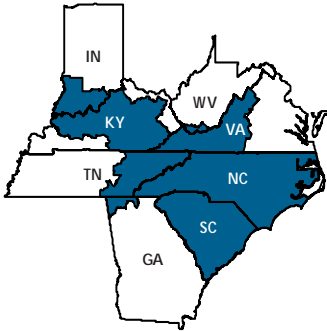




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator



Hearing Held on Proposed Amendments to FO's 5 and 7

On December 27, 2005, the U.S. Department of Agriculture announced that it would hold an emergency public hearing to consider proposals seeking to amend the Appalachian and Southeast Federal Milk Marketing Orders.

The proposals discussed seek to amend the orders by: 1) increasing the maximum assessment rate of the transportation credit fund of the Appalachian and Southeast orders, 2) establishing an intra-market transportation credit for movements of milk within the two marketing areas, and 3) establishing a mileage rate factor adjusted for fuel cost for both inter-market and intra-market transportation credit funds. Further, USDA considered proposals to amend certain producer milk and other transportation credit

fund provisions which would limit the amounts paid on movements of milk within and outside the Appalachian and Southeast marketing areas.

The hearing began at 8:30 a.m. on January 10, 2006, at the Hyatt Regency Louisville, 320 West Jefferson St., in Louisville, Kentucky, and convened on Thursday evening, January 12, 2006. The hearing notice was published as a proposed rule in the December 28, 2005, Federal Register. Copies of the hearing notice may be obtained from the USDA/AMS/Dairy Programs, STOP 0231 - Rm. 2971, 1400 Independence Ave, SW, Washington, D.C. 20250-0231. The hearing notice is also available on AMS' web site at: http://www.ams.usda.gov/dairy/ap_se/transport_cr_hear.htm.

USDA Sets Class III and IV Make-Allowances Hearing

On January 4, 2006, the USDA announced that it will hold a national public hearing to consider a proposal seeking to amend the Class III and Class IV milk price formula manufacturing allowances (also known as "make allowances") for all Federal milk marketing orders. USDA will take evidence at the hearing to determine whether emergency marketing conditions exist that would warrant omission of a recommended decision.

The Department conducted a preliminary analysis to assist the industry in considering the effects of increasing manufacturing allowances. While the proposal seeks to amend the product pricing formulas used to price Class III or IV milk pooled under the Federal orders, changes in these formulas also would affect the prices of Class I and Class II milk pooled on Federal orders.

The hearing was requested by Agri-Mark Dairy Cooperative to reconsider the manufacturing cost allowances provided for in the pricing formulas for cheese, whey powder, butter and nonfat dry milk powder. The proponent stated that the current fixed allowances were calculated using 1998-2000 California and Department of Agriculture Cooperative Service surveys. While the product price formulas have been amended since 2000, the proponent claims that manufacturing costs have continued to increase, leaving them unable to recoup these additional costs from the marketplace.

The hearing begins at 8:30 a.m. on January 24, 2006, at the Sheraton Suites Old Town Alexandria, 801 North Saint Asaph Street, Alexandria, Virginia 22314, telephone (703) 836-4700. Interested parties are invited to present evidence on the probable regulatory and information collection impact of the hearing proposals on small businesses.

The hearing notice was published as a proposed rule in the January 5, 2006, Federal Register. This, along with the proponent's proposal and other information, is available on AMS' website at: http://www.ams.usda.gov/dairy/proposals/classIII_IV_make_all.htm.

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Appalachian Statistical Summary

DECEMBER 2005 NOVEMBER 2005 DECEMBER 2004

PRICES: (Base Zone)

Uniform Price	\$15.51	\$16.30	\$16.98
Class I Price	16.67	17.66	17.53
Class II Price	13.22	13.49	13.98
Class III Price	13.37	13.35	16.14
Class IV Price	12.57	12.90	13.42
Uniform Skim Milk Price	\$10.35	\$10.69	\$10.40
Class I Skim Milk Price	11.13	11.58	11.22
Class II Skim Milk Price	8.22	8.11	7.07
Class III Skim Milk Price	8.40	7.99	9.34
Class IV Skim Milk Price	7.57	7.52	6.52
Uniform Butterfat Price	\$1.5790	\$1.7088	\$1.9844
Class I Butterfat Price	1.6943	1.8536	1.9144
Class II Butterfat Price	1.5106	1.6184	2.0436
Class III Butterfat Price	1.5036	1.6114	2.0366
Class IV Butterfat Price	1.5036	1.6114	2.0366

PRODUCER MILK:

Class I	358,006,286	355,573,973	370,659,136
Class II	70,067,229	75,678,893	67,239,817
Class III	43,188,651	35,498,577	9,928,273
Class IV	58,288,855	41,727,736	40,580,994
Total Producer Milk	529,551,021	508,479,179	488,408,220

PERCENT PRODUCER MILK IN:

Class I	67.61	69.93	75.89
Class II	13.23	14.88	13.77
Class III	8.15	6.98	2.03
Class IV	11.01	8.21	8.31

APPALACHIAN AREA STATS, DECEMBER 2005:

➤ **Total Producer Milk** in December 2005 totaled 529,551,021 pounds. This is 21 million pounds or 4.1% higher than November 2005 and 41 million pounds or 8.4% higher than December 2004.

