984,639 | 86,738,838 |
| Class III | 55,418,027 | 18,587,909 | 13,470,708 |
| Class IV | 75,586,830 | 61,683,907 | 18,811,384 |
| Total Producer Milk | 609,970,881 | 490,084,489 | 500,157,356 |
| PERCENT PRODUCER MILK IN: | | | |
| Class I | 61.77 | 67.30 | 76.20 |
| Class II | 16.76 | 16.32 | 17.34 |
| Class III | 9.08 | 3.79 | 2.70 |
| Class IV | 12.39 | 12.59 | 3.76 |

February Milk Production Down 0.7 Percent

Milk production in the 23 major states during February totaled 12.2 billion pounds, down 0.7 percent from February 2004. However, production was 2.8 percent above last year after adjusting for the leap year. January revised production, at 13.3 billion pounds, was up 1.5 percent from January 2004. The January revision represented an increase of 0.2 percent or 29 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major states averaged 1,516 pounds for February, 15 pounds below February 2004.

The number of milk cows on farms in the 23 major states was 8.07 million head, 23,000 head more than February 2004, but 9,000 head less than January 2005.





Packaged Fluid Milk Sales *(Cont'd from page 1)*

percentage points from the previous survey conducted in November 2001. The food chain store method of distribution is further broken down into supermarkets and dairy/convenience stores. Sales of fluid milk products through supermarkets accounted for 49.6 percent of total sales. On a regional basis, the supermarkets' market share ranged from 42.9 percent in the Upper Midwest Order to 61.2 percent in the Florida Order. Sales of fluid milk products through dairy/convenience stores accounted for 10.5 percent of total sales.

The market share of vertically integrated food chain stores total 25.5 percent, up from 22.3 percent in 2001, and the highest market share since this distribution method was first measured over 30 years ago. Sales by vertically integrated supermarkets accounted for 22.0 percent of total sales, while vertically integrated dairy/convenience store chains accounted for 3.6 percent of total sales.

In the Appalachian Order, 60.6 percent of fluid milk sales are through food chain stores. The market share of supermarkets was 51.1 percent (19.1 percent are vertically integrated), while dairy and convenience stores accounted for 9.4 percent of fluid milk product sales.

Fluid milk sales through institutional outlets (military and schools) totaled 7.3 percent of total sales, down from 7.9 in November 2001. Schools were the predominant institutional outlet. Sales of total fluid milk products through elementary, high school, and college outlets totaled 6.4 percent. On a regional basis, the market share of schools ranged from 9.4 percent in the Southwest Order to 2.9 percent in the Pacific Northwest. Fluid milk sales through institutional outlets totaled 10.3 percent (8.7 percent through schools) of total sales in the Appalachian Order.

Sales through all other wholesale outlets accounted for 32.3 percent of total sales, up 4.0 percentage points from 2001. Sales of fluid milk products through superstores/hypermarkets accounted for 7.5 percent of total sales, up 1.0 percentage points from 2001. The Appalachian and Southeast Orders had the highest market shares at 14.8 percent and 13.1 percent, respectively. The market share of warehouse stores/wholesale clubs was 4.0 percent, up 1.4 percentage points from 2001.

The publication can be found at http://www.ams.usda.gov/dyfmos/mib/cntnr_rpt_2003.pdf.

In the Appalachian Order, sales of fluid milk products in gallon containers accounted for 71.0 percent of total milk sales.

