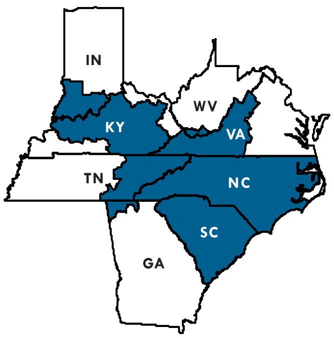
APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

November 2005
Volume 6, No. 10

THE COURIER



Harold H. Friedly, Jr.
Market Administrator

USDA Seeks Nominations for National Fluid Milk Board

WASHINGTON, Nov. 4, 2005 — The USDA is asking dairy processors and other interested parties to nominate candidates for the National Fluid Milk Processor Promotion Board.

The Secretary of Agriculture will appoint seven individuals from those nominated to succeed members whose terms expire June 30, 2006. Newly appointed or reappointed members will serve 3-year terms from July 1, 2006, through June 30, 2009.

The National Fluid Milk Processor Promotion Board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and education to promote fluid milk products. Of the board's 20 members, 15 represent geographic regions and five are at-large members. The at-large members must include at least three fluid milk processors and at least one member from the general public. Currently, there is one member from the general public serving on the board.

USDA will accept nominations for board representation in five geographic regions and two at-large positions. Nominees for the five regional and one at-large processor positions must be active owners or employees of a fluid milk processor. One at-large position must be from the general public. The geographic regions are: Region 3 (DE, D.C., MD, PA and VA); Region 6 (OH and WV); Region 9 (AL, KY, LA, MS and TN); Region 12 (AZ, CO, NM, NV and UT); and Region 15 (So. CA). No fluid milk processor shall be represented on the board by more than three members.

Fluid milk processors and interested parties may submit nominations for regions in which they are located or market fluid milk and for at-large members.

To nominate an individual, please submit a copy of the nomination form and a signed background form for each nominee by December 5th, 2005, to:
Promotion and Research Branch,
Dairy Programs, AMS, MRP, USDA,
1400 Independence Ave., S.W.,
Stop 0233, Room 2958-S,
Washington, D.C. 20250-0233.
To obtain forms or additional information, call (202) 720-6909. Blank forms are available on the Dairy Promotion and Research Branch's website at http://www.ams.usda.gov/dairy/dairyrp.htm

Inside this Issue:

Increased Production Offset by Strong Demand

After two years of little or no growth in U.S. milk production, 2005 has seen production increase, on a daily basis, by 3.6 percent for the period year to date (January to September) compared to the same period in 2004. Due to the slow growth in production in 2003, milk prices increased significantly beginning in late 2003 and have been able to maintain fairly desirable levels since that time. It was thought by many that once milk production increased in response to the higher milk prices, milk prices would fall significantly. However, so far, strong demand has been able to limit any negative price impacts of the increase in milk production.

As can be seen in the graphs, the increase in milk production has resulted in an increase of production for mostly all major dairy products. Butter production year to date (January to August 2005) has increased by 7.4 percent over the same period last year. During the same period, other cheese production, mainly Italian cheeses, has increased by 3.5 percent

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Appalachian Statistical Summary

	OCTOBER 2005	SEPTEMBER 2005	OCTOBER 2004
PRICES: (Base Zone)			
Uniform Price	$16.48	$16.37	$16.69
Class I Price	17.37	16.80	17.88
Class II Price	14.25	14.35	13.57
Class III Price	14.35	14.30	14.16
Class IV Price	13.61	13.75	12.81
Uniform Skim Milk Price	$10.33	$10.21	$10.39
Class I Skim Milk Price	11.06	10.81	11.63
Class II Skim Milk Price	8.12	8.00	7.14
Class III Skim Milk Price	8.25	7.97	7.78
Class IV Skim Milk Price	7.48	7.40	6.38
Uniform Butterfat Price	$1.8617	$1.8617	$1.9046
Class I Butterfat Price	1.9128	1.8182	1.9025
Class II Butterfat Price	1.8326	1.8942	1.9090
Class III Butterfat Price	1.8256	1.8872	1.9020
Class IV Butterfat Price	1.8256	1.8872	1.9020
PRODUCER MILK:			
Class I	340,526,464	337,851,829	352,881,175
Class II	78,290,837	73,611,983	82,203,200
Class III	29,262,983	26,958,989	33,290,886
Class IV	43,279,638	27,806,549	52,924,220
Total Producer Milk	**491,359,922**	**466,229,350**	**521,299,481**
PERCENT PRODUCER MILK IN:			
Class I	69.30	72.46	67.69
Class II	15.93	15.79	15.77
Class III	5.96	5.79	6.39
Class IV	8.81	5.96	10.15

