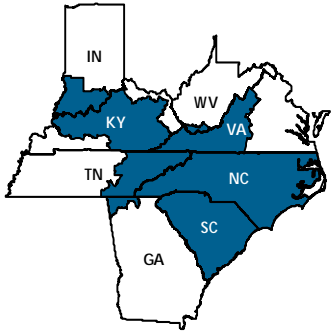




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator



USDA Hurricane Aid Totals More Than \$4.5 Billion to Date

On January 26, 2006, Secretary of Agriculture Mike Johanns announced \$2.8 billion in aid to assist victims of the 2005 hurricane season. Agricultural producers will receive \$1.2 billion through various programs and \$1.6 billion will restore homes and rural communities.

"These funds will help producers of many different crops and livestock to recover from damage to their agricultural operations," Johanns said. "We're also pleased to assist rural residents who lost their homes and to help rebuild rural communities through grants and loans to restore water, electrical and telecommunications systems."

Johanns authorized the use of \$250 million from Section 32 funds in October 2005 for crop disaster, livestock, tree and aquaculture assistance. These funds will be distributed by way of five new programs: the Tree Indemnity Program (TIP), the Hurricane Indemnity Program (HIP), the Livestock Indemnity Program (LIP), the Feed Indemnity Program (FIP) and an Aquaculture Block Grant program.

Because of the hurricanes in 2005, counties in Alabama, Florida, Louisiana, Mississippi, North Carolina and Texas are declared primary presidential or secretarial disaster areas. Producers in these areas are eligible to apply for assistance under the new programs. A complete list of these counties is posted online at: <http://www.usda.gov/HurricaneInfo.xml>.

Furthermore, on December 30, 2005, President Bush signed the 2006 Defense Appropriations Act, which provides \$900 million to address natural disaster damages from 2005 hurricanes. Of these funds, approximately \$300 million is designated for the Emergency Watershed Protection Program, which is available to communities and landowners in Tennessee, in

addition to those in the six previously mentioned states.

To date, the USDA has made available more than \$1.7 billion to hurricane victims since September 2005, bringing USDA's total hurricane aid to more than \$4.5 billion. Previous assistance includes: \$22 million in Emergency Watershed Protection funds, \$31 million in Emergency Conservation Program funds, \$152 million in Emergency Loan funding, \$239 million in Rural Development funding and \$1.3 billion in Food and Nutrition assistance.

Additional information about USDA hurricane assistance is available at USDA Service Centers nationwide and online at <http://www.usda.gov/HurricaneInfo.xml>.

CME Establishes E-trading for Class III Futures Markets

The Chicago Mercantile Exchange, also known as the CME, is preparing to offer electronic trading for Class III futures.

The electronic trading, which is scheduled to begin February 27, will be on Globex and will feature market makers to help ensure continuous, transparent and competitive markets by providing liquidity, CME officials say. Trading hours and contract specifications will be identical to the current pit-traded futures. Pit trading will continue side-by-side with the new electronic format.

Phil Plourd, vice president of research for the Cottage Grove, Wisconsin-based Blimling and Associates, says electronic trading should generate additional interest from existing participants as well as new participants to the market. More information can be viewed online at <http://www.cme.com>.

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Appalachian Statistical Summary

JANUARY 2006 DECEMBER 2005 JANUARY 2005

PRICES: (Base Zone)

Uniform Price	\$15.52	\$15.51	\$17.34
Class I Price	16.48	16.67	19.75
Class II Price	13.25	13.22	13.04
Class III Price	13.39	13.37	14.14
Class IV Price	12.20	12.57	12.52
Uniform Skim Milk Price	\$10.66	\$10.35	\$11.17
Class I Skim Milk Price	11.52	11.13	12.80
Class II Skim Milk Price	8.38	8.22	7.20
Class III Skim Milk Price	8.55	8.40	8.37
Class IV Skim Milk Price	7.32	7.57	6.69
Uniform Butterfat Price	\$1.4945	\$1.5790	\$1.8756
Class I Butterfat Price	1.5326	1.6943	2.1128
Class II Butterfat Price	1.4754	1.5106	1.7400
Class III Butterfat Price	1.4684	1.5036	1.7330
Class IV Butterfat Price	1.4684	1.5036	1.7330

PRODUCER MILK:

Class I	361,305,110	358,006,286	369,571,754
Class II	78,274,456	70,067,229	85,930,595
Class III	22,695,849	43,188,651	37,488,764
Class IV	58,207,085	58,288,855	66,438,080
Total Producer Milk	520,482,500	529,551,021	559,429,193

PERCENT PRODUCER MILK IN:

Class I	69.42	67.61	66.06
Class II	15.04	13.23	15.36
Class III	4.36	8.15	6.70
Class IV	11.18	11.01	11.88

JANUARY 2006 APPALACHIAN MARKETING AREA STATS:

➤ The Uniform Price for the Appalachian Marketing Area in January 2006 increased one penny from December 2005 to \$15.52 per hundredweight.

