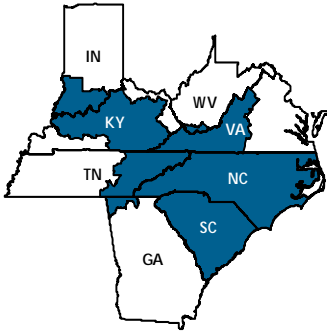




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator

Johanns Names Members to National Fluid Milk Board

On March 28, 2006, Secretary of Agriculture Mike Johanns announced the appointment of four incumbents and five new members to the National Fluid Milk Processor Promotion Board. Re-appointed to serve second terms are: Michael F. Nosewicz, Cincinnati, OH (Region 3); William R. McCabe, Orrville, OH (Region 6); Paul W. Bikowitz, City of Industry, CA (Region 15); and Susan D. Meadows, Dallas, TX (At-Large Processor).

E. Webb will be seated at the April 2006 board meeting. All other appointees will be seated at the July 2006 board meeting.

The National Fluid Milk Processor Promotion Board is composed of 15 fluid milk processors from 15 geographic regions and five at-large members. At least three at-large members must be fluid milk processors and at least one must be from the general public. The Board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the demand for fluid milk products.

Newly Appointed are: Charles L. Gaither, Jr., Asheville, NC (Region 4); Edward R. Mullins, Carlinville, IL (Region 9); Patrick R. Beaman, Dallas, TX (Region 12); Teresa E. Webb, Wallington, NJ (At-Large Processor); and Lisa M. Hillenbrand, Geneva, Switzerland (At-Large Public).

The National Fluid Milk Program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages in the contiguous 48 states and the District of Columbia. Processors who commercially process and market 3,000,000 pounds or less per month, excluding those fluid milk products delivered to the residence of a consumer, are exempt from assessments.

Terms for these appointees begin July 1, 2006, and expire June 30, 2009, except for Charles L. Gaither, Jr., and Teresa E. Webb. These two appointees are filling vacant positions with less than 18 months remaining, and their terms expire June 30, 2007. Charles L. Gaither, Jr. and Teresa

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Extended MILC Program Sign-Up Ends May 17, 2006

On March 17, 2006, the USDA reminded dairy producers to sign up for the extended Milk Income Loss Contract (MILC) program. The sign-up period runs through May 17, 2006.

fiscal year. The program was recently extended by Congress for two additional years, until the end date of the 2007 Farm Bill.

USDA Farm Service Agency's (FSA) Milk Income Loss Contract Program (MILC) was established by the Farm Security and Rural Investment Act of 2002 (the 2002 Farm Bill). The MILC program compensates dairy producers when the Boston Class I milk price falls below \$16.94 per hundredweight (cwt). A maximum of 2.4 million pounds of milk produced are eligible for MILC payments per

From October 1, 2005, through August 31, 2007, a dairy operation's monthly payment will equal the milk quantity sold in that month multiplied by 34 percent of the difference between \$16.94 per hundredweight and that month's domestic Class I milk price. The 2002 Farm Bill originally set the payment rate factor at 45 percent, however, the MILC program was amended by the Deficit Reduction Act of 2005 (the Act).

MILC Program, continued on page 3

Appalachian Statistical Summary

MARCH 2006 FEBRUARY 2006 MARCH 2005

PRICES: (Base Zone)

Uniform Price	\$14.13	\$15.01	\$16.74
Class I Price	15.59	16.48	18.53
Class II Price	11.69	12.62	13.25
Class III Price	11.11	12.20	14.08
Class IV Price	10.68	11.10	12.66
Uniform Skim Milk Price	\$9.88	\$10.45	\$10.98
Class I Skim Milk Price	11.05	11.61	12.69
Class II Skim Milk Price	7.52	8.17	7.44
Class III Skim Milk Price	6.94	7.76	8.32
Class IV Skim Milk Price	6.50	6.62	6.85
Uniform Butterfat Price	\$1.3137	\$1.4074	\$1.7544
Class I Butterfat Price	1.4078	1.5081	1.7968
Class II Butterfat Price	1.2666	1.3539	1.7349
Class III Butterfat Price	1.2596	1.3469	1.7279
Class IV Butterfat Price	1.2596	1.3469	1.7279

PRODUCER MILK:

Class I	369,134,564	329,006,961	376,762,730
Class II	99,144,227	73,195,206	102,203,294
Class III	33,831,361	20,858,531	55,418,027
Class IV	73,977,227	66,747,277	75,586,830
Total Producer Milk	576,087,379	489,807,975	609,970,881

PERCENT PRODUCER MILK IN:

Class I	64.08	67.17	61.77
Class II	17.21	14.94	16.76
Class III	5.87	4.26	9.08
Class IV	12.84	13.63	12.39

FO 5 STATS FOR MARCH 2006:

➔ The Uniform Price for March 2006 was \$14.13, 88 cents lower than last month's uniform price.