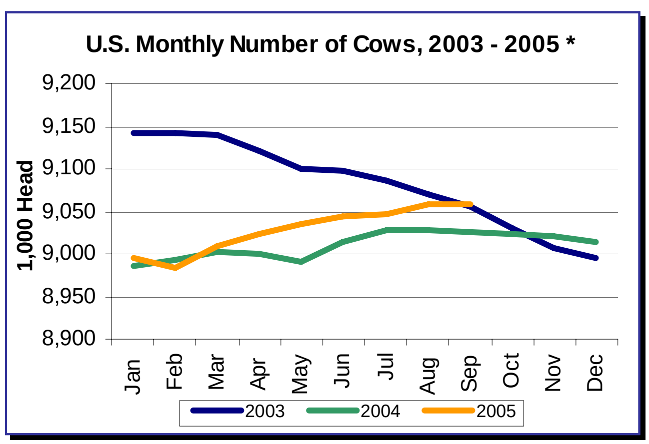
APPALACHIAN MARKETING AREA OCTOBER 2005 STATS:

- **Uniform Price** for October 2005 is $16.48, an increase of 11 cents from September 2005.
- **Uniform Skim Price** increased by 12 cents from September 2005 to $10.33 while the **Uniform Butterfat Price** remained unchanged at $1.8617.
- **Total Producer Milk** increased by 5.4% from September 2005 to 491,359,922 pounds.

Sept '05 Milk Production Up 4.9 Percent

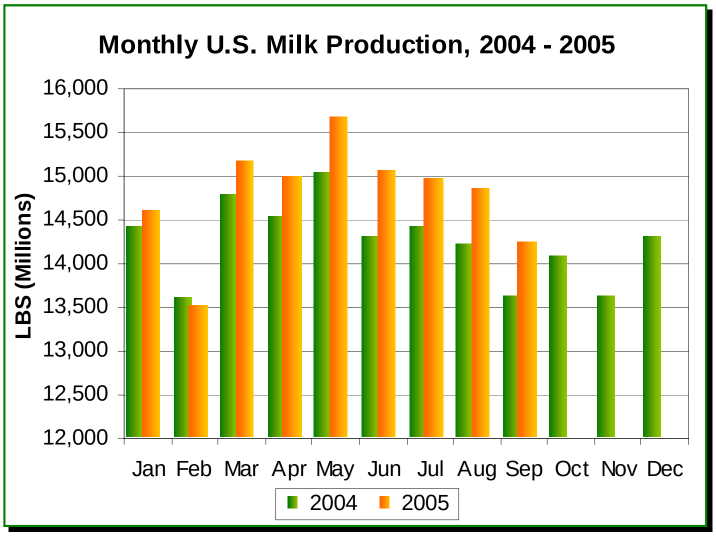
Milk production in the 23 major States during September 2005 totaled 13.0 billion pounds, up 4.9 percent from September 2004. August 2005 revised production, at 13.6 billion pounds, was up 4.8 percent from August 2004. The August revision represented an increase of 22 million pounds from last month's preliminary production estimate.

Production per cow averaged 1,597 pounds for September 2005, 64 pounds above September 2004.The number of milk cows on farms in the 23 major States was 8.16 million head, 54,000 head more than September 2004, and 1,000 head more than August 2005.

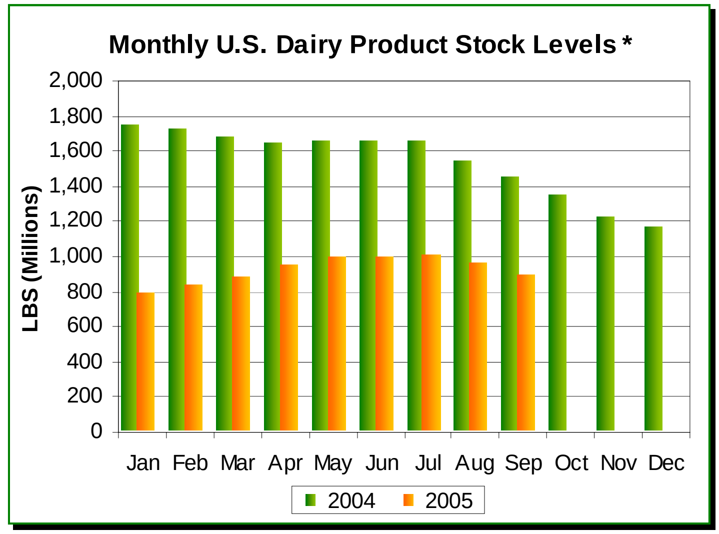


* Based on entire U.S. production.

