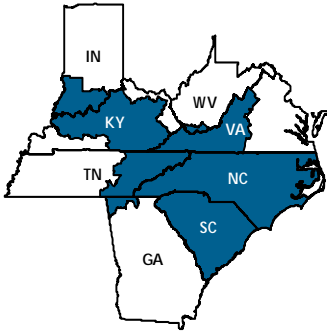




THE COURIER

Appalachian Marketing Area Monthly Newsletter



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Market Administrator

USDA's Recommended Decision to Amend Mideast Order

On February 21, 2006, the U. S. Department of Agriculture announced a recommended decision to adopt amendments to the pooling provisions of the Mideast milk marketing order. This decision is based on testimony and evidence given at a public hearing held in Wooster, Ohio, from March 7-10, 2005.

The amendments recommended for adoption would establish a limit on the volume of milk a handler may pool during the months of April through February to 115 percent of the volume of milk pooled in the prior month and limit the volume of milk a handler may pool during March to 120 percent of the volume of milk pooled in the prior month. Proposals which sought to change the performance standards

of the order were addressed in the tentative partial decision published in the July 27, 2005, Federal Register.

Milk shipped to pool distributing plants and milk pooled on another order during the previous three consecutive months would not be subject to the 115 or 120 percent limitation. The limitation may also be waived at the discretion of the Market Administrator depending on specific circumstances.

The recommended decision was published in the February 22, 2006, Federal Register, which is available online at: http://www.ams.usda.gov/dairy/me_pool_prov/mideast_rec_dec.pdf. Public comments are due April 24th.



USDA's Recommended Decision to Amend Central Order

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On February 21, 2006, the USDA announced a recommended decision that would amend certain features of the Central Federal milk marketing order. This decision is based on testimony and evidence given at a public hearing held in Kansas City, Missouri, from December 6-8, 2004.

This decision recommends adoption of proposals that would increase supply plant performance standards, amend features of the "touch-base" provision, amend certain features of the "split plant" provision and decrease the diversion limit standards of the order. The decision also recommends adoption of a proposal that would limit the volume of milk a handler can pool in a month to 125 percent of the total volume of milk pooled in the previous month.

Specifically, the decision recommends increasing the supply plant standards to 25 percent for the

months of August through February and 20 percent for the months of March through July. It also requires the non-pool side of a split plant to maintain non-pool status for 12 months. Further, the decision recommends amending the "touch-base" feature of the order to require that at least one day's production of milk be received at a pool plant in each of the months of January, February and August through November, to be eligible for diversion to non-pool plants. The decision also recommends lowering diversion limit standards for each month, from 80 percent to 75 percent for the months of August through February and from 85 percent to 80 percent for March through July.

The recommended decision was published in the February 22, 2006, Federal Register and is available online at: http://www.ams.usda.gov/dairy/cntrl_rec_dec.pdf. Public comments are due by April 24th.



Appalachian Statistical Summary

FEBRUARY 2006 JANUARY 2006 FEBRUARY 2005

PRICES: (Base Zone)

Uniform Price	\$15.01	\$15.52	\$15.90
Class I Price	16.48	16.48	16.89
Class II Price	12.62	13.25	13.36
Class III Price	12.20	13.39	14.70
Class IV Price	11.10	12.20	12.74
Uniform Skim Milk Price	\$10.45	\$10.66	\$10.03
Class I Skim Milk Price	11.61	11.52	11.07
Class II Skim Milk Price	8.17	8.38	7.38
Class III Skim Milk Price	7.76	8.55	8.79
Class IV Skim Milk Price	6.62	7.32	6.76
Uniform Butterfat Price	\$1.4074	\$1.4945	\$1.7778
Class I Butterfat Price	1.5081	1.5326	1.7748
Class II Butterfat Price	1.3539	1.4754	1.7824
Class III Butterfat Price	1.3469	1.4684	1.7754
Class IV Butterfat Price	1.3469	1.4684	1.7754

PRODUCER MILK:

Class I	329,006,961	361,305,110	329,828,034
Class II	73,195,206	78,274,456	79,984,639
Class III	20,858,531	22,695,849	18,587,909
Class IV	66,747,277	58,207,085	61,683,907
Total Producer Milk	489,807,975	520,482,500	490,084,489

PERCENT PRODUCER MILK IN:

Class I	67.17	69.42	67.30
Class II	14.94	15.04	16.32
Class III	4.26	4.36	3.79
Class IV	13.63	11.18	12.59

FO 5 STATS: FEBRUARY 2006

↳ *The Uniform Price for February 2006 was \$15.01, down 51 cents from last month.*

↳ *Uniform Skim Milk Price was \$10.45, down 21 cents from last month but 42 cents higher than February 2005.*

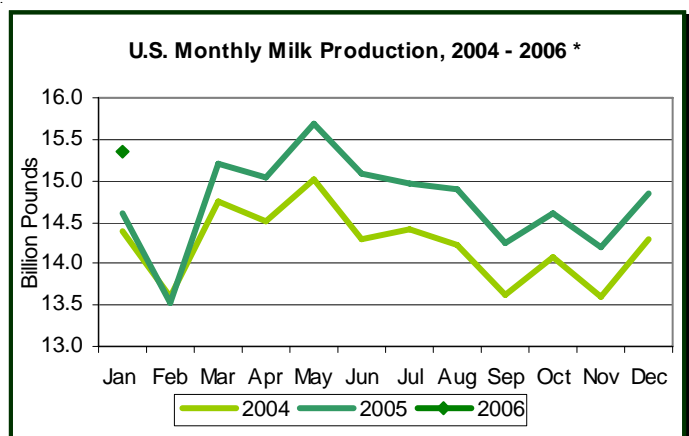
↳ *Total Class I Pounds for February 2006 totaled 329,006,961, 67.17% of all producer milk.*

January Milk Production Up 5.4 Percent

Milk production in the 23 major States during January 2006 totaled 14.0 billion pounds, up 5.4 percent from January 2005. December 2005 production, at 13.6 billion pounds, was up 4.1 percent from December 2004.

