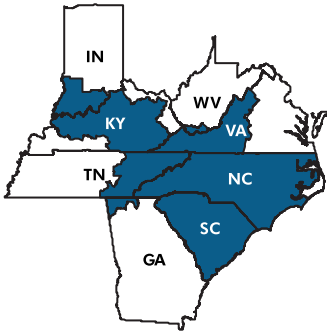




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator



USDA Sets National Public Hearing on Class I and II Product Price Formulas

On November 20, 2006, the U.S. Department of Agriculture announced that it will hold a national public hearing to consider proposals seeking to amend the Class I and Class II milk price formulas applicable to all Federal milk marketing orders. Evidence will also be taken at the hearing to determine whether emergency marketing conditions exist that would warrant omission of a recommended decision. The hearing began at 1:00 p.m. on December 11, 2006, at the Sheraton Station Square Hotel, 300 West Station Square Drive, Pittsburgh, Pennsylvania 15219.

The hearing was requested by National Milk Producers Federation to reconsider formulas for Class I and Class II milk.

The hearing notice was published in the November 22, *Federal Register* and is available on the AMS website at: www.ams.usda.gov/dairy. Those wishing to provide comment at the hearing should notify a USDA official upon arrival. Copies of the hearing notice may be obtained from the USDA/AMS/Dairy Programs, STOP 0231 - Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231.

USDA Issues Tentative Final Decision on Class III and IV Product Price Formula Hearing

On November 20, 2006, the U.S. Department of Agriculture issued a tentative final decision to amend the manufacturing (make) allowances contained in the Class III and Class IV product price formulas in all Federal milk marketing orders. The decision was based on the record of the first session of an emergency public hearing held in Alexandria, Virginia, from January 24-27, 2006, and a second session held in Strongsville, Ohio, from September 14-15, 2006.

comments are due 60 days after publication in the *Federal Register*, on January 22, 2007. More information is available on the AMS website at: www.ams.usda.gov/dairy.



ERS Releases Report on U.S. Agriculture and the 2005 Dietary Guidelines

USDA's Economic Research Service (ERS) recently released a report entitled, "Possible Implications for U.S. Agriculture From Adoption of Select Dietary Guidelines." This report provides one view of the potential implications for U.S. agriculture if Americans changed their current consumption patterns to meet the 2005 *Dietary Guidelines for Americans* recommendations for fruits, vegetables, whole-grain products and fat-free or low-fat milk and milk products.

ERS Report, continued on page 3

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Appalachian Statistical Summary

NOVEMBER 2006 OCTOBER 2006 NOVEMBER 2005

PRICES: (Base Zone)

Uniform Price	\$14.68	\$14.58	\$16.30
Class I Price	15.50	15.52	17.66
Class II Price	11.98	11.79	13.49
Class III Price	12.84	12.32	13.35
Class IV Price	12.11	11.51	12.90
Uniform Skim Milk Price	\$10.11	\$9.92	\$10.69
Class I Skim Milk Price	10.87	10.82	11.58
Class II Skim Milk Price	7.37	7.06	8.11
Class III Skim Milk Price	8.28	7.64	7.99
Class IV Skim Milk Price	7.52	6.80	7.52
Uniform Butterfat Price	\$1.4063	\$1.4314	\$1.7088
Class I Butterfat Price	1.4314	1.4517	1.8536
Class II Butterfat Price	1.3922	1.4219	1.6184
Class III Butterfat Price	1.3852	1.4149	1.6114
Class IV Butterfat Price	1.3852	1.4149	1.6114

PRODUCER MILK:

Class I	358,514,306	352,324,458	355,573,973
Class II	80,840,040	80,958,894	75,678,893
Class III	22,099,986	25,418,216	35,498,577
Class IV	40,784,994	41,971,097	41,727,736
Total Producer Milk	502,239,326	500,672,665	508,479,179

PERCENT PRODUCER MILK IN:

Class I	71.38	70.37	69.93
Class II	16.10	16.17	14.88
Class III	4.40	5.08	6.98
Class IV	8.12	8.38	8.21

**APPALACHIAN
MARKETING AREA
STATS FOR
NOVEMBER 2006:**

↪ **The Uniform Price** for November 2006 increased 10 cents from last month to \$14.68.

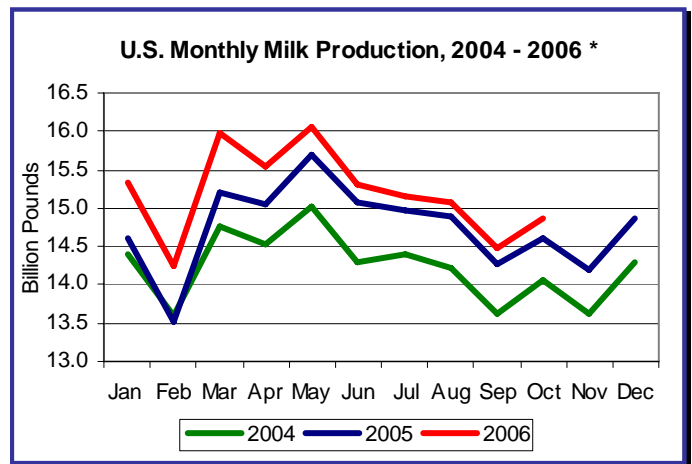
↪ **Total Class I Pounds** increased by over 6 million pounds to 358,514,306 and **total producer milk** increased by over 1.5 million pounds to 502,239,326.