➤ Total Class I Pounds for January 2006 increased 3.3 million to 361,305,110 pounds. This is the fourth consecutive monthly increase in Class I pounds since October 2005.

➤ Class I Utilization for January 2006 was 69.42%, an increase of 1.8% from last month. This is also 3.4% higher than the same period one year ago.

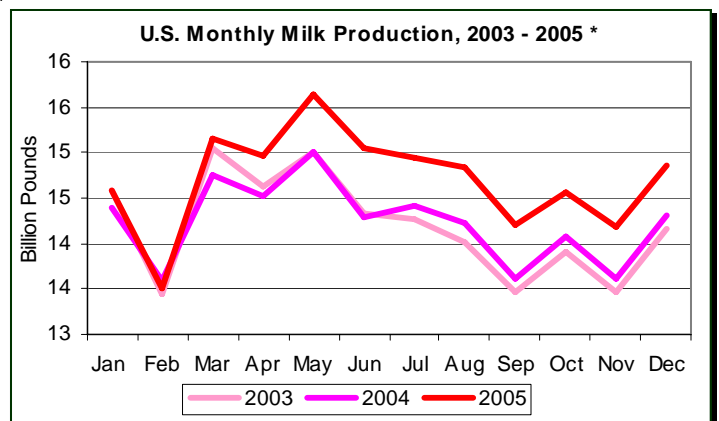


December 2005 Milk Production Up 4.2%; End-of-Year 3.7% Higher than 2004

According to the National Agricultural Statistics Service (NASS), milk production in the 23 major milk-producing states during December 2005 totaled 13.6 billion pounds, 4.2 percent higher than production in December 2004. For the entire United States, NASS estimated milk production was 14.85 billion pounds in December 2005, 3.9 percent more than a year earlier.

Production per cow in the 23 major states averaged 1,665 pounds for December 2005, 55 pounds above December 2004. The number of milk cows on farms in the 23 major states in December 2005 was 8.16 million head, 67,000 head more than December 2004, and 4,000 head more than November 2005.

November 2005 revised milk production, at 13.0 billion pounds, was up 4.6 percent from November 2004. The November 2005 revision represented a decrease of 1 million pounds from last month's preliminary production estimate.



* Based on entire U.S. production.

For the year, milk production in the 23 major states totaled an estimated 161.13 billion pounds, 3.7 percent more than in 2004, which was a day longer than 2005 due to leap year. The
(Milk Production, continued on page 4)

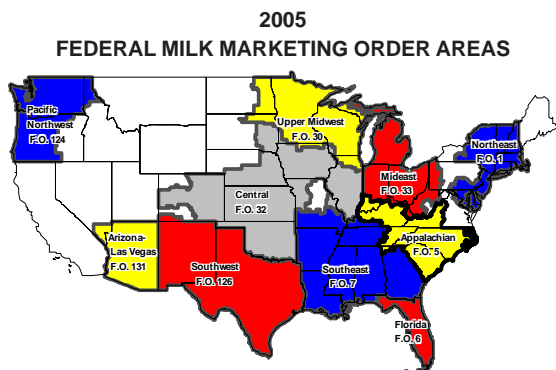
2005 Federal Milk Marketing Order Year-End Review

Total producer milk pooled on all Federal Orders in 2005 totaled approximately 114.7 billion pounds, an increase of 11.3% from 2004's total of 103 billion pounds. This is also 3.7 percent, or 4.1 billion pounds, higher than 2003.

While the Northeast area had the greatest total producer milk with 23.6 billion pounds, the Upper Midwest order experienced the highest increase in pooled milk in 2005. The total of 22.5 billion pounds for the Upper Midwest was an increase of 5.2 billion pounds, or 30%, from its 2004 total of 17.3 billion pounds. Total producer milk for the Appalachian Marketing area increased 3.2 percent to 6.4 billion pounds in 2005. That is also 1.3 percent higher than the total producer milk for 2003.

