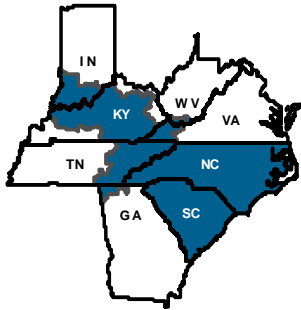




THE COURIER



USDA Amends Appalachian and Southeast Milk Orders

On October 12, 2005, the U.S. Department of Agriculture announced a partial final rule that amends the Appalachian and Southeast Federal Milk Marketing Orders. This rule is based on testimony and evidence given at a public hearing held February 2004, in Atlanta, Georgia.

Appalachian and Southeast Orders to increase the maximum rate of assessment by \$0.03 per hundredweight (cwt) to \$0.095 per cwt and \$0.10 per cwt, respectively. The amendments also provide Market Administrators the authority to adjust the milk production standard used to determine the milk of a dairy farmer that is eligible for transportation credits. Proposals regarding the producer-handler provisions of the Appalachian and Southeast Orders will be addressed in a separate decision.

The partial final rule was published in the October 12, 2005, Federal Register. It can be viewed online at: http://www.ams.usda.gov/dairy/prop_ap_se/prop_ap_se.htm. This final rule is effective on November 1, 2005.

Harold H. Friedly, Jr.
Market Administrator

The partial final rule expands the Appalachian milk marketing area to include 25 unregulated counties and 15 unregulated cities in Virginia that currently are not in any Federal milk marketing area. This rule also eliminates the ability to simultaneously pool the same milk on the Appalachian or Southeast Order and a state-operated milk order that has market-wide pooling. In addition, it amends the transportation credit provisions of the



USDA Announces Interim Order to Amend Mideast Order

On September 23, 2005, the U.S. Department of Agriculture issued an interim order amending current provisions of the Mideast Federal Milk Marketing Order. The interim order was approved by Mideast dairy farmers.

USDA will issue a final decision once all comments are received and analyzed. Information on these provisions can be viewed online at: http://www.ams.usda.gov/dairy/me_pool_prov/me_pool_prov.htm.

This interim order amends the performance standards of the order. The amendments include: 1) prohibiting the ability to simultaneously pool the same milk on the Mideast Federal Milk Order and on a marketwide equalization pool administered by another government entity; 2) lowering the diversion limit standards; and 3) increasing the performance standards for supply plants.

The interim amendments to the order became effective on October 1, 2005. Public comments on the tentative partial decision published in the Federal Register on July 27, 2005, were due by September 26, 2005.

Dairy Product Demand Strong

According to the September issue of *Livestock, Dairy, and Poultry Outlook* from the Economic Research Service of USDA, demand for dairy products was strong in late spring-early summer. This strong demand has been able to limit, so far, any negative price impacts of the increase in milk production. Commercial use in June and July jumped about 7 percent from a year earlier on a milk equivalent, milkfat basis. The year-to-year comparisons overstate the expansion in dairy demand because these 2 months were

Inside this Issue:

Statistical Summary	2
August 2005 Monthly Milk Production	2
August 2005 Monthly Milk Per Cow	2
Graph: 2002-2005 FO 5 Uniform Prices	3
<i>Continued:</i> Dairy Product Demand Remains Strong	3
FMMO Statistics - August 2005	4

Appalachian Statistical Summary

SEPTEMBER 2005

AUGUST 2005

SEPTEMBER 2004

PRICES: (Base Zone)