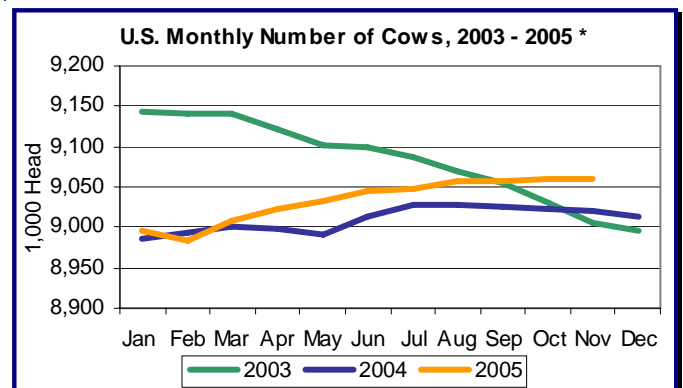
➤ **Total Class I Pounds** increased 2.4 million pounds or 0.68% from November 2005 to 358,006,286.

➤ **Total Class I Utilization** for December 2005 was 67.61%, down 2.3% from last month's Class I utilization.

November 2005 Milk Production Up 4.6 Percent

Milk production in the 23 major States during November 2005 totaled 13.0 billion pounds, up 4.6 percent from November 2004. October 2005 revised production, at 13.3 billion pounds, was up 4.0 percent from October 2004. The October revision represented a decrease of 17 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,590 pounds for November 2005, 59 pounds above November 2004. The number of milk cows on farms in the 23 major States was 8.16 million head, 60,000 head more than November 2004, and 2,000 head more than October 2005.

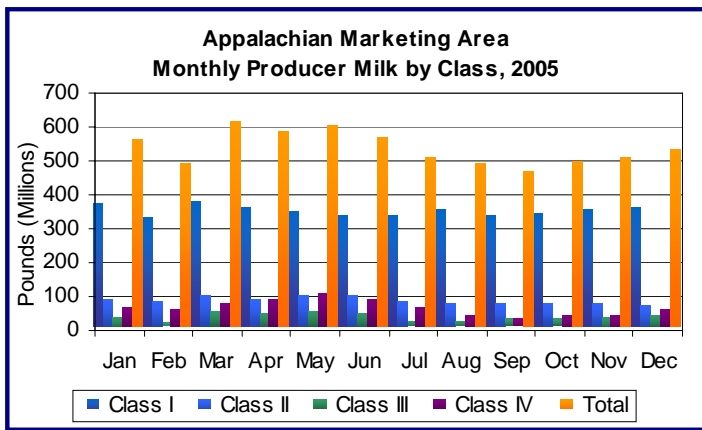
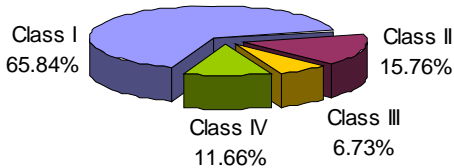


* Based on entire U.S. production.

Appalachian Marketing Area: 2005 Year-End Review

Summary of Producer Milk

Appalachian Marketing Area
Average Classification of Producer Milk, 2005



Classification of Producer Milk (Pounds)