➔ Total Producer Milk for March 2006 was 576,087,379 pounds, over 86 million pounds, or 17.6%, higher than February 2006.

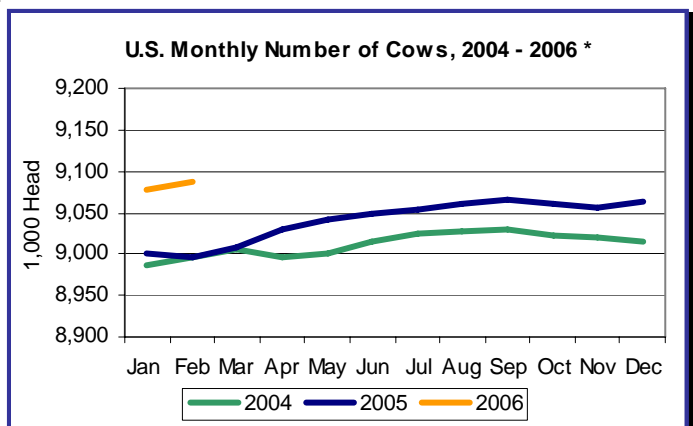
➔ Class I Utilization for March 2006 totaled 64.08%, an increase of 2.3% from the class I utilization of a year ago.

February Milk Production Up 5.9 Percent

Milk production in the 23 major States during February 2006 totaled 13.0 billion pounds, up 5.9 percent from February 2005. January 2006 production, at 14.0 billion pounds, was up 5.5 percent from January 2005.

Production per cow in the 23 major States averaged 1,588 pounds for February 2006, 66 pounds above February 2005.

The number of milk cows on farms in the 23 major States was 8.21 million head for February 2006, 121,000 head more than February 2005, and 118,000 head more than January 2006.

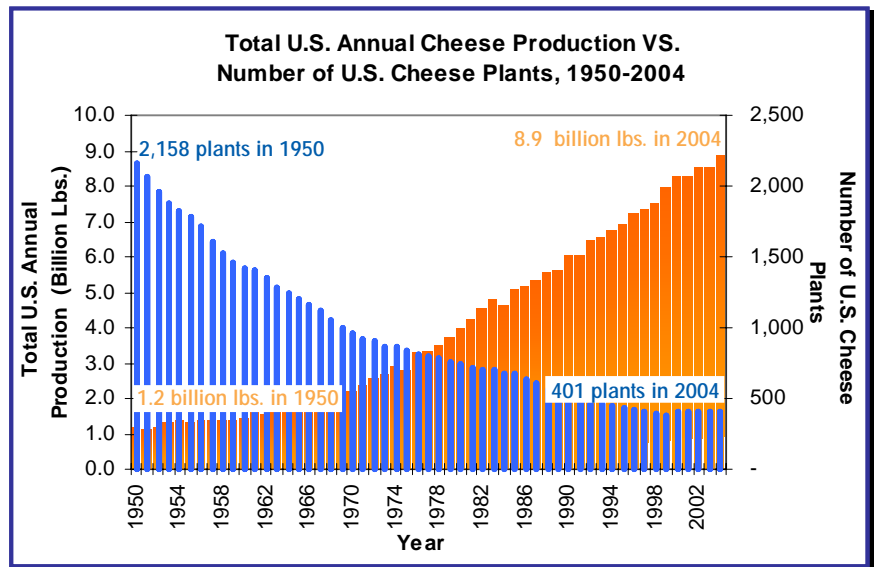


* Based on entire U.S. production.

