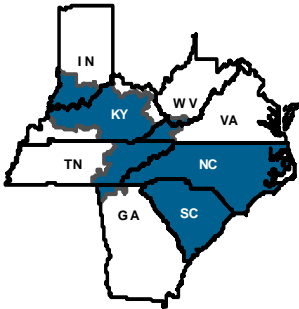




THE COURIER



USDA Proposes Amendments to Federal Orders 5 & 7

On May 19, 2005, the U. S. Department of Agriculture announced a decision that recommends adopting proposed amendments to the Appalachian and Southeast Federal Milk Marketing Orders. This decision is based on record evidence of a public hearing held in February 2004 in Atlanta, GA.



by 3 cents per hundredweight (cwt.) to \$0.095 per cwt. and \$0.10 per cwt., respectively.

This decision does not recommend adopting a proposal that would merge the Appalachian and Southeast Milk Marketing Areas into a single order or a proposal that would create a new "Mississippi Valley" milk order by splitting the Southeast Marketing Area. Proposals regarding the producer-handler provisions of the Appalachian and Southeast Orders will be addressed in a separate decision.

The partial recommended decision has been published in the May 20, 2005, Federal Register. Interested persons are provided 60 days to file comments in response to the decision. Comments should be sent to David Jamison, Acting Chief, Order Formulation and Enforcement Branch, Dairy Programs/AMS/USDA, Room 2968-S, Washington, DC 20250.

Harold H. Friedly, Jr.
Market Administrator

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This decision recommends expanding the Appalachian Milk Marketing Area to include 25 unregulated counties and 14 unregulated cities in Virginia and eliminating the ability to simultaneously pool the same milk on the Appalachian or Southeast Order and a state-operated milk order that has marketwide pooling. The decision also recommends amending the transportation credit provisions of the Appalachian and Southeast Orders to increase the maximum rate of assessment

June Dairy Month 2005: A Triple Play with 3-A-Day!

Getting three-a-day of dairy is as easy as 1-2-3! Now in its 68th year of promoting and celebrating the dairy industry, this year's June Dairy Month theme, "A Triple Play with 3-A-Day!", urges consumers to get three servings of dairy a day by consuming a glass of milk, a cup of yogurt or a slice of cheese. It promotes the great taste of



dairy foods and their vital role in stronger bones and healthier weight. Dairy has always been known for helping to build strong bones, but today, more and more studies are finding a new role for calcium-rich dairy foods: weight management. Recent studies show that adding at least three servings of dairy a day

(Continued on page 3)

Appalachian Statistical Summary

	May 2005	April 2005	May 2004
PRICES: (Base Zone)			
Uniform Price	\$15.85	\$15.92	\$20.18
Class I Price	17.90	17.23	22.75
Class II Price	12.78	13.24	15.03
Class III Price	13.77	14.61	20.58
Class IV Price	12.20	12.61	14.50
Uniform Skim Milk Price	\$10.57	\$10.25	\$12.03
Class I Skim Milk Price	12.24	11.45	14.60
Class II Skim Milk Price	7.61	7.54	6.74
Class III Skim Milk Price	8.66	8.99	12.52
Class IV Skim Milk Price	7.03	6.91	6.22
Uniform Butterfat Price	\$1.6141	\$1.7237	\$2.4484
Class I Butterfat Price	1.7402	1.7669	2.4747
Class II Butterfat Price	1.5545	1.7034	2.4352
Class III Butterfat Price	1.5475	1.6964	2.4282
Class IV Butterfat Price	1.5475	1.6964	2.4282
PRODUCER MILK:			
Class I	345,112,832	359,034,716	331,675,550
Class II	98,392,816	88,634,740	79,136,772
Class III	51,497,578	48,710,016	8,805,536
Class IV	<u>105,032,587</u>	<u>85,979,535</u>	<u>97,282,943</u>
Total Producer Milk	600,035,813	582,359,007	516,900,801
PERCENT PRODUCER MILK IN:			
Class I	57.52	61.65	64.17
Class II	16.40	15.22	15.31
Class III	8.58	8.37	1.70
Class IV	17.50	14.76	18.82

April Milk Production Up 3.2 Percent

Milk production in the 23 major states during April totaled 13.6 billion pounds, up 3.2 percent from April 2004. March revised production, at 13.8 billion pounds, was up 2.9 percent from March 2004. The March revision represented a decrease of 0.1 percent or 20 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major states averaged 1,679 pounds for April, 43 pounds above April 2004.