Increased Production Offset by Strong Demand *(continued from page 1)*



Monthly U.S. Milk Production, 2004 - 2005



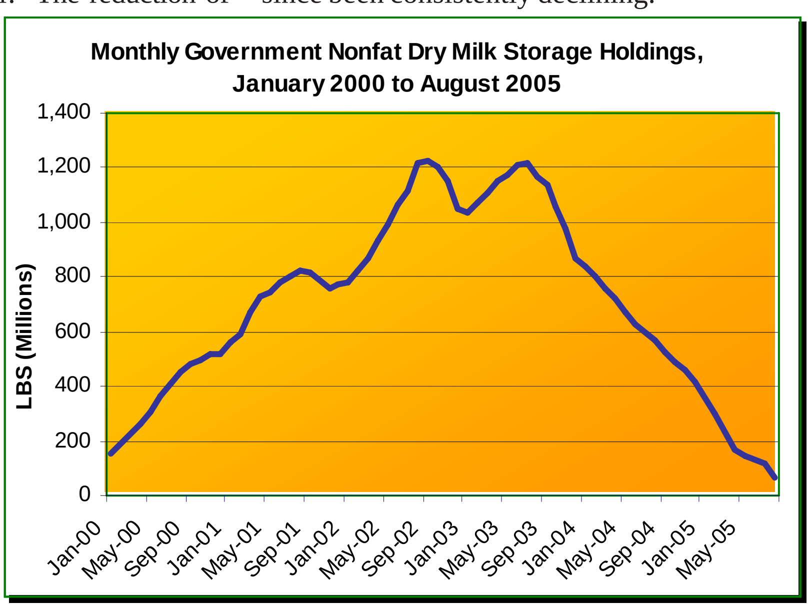
Monthly U.S. Dairy Product Stock Levels *

* Includes government stocks of nonfat dry milk, butter, American cheese and other cheeses.

compared to 2004, while American cheese production has increased by 1.9 percent compared to 2004. Yogurt production year to date has increased by 7.4 percent. However, nonfat dry milk has seen a decrease in production of 17.8 percent over last year.

Stock or inventory levels of commercial dairy products can usually be a measurement of dairy product demand, especially in a strong production period. As shown in the graph above, stock levels for commercial dairy products for 2005 are far below 2004 levels in all months. Although the government has reduced its holding of nonfat dry milk, the reduction in stock levels is especially due to other cheeses and butter. The reduction of inventory is significant considering the strong production mentioned above. It would appear that product demand is more than offsetting the strong growth in butter and other cheese production.

Beginning in 2000 and lasting through 2003, large quantities of nonfat dry milk were being purchased through the price support program. During this time, the U.S. price was either level with or slightly above the U.S. support price while the world price being typically below the support price. However, due to a tightening in the world market, the world price of nonfat dry milk increased in late 2003 which allowed the U.S. to become more competitive in the world market. Since then, the government has sold its holdings of nonfat dry milk back to the industry through numerous programs. Trade agreements were set in place to limit the ability of nations to "give away" purchased products. As a result, as can be seen with the graph below, the government storage holding of nonfat dry milk grew significantly, reaching levels above 1.2 billion pounds. Government holdings, however, have since been consistently declining.



Monthly Government Nonfat Dry Milk Storage Holdings, January 2000 to August 2005

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Milk Market Administrator
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Louisville, KY 40261-0030
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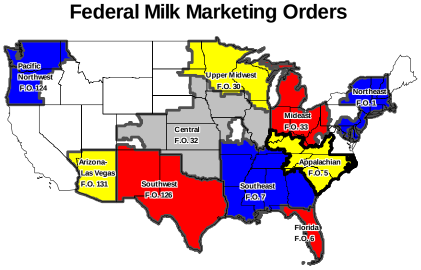
http://members.aye.net/~usda

USDA

Federal Milk Marketing Order Statistics - September 2005

Federal Milk Marketing Orders



	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	1,866	924	49.5	15.92
5	***Appalachian***	***466***	***338***	***72.5***	***16.37***
6	Florida	227	201	88.7	17.47
7	Southeast	569	398	69.9	16.32
30	Upper Midwest	2,075	392	18.9	14.59
32	Central	1,234	383	31.0	14.75
33	Mideast	1,431	576	40.3	14.94
124	Pacific Northwest	633	186	29.4	14.50
126	Southwest	767	360	47.0	15.70
131	Arizona-Las Vegas	218	86	39.6	15.02
	All Orders[1]	**9,488**	**3,844**	**40.6**	**15.28**

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