Production per cow in the 23 major States averaged 1,711 pounds for January 2006, 68 pounds above January 2005.

The number of cows on farms in the 23 major States was 8.19 million head for January 2006, 103,000 head more than January 2005, and 11,000 head more than December 2005.



* Based on entire U.S. production.

Increases in Milk Production Remain Strong for 2006

In the February *Livestock, Dairy, and Poultry Outlook* publication, the Economic Research Service indicated large milk production increases for 2006. While increases in milk production remains strong and autumn seasonal declines in commercial stocks were less than expected, the greatest pressure may be from market expectations for the rest of 2006. Traders anticipate large production increases with uncertain demand, making buyers reluctant to seek commitments for later in the year. In addition, this year's date of Easter means holiday buying will be about a month later than 2005.

As production will most likely outstrip demand, prices will be pushed below last year's levels. However, drops in early February cheese prices of 20 cents from a year earlier and almost 40

cents in butter prices might prove to be too large. Slight recovery may occur if production slackens as expected and demand stays firm. Prices are not likely to develop clear patterns until second-half prospects become more settled.

Nonfat dry milk prices have also softened since the end of December while production has risen seasonally and from a year earlier. The heavier supplies have encouraged buyers to minimize purchases in hopes of lower prices. International powder markets remain tight and with the exception of the U.S., export supplies remain limited. On the other hand, import demand for milk powders has stayed strong. Unless international prices slip more than expected, nonfat dry milk prices may recover somewhat when buyers start to deplete their stocks.

USDA's Recommended Decision to Amend Upper Midwest Order

On February 21, 2006, the U. S. Department of Agriculture announced a recommended decision to adopt amendments to the pooling provisions of the Upper Midwest milk marketing order. This decision is based on testimony and evidence given at a public hearing held in Bloomington, Minnesota, from August 16 -19, 2004.

Specifically, the amendments recommended for adoption would: 1) establish a limit on the volume of milk a handler may pool during the months of April through February to 125 percent of the volume of milk pooled in the prior month; 2) establish a limit on the volume

of milk a handler may pool during the month of March to 135 percent of the volume of milk pooled in the prior month; and 3) allow the market administrator to increase the maximum administrative assessment rate up to 8 cents per hundredweight on all pooled milk if necessary to maintain the required fund reserves.

The recommended decision was announced in the February 22, 2006, Federal Register. It is currently available online at: http://www.ams.usda.gov/dairy/upper_midwest/umw_rec_dec.pdf. Public comments are due April 24th.

USDA Announces Final Rule to Amend Orders 124 & 131

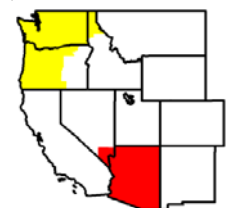
On February 23, 2006, the USDA announced a final rule that amends provisions of the producer-handler definitions of the Pacific Northwest and Arizona-Las Vegas milk marketing orders. A Final Decision was published in the Federal Register on December 14, 2005. Producers in both milk markets approved these amendments.

This decision is based on testimony and evidence given at a public hearing held in Tempe, Arizona,

beginning on September 23, 2003, continuing in Seattle, Washington, on November 17, 2003, and reconvening and concluding in Alexandria, Virginia, on January 23, 2004.

This final rule permanently adopts a provision that will eliminate the exemption from pooling and pricing provisions of the orders for producer-handlers with in-area route disposition in excess of 3-million pounds per month.

Final Rule, continued on page 4 ➤



Pacific Northwest (124) and
Arizona-Las Vegas (131)
Milk Marketing Orders

**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>



Final Rule, continued from page 3

Producer-handlers are defined as dairy farmers who process only their own milk production. Such entities in the Pacific Northwest and Arizona-Las Vegas order, under this amendment, will be subject to the same pooling and pricing provisions as all other fully regulated handlers, provided their route disposition of fluid milk products is more than 3 million pounds per month.

The final rule was published in the February 24, 2006, Federal Register and will become effective April 1, 2006.

Federal Milk Marketing Order Statistics - January 2006

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	1,986	894	45.0	14.78
5 Appalachian	520	361	69.4	15.52
6 Florida	279	238	85.4	16.71
7 Southeast	773	418	54.0	15.14
30 Upper Midwest	2,217	381	17.2	13.66
32 Central	1,245	387	31.1	13.75
33 Mideast	1,512	573	37.9	13.95
124 Pacific Northwest	627	187	29.8	13.44
126 Southwest	900	367	40.7	14.50
131 Arizona-Las Vegas	269	85	31.8	13.76
All Orders ¹	10,329	3,890	37.7	14.28

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

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