The number of milk cows on farms in the 23 major states was 8.11 million head, 44,000 head more than April 2004, and 12,000 head more than March 2005.

JUNE IS DAIRY MONTH

got milk?



June Dairy Month (Cont'd from page 1)

may result in more weight loss than by cutting calories alone.

June Dairy Month began in 1937 as “National Milk Month”, sponsored by grocers. Two years later, the observation to America’s dairy farmers and their many contributions became

known as “Dairy Month”, expanding beyond milk to the promotion of all dairy foods. Today, the celebration of June Dairy Month has evolved to include all types of dairy-related activities, ceremonies and contests held nationwide.



Interim Order to Amend Upper Midwest Milk Order

On May 31, 2005, the U.S. Department of Agriculture issued an interim order amending current provisions of the Upper Midwest Federal Milk Marketing Order. The interim order was approved by Upper Midwest dairy farmers.

This interim order amends the performance standards and transportation credit provisions of the Upper Midwest Order. The amendments include: 1) revising the supply plant performance standards so that milk seeking to be pooled on the order demonstrates consistent service to the Class I market; 2) preventing

handlers located within the states that comprise the Upper Midwest Marketing Area from qualifying milk located outside of the states that comprise the marketing area; 3) eliminating diversions to nonpool plants outside of the states that comprise the Upper Midwest Marketing Area; and 4) establishing a limit on the receipt by handlers of a transportation credit to milk movements of 400 miles or less.

The interim order was published in the June 1 Federal Register. The interim amendments to the order will become effective on July 1, 2005.



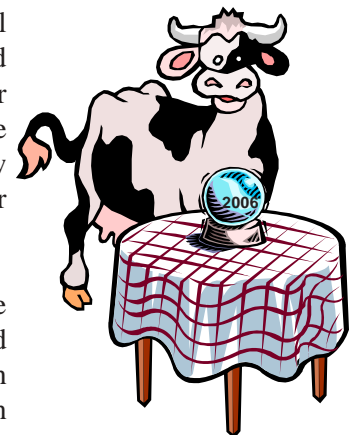
Dairy Outlook for 2006

The U. S. Department of Agriculture provided its first outlook of 2006 for the dairy industry in its May publication of “Livestock, Dairy, and Poultry Outlook.” Milk and dairy product prices are expected to fall in 2006. Expansion in milk production is projected to accelerate after more than 2 years of relatively strong returns. Production growth is expected to surpass demand gains (particularly for skim solids), leading to the lower prices. Even so, farm milk prices are projected to stay considerably above the low prices of 2002-2003.

The strong returns of late 2003 through early 2005 and the expected good returns for the rest of 2005 have generated strength in milk cow numbers. Relatively few farmers have exited dairying because recent returns have bolstered their staying power, a pattern that is likely to continue through 2006. Milk cow

numbers are expected to stay near early 2005 levels during the rest of this year, before drifting higher as 2006 progresses. If so, 2006 milk cow numbers would average about unchanged, following a very small fractional decrease in 2005. Milk per cow should continue to recover in 2006. Incentives for heavy concentrate feeding will remain quite favorable. Milk per cow is projected to grow more than 2 percent in 2006, slightly faster than 2005’s expansion.

Gains in demand for dairy products are expected to be fairly substantial. Demand could soften if interest rates raise more than currently expected, forcing reductions in expenditures for consumption. Export demand for nonfat dry milk is projected to stay good through at least most of 2006. Healthy demand likely will remain the key to absorbing record output at such relatively favorable prices.



**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 - April 2005



Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	2,009	861	42.9	15.52
5 Appalachian	582	359	61.7	15.92
6 Florida	284	224	80.1	17.30
7 Southeast	692	391	57.4	15.85
30 Upper Midwest	690	368	53.4	14.65
32 Central	769	361	47.0	14.59
33 Mideast	1,469	535	36.5	14.76
124 Pacific Northwest	453	177	39.0	14.12
126 Southwest	715	350	49.0	15.28
131 Arizona-Las Vegas	269	82	30.6	14.59
All Orders¹	7,930	3,709	46.8	15.20

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



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