Uniform Price	\$16.37	\$16.65	\$16.52
Class I Price	16.80	17.54	17.04
Class II Price	14.35	13.95	13.66
Class III Price	14.30	13.60	14.72
Class IV Price	13.75	13.44	13.00
Uniform Skim Milk Price	\$10.21	\$10.55	\$10.27
Class I Skim Milk Price	10.81	11.39	11.06
Class II Skim Milk Price	8.00	7.81	7.11
Class III Skim Milk Price	7.97	7.48	8.23
Class IV Skim Milk Price	7.40	7.31	6.45
Uniform Butterfat Price	\$1.8617	\$1.8474	\$1.8884
Class I Butterfat Price	1.8182	1.8706	1.8200
Class II Butterfat Price	1.8942	1.8316	1.9424
Class III Butterfat Price	1.8872	1.8246	1.9354
Class IV Butterfat Price	1.8872	1.8246	1.9354

PRODUCER MILK:

Class I	337,851,829	350,587,577	362,941,538
Class II	73,611,983	75,024,439	75,512,128
Class III	26,958,989	25,764,009	26,964,416
Class IV	27,806,549	39,545,539	26,329,236
Total Producer Milk	466,229,350	490,921,564	491,747,318

PERCENT PRODUCER MILK IN:

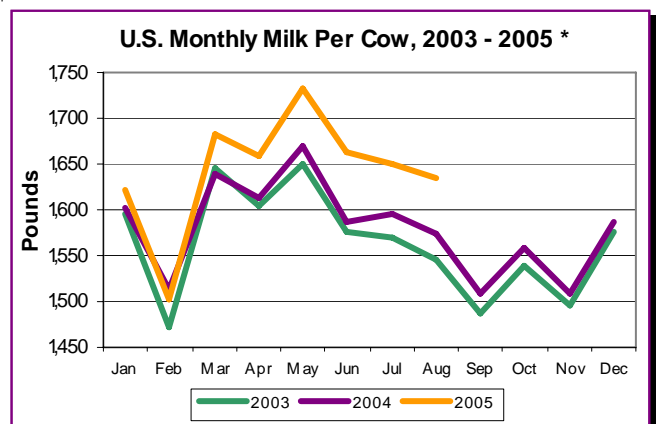
Class I	72.46	71.41	73.81
Class II	15.79	15.28	15.36
Class III	5.79	5.25	5.48
Class IV	5.96	8.06	5.35

August Milk Production Up 4.6 Percent

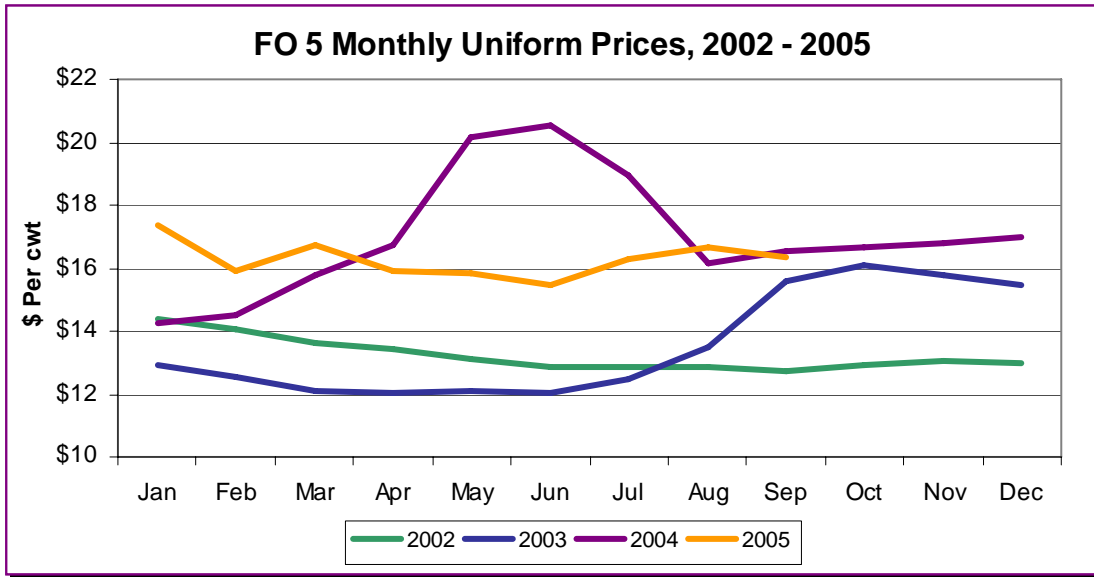
Milk production in the 23 major States during August 2005 totaled 13.6 billion pounds, up 4.6 percent from August 2004. July revised production, at 13.7 billion pounds, was up 4.2 percent from July 2004. The July revision represented a decrease of 6 million pounds from last month's preliminary production estimate.