↪ **Class I Utilization** increased by 1.01 percent from October 2006 to 71.38 percent and is 1.45 percent higher than that of a year ago.

October 2006 Milk Production Up 2.1 Percent

Milk production in the 23 major States during October 2006 totaled 13.7 billion pounds, up 2.1 percent from October 2005. September 2006 revised production, at 13.3 billion pounds, was up 2.0 percent from September 2005. The September revision represented a decrease of 6 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,656 pounds for October 2006, 19 pounds above October 2005. The number of milk cows on farms in the 23 major States was 8.25 million head, 78,000 head more than October 2005, and 2,000 head more than September 2006.



* Based on entire U.S. production.

USDA Holds Federal Milk Pre-Hearing Information Session

On December 5, 2006, the U.S. Department of Agriculture held a public pre-hearing information session to address proposals received to amend the Federal order Class III and Class IV product price formulas. The session was held in the USDA Whitten Building, 1400 Independence Ave., SW, Room 107-A, Washington, DC, 20250.

The purpose of the information session was for interested parties to learn about the intent of proposals that have been submitted to amend Class III and Class IV product price formulas.

The session was held to enable proponents to better prepare testimony and evidence in support of, or in opposition to, proposals that may possibly be included in a future Class III and IV hearing notice. Because the session was conducted outside of ex-parte rules, it will not become part of an official hearing record. This allows government officials to freely discuss proposed amendments.

Additional information regarding the session is available at: www.ams.usda.gov/dairy.

ERS's Report on the Implications of U.S. Agriculture, cont'd from pg 1

According to the 2005 *Dietary Guidelines*, Americans on a 2,000-calorie-per-day diet should consume 3 cups of fat-free or low-fat milk or equivalent milk products daily. It is also recommended that "most choices should be fat-free or low-fat."

According to ERS's report, to meet the 2005 *Dietary Guidelines'* recommendations for the milk group, Americans would need to increase their daily consumption of milk and milk products by 66 percent. The new recommended consumption of dairy products increased to 3 cups per day from 2.2 cups per day. To meet this increase in demand, total availability of farm milk would need to increase by 111 billion pounds, from 169 billion pounds to 280 billion pounds. This change means that total annual U.S. production of farm milk would need to increase to 274 billion pounds to make the milk and milk products currently available. This is a substantial increase of roughly 108 billion pounds per year.

Output per cow has increased gradually over time, but according to the ERS report, this new requirement exceeds even conceivable potential

milk-production rates. Increases in imports and substantial herd expansion are left as the remaining options to raise production to the necessary levels. Most dairy products consumed in the United States are domestically produced rather than imported for various reasons, including perishability and transportation costs. Similarly, the export share of dairy products is also low. Imports account for roughly 3 percent of all U.S. dairy product consumption, where most of these imports are specialty cheeses.

If the ERS analysis would have incorporated the recommendation that "most choices should be fat-free or low-fat," findings suggest that increases in raw milk production would need to be even higher to offset the removal of fat from the total poundage. In addition, if Americans were to meet the new *Dietary Guidelines* by increasing their consumption of milk and milk products, particularly the nonfat and low-fat products, the effect might be a large increase in milkfat available for other uses. Manufacturers might use this milkfat to produce more cream cheese, heavy cream, butter and higher fat cheese for domestic consumption or export.

ERS Report, continued on page 4 ➔

➔ According to ERS's report, Americans would need to increase their consumption of dairy products by 66%.

➔ Annual U.S. milk production would need to increase by 108 billion pounds - to 274 billion pounds per year - to meet this demand.



**APPALACHIAN MARKETING AREA
FEDERAL ORDER 5**

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ERS Report, *continued from page 3*

The ERS report stated that in the event of an excess in milkfat, milkfat's price and the price of products derived from milkfat would fall sharply. In this case, the U.S. might even emerge as the leading exporter of milkfat-based products. And if Americans were to choose fat-free or low-fat milk and milk products, as recommended in the new MyPyramid Guidance System, current U.S. dairy imports might decline. Additionally, current U.S. exports of whey products and skim milk powder might also decline.

Federal Milk Marketing Order Statistics - October 2006

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	1,777	917	51.6	14.04
5 <i>Appalachian</i>	501	352	70.4	14.58
6 Florida	250	211	84.6	15.73
7 Southeast	628	413	65.9	14.60
30 Upper Midwest	2,394	397	16.6	12.56
32 Central	1,142	381	33.4	12.73
33 Mideast	1,349	572	42.4	12.91
124 Pacific Northwest	620	198	31.9	12.52
126 Southwest	916	367	40.0	13.65
131 Arizona	274	116	42.4	13.24
All Orders ¹	9,850	3,924	39.8	13.33

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

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