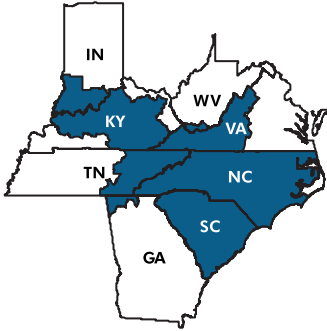




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator



Inside This Issue:

Appalachian Statistical Summary 2

November 2006 Milk Production Up 2.5% 2

Trends in FMMO Packaged Fluid Milk Sales 3

Class III/IV Make Allowances (continued) 3

Appalachian 2006 Summary 3

FMMO Packaged Fluid Milk Sales (continued) 4

FMMO Statistics - November 2006 4

Market Administrator Receives Request to Change Producer Delivery Day Requirements and Diversion Percentages

On December 6, 2006, the Market Administrator received a request from The Southeast Producers Steering Committee to change producer delivery day requirements and diversion limits for the Appalachian Marketing Area. The Southeast Producers Steering Committee consists of representatives of the North Carolina Dairy Producers Association; Upper South Milk Producers Association; Georgia Milk Producers, Incorporated; Kentucky Dairy Development Council; South Carolina Department of Agriculture; North Carolina Department of Agriculture and the North Carolina Farm Bureau.

The request seeks to increase the producer delivery day requirements in 7 CFR Section 1005.13(d)(1) and 1005.13(d)(2) to 10 days each month for January through December. Currently, the producer delivery requirements for Federal Order 5 are 2 days for January through June and 6 days for July through December. The request also seeks to change the diversion limits in 7 CFR Section 1005.13(3) and 1005.13(4) to 15 percent for December through February, 20 percent for March through June, and 10 percent for July through November. Currently, the diversion limits for Federal Order 5 are 25 percent during the months of July

through November, January, and February and 40 percent during the months of December and March through June. A copy of the request can be obtained from this office and is available at: <http://members.aye.net/~usda/manews.htm>.

According to 7 CFR Section 1005.13(d)(7), the delivery day requirements and diversion percentages may be increased or decreased by the Market Administrator if the Market Administrator finds that such revision is necessary to assure orderly marketing and efficient handling of milk in the marketing area. In order to make such a determination, the Market Administrator is required to issue a notice stating that the revision is being considered and inviting written data, views and arguments. Any decision to revise an applicable percentage must be issued in writing at least one day before the effective date.

If you wish to make your views known, please submit them in writing to the Market Administrator, P.O. Box 18030, Louisville, KY 40261-0030. Comments may also be submitted by e-mail at friedly@malouisville.com or by fax at (502) 499-8749. **Comments must be submitted by February 16, 2007.**

USDA Issues an Interim Order Amending the Class III and Class IV Make Allowances effective February 1, 2007

On December 29, 2006, the U.S. Department of Agriculture issued an interim order amending the manufacturing (make) allowances contained in the Class III and Class IV product price formulas in all Federal milk marketing orders.

The interim order implements new make allowances for cheese, butter, nonfat dry milk

(NFD) and dry whey. Specifically, the interim order adopts the following manufacturing allowances: cheese — \$0.1682 per pound; butter — \$0.1202 per pound; NFD — \$0.1570 per pound; and dry whey — \$0.1956 per pound. The interim order will become effective on February 1, 2007.

Class III/IV Make Allowances, cont'd on page 3

Appalachian Statistical Summary

DECEMBER 2006 NOVEMBER 2006 DECEMBER 2005

PRICES: (Base Zone)

Uniform Price	\$14.62	\$14.68	\$15.51
Class I Price	15.53	15.50	16.67
Class II Price	12.55	11.98	13.22
Class III Price	13.47	12.84	13.37
Class IV Price	12.30	12.11	12.57
Uniform Skim Milk Price	\$10.17	\$10.11	\$10.35
Class I Skim Milk Price	10.99	10.87	11.13
Class II Skim Milk Price	8.09	7.37	8.22
Class III Skim Milk Price	9.07	8.28	8.40
Class IV Skim Milk Price	7.86	7.52	7.57
Uniform Butterfat Price	\$1.3726	\$1.4063	\$1.5790
Class I Butterfat Price	1.4080	1.4314	1.6943
Class II Butterfat Price	1.3551	1.3922	1.5106
Class III Butterfat Price	1.3481	1.3852	1.5036
Class IV Butterfat Price	1.3481	1.3852	1.5036