Class I utilization averaged over all Federal Orders in 2005 was 38.9%, down from 43.6% in 2004. On the other hand, the Appalachian Marketing area's class I utilization for 2005 averaged 65.5%. Although this is down 4.2 percent from 2004, it is also the second highest class I utilization among all Federal Orders.

In regard to the uniform price, 2005 proved to have among the highest prices since Federal Order Reform in 2000. The weighted statistical uniform price among all Federal Orders ended at a price of \$15.07 per hundredweight, 67 cents lower than the record-breaking price in 2004. However, it is still the second highest since order reform. The average annual uniform price for the Appalachian Marketing area in 2005 was \$16.23 per hundredweight, 77 cents lower than last year, but also \$2.71 and \$3.20 higher than 2003 and 2002, respectively.



FMMO Statistics, 2003-2005

Receipts of Producer Milk (Million lbs.)

Federal Milk Marketing Area	2005	2004	2003
1 Northeast	23,565	22,670	24,038
5 Appalachian	6,400	6,202	6,315
6 Southeast	7,544	7,164	7,071
7 Florida	3,125	2,873	2,833
33 Mideast	18,060	15,940	15,750
30 Upper Midwest	22,450	17,302	17,018
32 Central	13,966	11,589	14,411
126 Southwest	9,579	8,791	9,174
131 Arizona-Las Vegas	2,947	2,901	3,061
135 Western *	N/A	1,096	4,573
124 Pacific Northwest	7,046	6,518	6,336
All Markets Combined	114,682	103,048	110,581

Class I Utilization (%)

Federal Milk Marketing Area	2005	2004	2003
1 Northeast	45.04	47.16	44.52
5 Appalachian	65.48	69.72	70.36
6 Southeast	61.70	64.77	65.47
7 Florida	82.31	84.91	85.15
33 Mideast	35.90	40.73	41.56
30 Upper Midwest	19.83	25.77	24.27
32 Central	31.15	37.50	32.78
126 Southwest	43.21	47.08	44.35
131 Arizona-Las Vegas	33.46	33.34	31.88
135 Western *	N/A	26.09	24.25
124 Pacific Northwest	30.21	33.04	33.21
All Markets Combined	38.86	43.61	41.46

*Uniform Milk Price** (\$/cwt)*

Federal Milk Marketing Area	2005	2004	2003
1 Northeast	15.64	16.46	12.93
5 Appalachian	16.23	17.00	13.52
6 Southeast	16.14	16.92	13.43
7 Florida	17.57	18.39	14.69
33 Mideast	14.70	15.33	11.83
30 Upper Midwest	14.28	14.75	10.93
32 Central	14.47	15.06	11.40
126 Southwest	15.37	16.00	12.37
131 Arizona-Las Vegas	14.65	15.51	11.78
135 Western *	N/A	12.68	10.94
124 Pacific Northwest	14.20	14.75	11.16
All Markets Combined	15.07	15.74	12.12

* Effective April 1, 2004, the Western Federal Milk Marketing order was terminated.

** Weighted average uniform prices at 3.5% butterfat at Base Zone.

**APPALACHIAN MARKETING AREA
FEDERAL ORDER 5**

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WE'RE ON THE WEB:
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(Milk Production, continued from page 2)
estimated U.S. production for 2005 was reported as 176.49 billion pounds, 3.3 percent more than in 2004. In addition, there were an estimated 9.03 million cows on farms for the year, 24,000 head more than in 2004.

In terms of the last quarter of 2005, milk production in the United States totaled 43.61 billion pounds, up 3.9 percent from the same quarter of 2004. Moreover, the average number of cows in the United States during the quarter was 9.05 million head, 31,000 head more than the same period in 2004.

Federal Milk Marketing Order Statistics - December 2005

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	1,953	926	47.4	14.83
5 Appalachian	530	358	67.6	15.51
7 Southeast	627	401	63.9	15.44
6 Florida	262	231	88.3	16.89
33 Mideast	1,445	571	39.5	13.90
30 Upper Midwest	2,181	392	18.0	13.61
32 Central	1,317	383	29.1	13.69
126 Southwest	870	354	40.8	14.60
131 Arizona-Las Vegas	257	87	34.0	14.00
124 Pacific Northwest	619	182	29.3	13.44
All Orders ¹	10,061	3,886	38.6	14.28

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

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