A Look at U.S. Cheese Production: 1950-2004

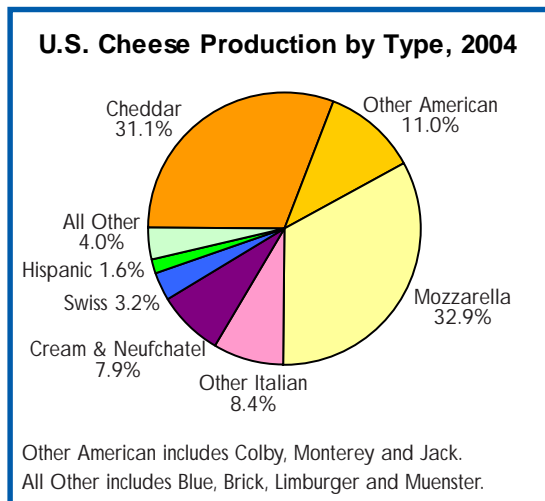
As with most dairy plants in the U.S., the number of cheese plants in the U.S. is on a downward trend as a result of continued acquisitions and technology efficiencies, among other factors. In 1950, there were 2,158 cheese plants in the U.S. which produced nearly 1.2 billion pounds of cheese. Today, there remains only 401 cheese plants, a decrease of over 80% in the past 54 years and an average of about three percent decrease per year. (However, this decrease from 1950 is less than that of fluid milk bottling plants' of 95%.)

Since 1950, 2000 and 2001 were the only two years which witnessed an increase in the number of cheese plants – from 376 plants in 1999 to 402 and 407 plants in 2000 and 2001, respectively. Attributing to the growth are the plants that produce Hispanic cheese. The number of cheese plants that produce Hispanic cheese more than doubled (64%) from 1996 to 2004, from 28 plants (6.6% of all cheese plants) in 1996 to 46 plants (11.5% of all cheese plants) in 2004.



Source of data: NASS U.S. and State Data for Dairy Products.

On the other hand, due to the industry's increased demand and consumption of cheese, production of cheese continues to be on the rise. As can be seen in the graph above, 1.2 billion pounds of cheese was produced in 1950. Today, the U.S. produces nearly six and a half times the amount of cheese that was produced in 1950, with 8.9 billion pounds produced in 2004. Production from 1950 doubled by 1970, to 2.4 billion pounds, doubled again by 1985, to over 5 billion pounds, and has been consistently growing ever since.



While the industry continues to experience growth in demand for cheese, the demand for particular cheeses, however, is changing. For instance, Cheddar has historically been the overall leader in cheese. However, in looking at the pie chart, it is noted that Mozzarella recently surpassed Cheddar to become the number one produced cheese in the U.S.

MILC Program, continued from page 1

Eligible producers are those who commercially produce milk in the U.S. Participating producers must select the month they would like to start receiving payments for eligible production. Producers who would like to select any month beginning December 2005 through May 2006 must do so on or before May 17, 2006. Sign-up will continue after May 17, 2006, however, producers will not have the option to select a retroactive month for payment for which the

payment rate has already been announced. After May 17, 2006, producers will have the option to select future months.

USDA's Commodity Credit Corporation (CCC) will make payments to producers, beginning after the sign-up period. To receive program approval, producers must enter into a contract with CCC to provide monthly marketing data.

⇒ The MILC program has paid out about \$2 billion since its inception in 2002.

MILC Program, continued on page 4

**APPALACHIAN MARKETING AREA
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WE'RE ON THE WEB:
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MILC Program, continued from page 3

More information on the extended MILC program is available at local FSA offices and on the FSA MILC fact sheet located online at: <http://www.fsa.usda.gov/pas/publications/facts/html/milc06.htm>.

Dairy producers can apply for the extended MILC program at local FSA offices and online at: www.fsa.usda.gov/dafp/psd/.

Federal Milk Marketing Order Statistics - February 2006

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	1,834	811	44.3	14.25
5 Appalachian	490	329	67.2	15.01
6 Florida	262	216	82.3	16.34
7 Southeast	673	375	55.6	14.71
30 Upper Midwest	2,057	352	17.1	12.68
32 Central	1,226	345	28.2	12.91
33 Mideast	1,390	524	37.7	13.28
124 Pacific Northwest	606	163	26.9	12.60
126 Southwest	890	334	37.6	13.73
131 Arizona-Las Vegas	253	82	32.3	13.03
All Orders ¹	9,680	3,531	36.5	13.55

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

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