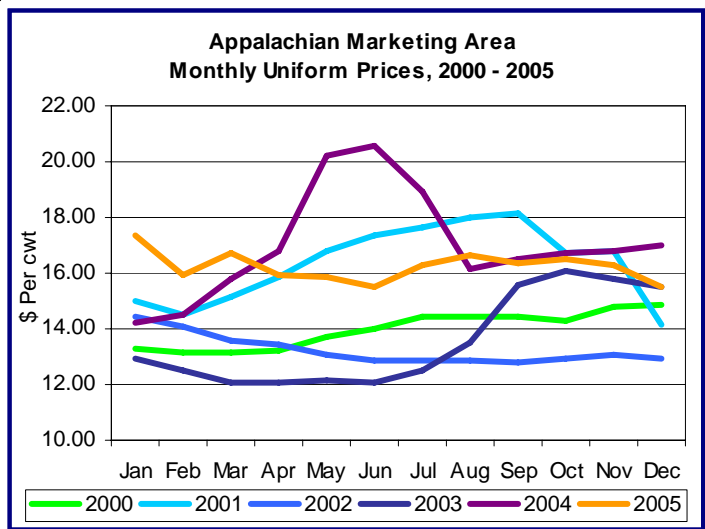
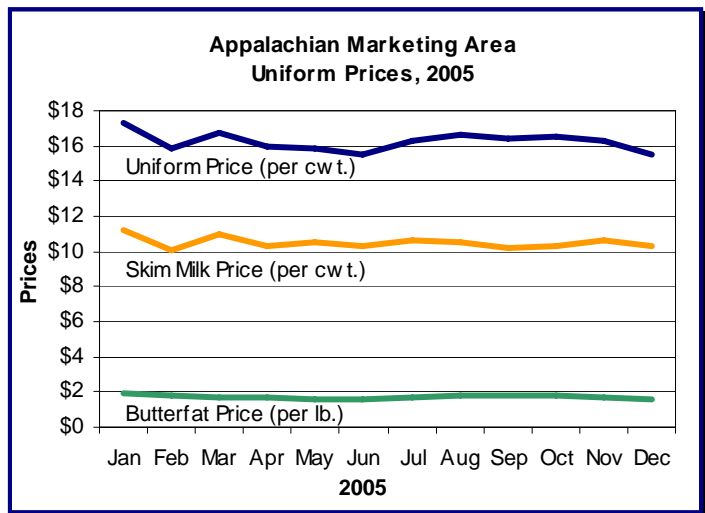
2005	Class I	Class II	Class III	Class IV	Total
Jan	369,571,754	85,930,595	37,488,764	66,438,080	559,429,193
Feb	329,828,034	79,984,639	18,587,909	61,683,907	490,084,489
Mar	376,762,730	102,203,294	55,418,027	75,586,830	609,970,881
Apr	359,034,716	88,634,740	48,710,016	85,979,535	582,359,007
May	345,112,832	98,392,816	51,497,578	105,032,587	600,035,813
Jun	335,351,218	98,365,407	44,297,114	89,461,251	567,474,990
Jul	332,705,052	83,783,943	21,810,238	65,617,673	503,916,906
Aug	350,587,577	75,024,439	25,764,009	39,545,539	490,921,564
Sep	337,851,829	73,611,983	26,958,989	27,806,549	466,229,350
Oct	340,526,464	78,290,837	29,262,983	43,279,638	491,359,922
Nov	355,573,973	75,678,893	35,498,577	41,727,736	508,479,179
Dec	358,006,286	70,067,229	43,188,651	58,288,855	529,551,021

Classification of Producer Milk (Percent)

2005	Class I	Class II	Class III	Class IV
Jan	66.06	15.36	6.70	11.88
Feb	67.30	16.32	3.79	12.59
Mar	61.77	16.76	9.08	12.39
Apr	61.65	15.22	8.37	14.76
May	57.52	16.40	8.58	17.50
Jun	59.10	17.33	7.81	15.76
Jul	66.02	16.63	4.33	13.02
Aug	71.41	15.28	5.25	8.06
Sep	72.46	15.79	5.79	5.96
Oct	69.30	15.93	5.96	8.81
Nov	69.93	14.88	6.98	8.21
Dec	67.61	13.23	8.15	11.01

Summary of Prices

2005	Uniform	Class I	Class II	Class III	Class IV
Jan	\$17.34	\$19.75	\$13.04	\$14.14	\$12.52
Feb	\$15.90	\$16.89	\$13.36	\$14.70	\$12.74
Mar	\$16.74	\$18.53	\$13.25	\$14.08	\$12.66
Apr	\$15.92	\$17.23	\$13.24	\$14.61	\$12.61
May	\$15.85	\$17.90	\$12.78	\$13.77	\$12.20
Jun	\$15.49	\$16.72	\$13.06	\$13.92	\$12.33
Jul	\$16.26	\$16.99	\$13.79	\$14.35	\$13.17
Aug	\$16.65	\$17.54	\$13.95	\$13.60	\$13.44
Sep	\$16.37	\$16.80	\$14.35	\$14.30	\$13.75
Oct	\$16.48	\$17.37	\$14.25	\$14.35	\$13.61
Nov	\$16.30	\$17.66	\$13.49	\$13.35	\$12.90
Dec	\$15.51	\$16.67	\$13.22	\$13.37	\$12.57



APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

Milk Market Administrator
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Louisville, KY 40261-0030
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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 Statistics - November 2005

**We would like to congratulate
Mr. Jeff Gooch
on his appointment as
Assistant Market Administrator.
Mr. Gooch has over 20 years
experience (since 1984) with the
Market Administrator's Office.**

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	1,837	895	48.7	15.41
5 Appalachian	508	356	69.9	16.30
6 Florida	247	218	88.2	17.71
7 Southeast	576	388	67.4	16.22
30 Upper Midwest	2,057	383	18.6	13.79
32 Central	1,233	373	30.3	14.06
33 Mideast	1,405	562	40.0	14.35
124 Pacific Northwest	604	185	30.7	13.91
126 Southwest	830	358	43.1	15.15
131 Arizona-Las Vegas	237	88	37.3	14.50
All Orders¹	9,535	3,807	39.9	14.75

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

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