August '05 Milk Per Cow Higher than '04

Production per cow in the 23 major States averaged 1,665 pounds for August 2005, 64 pounds above August 2004. The number of milk cows on farms in the 23 major States was 8.15 million head, 52,000 head more than August 2004, and 9,000 head more than July 2005.



* Based on entire U.S. production.



➤ The Uniform Price for the Appalachian Marketing Area has averaged \$16.28 for 2005.

➤ This is 73 cents less than 2004's record high average; however, it is also \$2.73 greater than the 2003 average and \$3.04 greater than the 2002 average.

Dairy Product Demand Remains Strong *(continued from page 1)*

relatively weak in 2004 when buyers limited purchases in a falling market. Even so, product movement has been brisk in recent months, supported by continued generally favorable economic conditions.

Commercial use of cheese for June and July 2005 rose strongly, 10 percent from a year earlier for American cheeses and 6 percent for other cheeses. For the first 7 months of 2005, cheese use increased almost 3 percent. The June and July increase in butter disappearance was about 11 percent, although the year-to-date increase was only about 1 percent. Even ice cream and fluid milk, two categories that have been weak in recent years, posted increases during June and July.

Skim solids demand also was brisk during June and July 2005. Domestic use was boosted by expanded cheese sales while exports of nonfat dry milk and various blends containing dry skim solids remained strong. Commercial use of nonfat dry milk jumped 14 percent from a year earlier. Skim solids demand is expected to stay strong through at least mid-2006, as export markets seem poised to absorb any supplies not used domestically.

Were it not for the uncertainties caused by Hurricanes Katrina and Rita, domestic dairy

demand would be expected to stay solid. Recent economic indicators and projections had been mostly positive, and this year's dairy demand seems to have responded to economic improvement. The direct impact of the storms on dairy markets probably will be modest, and the losses of milk supply and dairy product sales might about offset. However, there probably will be a slowing of economic growth, a boost to the Federal deficit, and increases in energy and other marketing costs related to the storms. Hurricane effects are not projected to substantially alter dairy demand prospects — but considerable uncertainty will remain.

For the first time since the start of the dairy price support program in 1949, the current marketing year will end with no surplus of any product. In fact, net government removals for the October to September marketing year will be slightly negative on both milkfat and skim solids bases. The only price support purchases were small purchases of nonfat dry milk during the first 2 months of the marketing year, and there were no subsidized exports under the Dairy Export Incentive Program (DEIP). These purchases were easily outweighed by unrestricted sales of nonfat dry milk and a small amount of cheese sold back to the industry.



**APPALACHIAN MARKETING AREA
FEDERAL ORDER 5**

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Federal Milk Marketing Order Statistics - August 2005



Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	2,038	887	43.5	15.84
5	Appalachian	491	351	71.4	16.65
6	Florida	249	218	88.9	17.87
7	Southeast	609	406	66.7	16.44
30	Upper Midwest	2,173	381	17.5	14.15
32	Central	1,318	377	28.6	14.49
33	Mideast	1,417	556	39.3	14.94
124	Pacific Northwest	658	171	26.0	14.38
126	Southwest	821	361	43.9	15.70
131	Arizona-Las Vegas	221	83	37.5	14.86
All Orders¹		9,995	3,791	37.9	15.16

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

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