Commercial Disappearance: November 2003 - January 2005 and Annual 2003 - 2004

| | Nov. 2003- Jan. 2004 | % Change 1/ | Nov. 2004- Jan. 2005 | % Change 1/ | Jan.-Dec. 2003 | % Change 1/ | Jan.-Dec. 2004 | % Change 1/ |
|--------------------------------|-------------------------|----------------|-------------------------|----------------|-------------------|----------------|-------------------|----------------|
| | Mil. Lbs. | | Mil. Lbs. | | Mil. Lbs. | | Mil. Lbs. | |
| Milk | | | | | | | | |
| Production | 42,035 | -0.7 | 42,562 | 1.3 | 170,394 | 0.2 | 170,805 | 0.0 |
| Marketings | 41,761 | -0.7 | 42,304 | 1.3 | 169,280 | 0.2 | 169,755 | 0.0 |
| Beginning Commercial Stocks 2/ | 9,787 | -1.7 | 8,994 | -8.1 | 9,891 | 40.5 | 8,331 | -15.8 |
| Imports 2/ | 1,404 | 2.5 | 1,412 | 0.6 | 5,040 | -1.3 | 5,279 | 4.7 |
| Total Supply | 52,952 | -0.8 | 52,710 | -0.5 | 184,211 | 1.7 | 183,365 | -0.7 |
| Ending Commercial Stocks 2/ | 9,895 | -11.5 | 7,909 | -20.1 | 8,331 | -15.8 | 7,151 | -14.2 |
| Net Removals 2/ | (108) | -185.0 | (7) | -93.5 | 1,162 | 256.4 | -64 | -105.5 |
| Commercial Disappearance | 43,165 | 2.6 | 44,808 | 3.8 | 174,718 | 2.3 | 176,278 | 0.6 |
| Selected Products 3/ | | | | | | | | |
| Butter | 358 | 5.0 | 377 | 5.1 | 1,309 | 1.6 | 1,326 | 1.0 |
| American Cheese | 920 | 0.0 | 1,008 | 9.6 | 3,708 | -0.2 | 3,807 | 2.4 |
| Other Cheese | 1,374 | 3.9 | 1,437 | 4.6 | 5,341 | 2.3 | 5,510 | 2.9 |
| Nonfat Dry Milk | 210 | 21.7 | 319 | 52.2 | 922 | 13.3 | 1,298 | 40.4 |
| Fluid Milk Products 4/ | 14,122 | -1.4 | 14,157 | 0.3 | 54,981 | -0.5 | 54,524 | -1.1 |

1/ From year earlier on a daily average basis.

2/ Milk-equivalent, milkfat basis.

3/ Commercial disappearance in product pounds

4/ Estimate of U.S. total sales based on actual sales in Federal milk order marketing areas and California.

SOURCE: Economic Research Service, USDA. Fluid Milk Products - Agricultural Marketing Service, USDA.

**APPALACHIAN MARKETING AREA
FEDERAL ORDER 5**

Milk Market Administrator
P. O. Box 18030
Louisville, KY 40261-0030

ADDRESS SERVICE REQUESTED

Phone: 502-499-0040
Fax: 502-499-8749
E-mail: friedly@malouisville.com
TTY: 502-491-9124
Accessed through
KRS: 1-800-648-6057
or dial 7-1-1

WE'RE ON THE WEB
<http://members.aye.net/~usda>



Federal Milk Marketing Order Statistics - February 2005

| Federal Order | Producer Deliveries Million Pounds | Class I Producer Receipts Million Pounds | Class I Utilization Percent | Statistical Uniform Price \$/cwt |
|-------------------------|---------------------------------------|---|--------------------------------|-------------------------------------|
| 1 Northeast | 1,807 | 839 | 46.4 | 15.81 |
| 5 Appalachian | 490 | 330 | 67.3 | 15.90 |
| 6 Florida | 265 | 209 | 79.1 | 17.08 |
| 7 Southeast | 602 | 367 | 61.0 | 15.80 |
| 30 Upper Midwest | 623 | 349 | 56.0 | 14.52 |
| 32 Central | 722 | 338 | 46.9 | 14.50 |
| 33 Mideast | 1,190 | 511 | 43.0 | 14.71 |
| 124 Pacific Northwest | 383 | 160 | 41.7 | 14.04 |
| 126 Southwest | 562 | 324 | 57.5 | 15.24 |
| 131 Arizona-Las Vegas | 233 | 79 | 33.9 | 14.73 |
| All Orders ¹ | 6,877 | 3,506 | 51.0 | 15.16 |

¹ Weighted average uniform prices at 3.5% butterfat at announced location.



The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.