PRODUCER MILK:

Class I	339,823,501	358,514,306	358,006,286
Class II	71,794,662	80,840,040	70,067,229
Class III	26,147,564	22,099,986	43,188,651
Class IV	85,130,812	40,784,994	58,288,855
Total Producer Milk	522,896,539	502,239,326	529,551,021

PERCENT PRODUCER MILK IN:

Class I	64.99	71.38	67.61
Class II	13.73	16.10	13.23
Class III	5.00	4.40	8.15
Class IV	16.28	8.12	11.01

APPALACHIAN MARKETING AREA STATS FOR DECEMBER 2006:

⇒ The Uniform Price for December 2006 decreased 6 cents from last month to \$14.62.

⇒ Total Producer Milk for December 2006 was 522,896,539, an increase of 20.7 million pounds or 4.1% from last month.

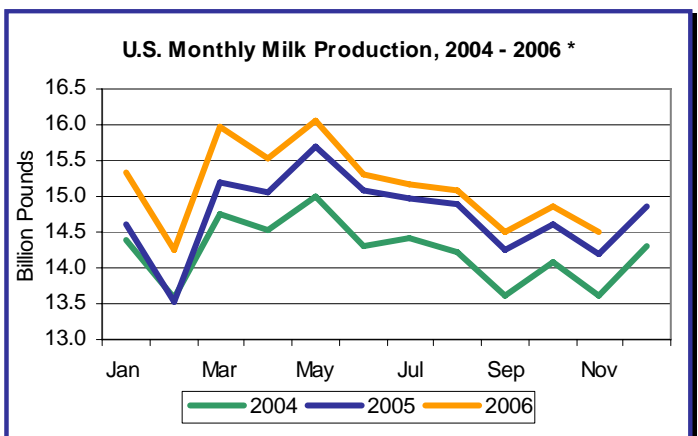
⇒ Class I Utilization for December 2006 decreased 2.62 percent from a year ago and 6.39 percent from last month to 64.99 percent.

November Milk Production Up 2.5 Percent

Milk production in the 23 major States during November 2006 totaled 13.3 billion pounds, up 2.5 percent from November 2005. October 2006 production, unrevised at 13.7 billion pounds, was up 2.1 percent from October 2005.

Production per cow in the 23 major States averaged 1,616 pounds for November 2006, 24 pounds above November 2005.

The number of milk cows on farms in the 23 major States was 8.25 million head, 81,000 head more than November 2005, and 3,000 head more than October 2006.



* Based on entire U.S. production.

Class III/IV Make Allowances, continued from page 1

The interim order appeared in the December 29, 2006, *Federal Register*. As announced on November 20, 2006, public comments and exceptions to the tentative final decision are due on January 22, 2007.

Federal order make allowances, effective February 1, 2007:

Cheese: \$0.1682 per lb.
 Butter: \$0.1202 per lb.
 NFDM: \$0.1570 per lb.
 Dry Whey: \$0.1956 per lb.

USDA will consider the comments and exceptions and issue a final decision.

Additional information is available on the AMS website at: www.ams.usda.gov/dairy.

➤ Manufacturing (make) allowances reflect the cost of processing various dairy products.

Trends in Federal Milk Market Order Fluid Milk Sales

The U.S. Department of Agriculture recently released the publication, *Packaged Fluid Milk Sales in Federal Milk Order Markets: By Size and Type of Container and Distribution Method during November 2005*. Handlers regulated under Federal milk orders process approximately three-quarters of all the fluid milk products sold in the United States.

Sales of fluid milk in plastic containers accounted for 84.9% of total sales, while paper containers accounted for 14.9% and glass containers accounted for 0.2% of total sales. The proportion of total fluid milk products sold in plastic increased by 1% from 2003. In each of the Federal milk orders, significantly more fluid milk products were sold in plastic containers than in paper and glass combined. Market shares of plastic ranged from 78.4% in the Northeast milk order to 90.1% in the Florida milk order. For the Appalachian milk order, plastic accounted for 89.8% of total fluid milk products sold.

this level over the last several surveys. The market share of half-gallon containers also held steady at 18.3%. Conversely, about 10.0% of total sales were made in half-pint containers, an increase of 1% from the previous survey. Fluid milk products sold in the quart and pint container sizes both decreased by 0.4% to 3.3% and 1.7%, respectively. Reporting of sales in 14 ounce, 13.5 ounce, 12 ounce, and 10 ounce container sizes occurred for the first time in this survey.

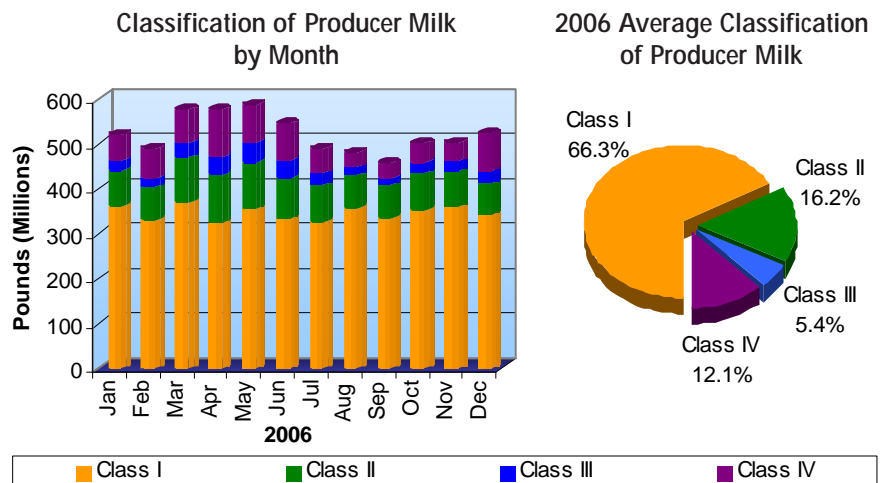
In each of the Federal milk orders, a larger proportion of total fluid milk products were sold in gallon containers than in all other sizes combined. The market share of gallons ranged from 55.1% in the Northeast milk order to 71.3% in the Arizona milk order. The proportion of fluid milk products sold in half-pint containers was notably larger in the Southeast and Southwest Federal milk marketing orders.

Fluid milk sales, continued on page 4

For nearly all container sizes, plastic accounted for larger proportions of total sales. Plastics' share of gallons now stands at 100%. From 2003, plastics' share of half-gallons increased by over 3% to 77.8% and pint containers by 3.2% to 93.0%. For "other" sizes, the share increased markedly to 77.5%. The single-serve, round (milk bottle shaped) container likely contributed largely to the increases in the pint and "other" size shares.

The market share of total fluid milk products sold in gallons was unchanged at 65.0%. This market share has appeared to plateau at about

Appalachian Marketing Area 2006 Summary



**APPALACHIAN MARKETING AREA
FEDERAL ORDER 5**

Milk Market Administrator
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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 7-1-1

WE'RE ON THE WEB:
<http://members.aye.net/~usda>



Fluid Milk Sales, cont'd from page 3

This is the 24th report in a series. Similar data have been distributed based on surveys made in November 1963 through 1967, 1969 and every other year through 2003. This report also discusses methods of distribution for fluid milk sales. The full report -- *Packaged Fluid Milk Sales in Federal Milk Order Markets: By Size and Type of Container and Distribution Method during November 2005* -- is available on the AMS website at www.ams.usda.gov/dyfmos/mib/cntnr_rpt_2005.pdf.

Federal Milk Marketing Order Statistics - November 2006

Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	1,737	908	52.3	14.21
5	Appalachian	502	359	71.4	14.68
6	Florida	251	221	87.9	15.58
7	Southeast	614	400	65.2	14.68
30	Upper Midwest	2,369	397	16.8	12.96
32	Central	961	372	38.7	12.96
33	Mideast	1,307	573	43.8	13.13
124	Pacific Northwest	597	198	33.2	12.85
126	Southwest	927	355	38.2	12.83
131	Arizona	277	117	42.4	13.46
All Orders ¹		9,543	3,899	40.9	13.58

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

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