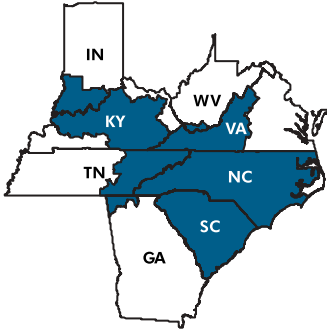




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator

Hearing to Amend Class III and IV Product Price Formulas

On February 7, 2007, the U. S. Department of Agriculture announced that it will hold a national public hearing to consider proposals seeking to amend the Class III and Class IV product price formulas applicable to all Federal milk marketing orders. The hearing will begin at 9:00 a.m. on **February 26, 2007**, at the Holiday Inn Select - Strongsville, 15471 Royalton Road, Strongsville, OH 44136.

USDA requested proposals from the industry that would examine all features of the Class III and Class IV product price formulas. Both producer cooperatives and milk product manufacturers submitted proposals.

The hearing notice was published in the February 9 Federal Register. Copies of the hearing notice may be obtained from the USDA/AMS/Dairy Programs, STOP 0231 - Rm. 2971, 1400 Independence Avenue, SW, Washington, DC 20250-0231. The hearing notice is available on AMS' web site: <http://www.ams.usda.gov/dairy>.

Anyone interested in participating in the hearing should notify a USDA official upon arrival. The hearing notice and additional information may also be obtained from this office by calling 502-499-0040, or e-mail friedly@malouisville.com.



Dairy Product, Milk Prices Expect Modest Recovery in 2007

The Economic Research Service of the U.S. Department of Agriculture provided a forecast of the 2007 dairy industry in the January 23, 2007, issue of *Livestock, Dairy, and Poultry Outlook*. Forecast milk production for 2007 is 183.0 billion pounds, up slightly from the 181.8 billion pound total estimated for 2006. Milk feed price ratios fell in 2006 compared to 2005 and will decline again this year, albeit at a slower pace. Higher feed prices will be partially offset by higher milk prices. The U.S. dairy herd is expected to decline modestly from 9,115 million in 2006 to 9,040 million in 2007. Recent dairy cow slaughter has been above a year earlier. Some of this slaughter likely is herd liquidation, but most of it may be replacement as cow numbers continued to rise in November and December. Production per cow will continue its incremental upward trend, topping 20 thousand pounds per cow in 2007.

higher dairy product prices in 2007. Cheese prices finished 2006 at \$1.247 per pound, 24 cents lower than 2005. The outlook is for the cheese price to strengthen in 2007 and the season-average price is forecast at \$1.310 to \$1.390 per pound. Butter supplies will be ample in light of strong dry product demand. Butter price should stage a recovery in 2007. The butter price averaged \$1.219 per pound in 2006, 32 cents lower than 2005. The 2007 price is forecast to climb to \$1.235 to \$1.345 per pound.

Prices for both NDM and whey have followed a different pattern than cheese and butter. Prices for NDM dipped in 2006 to average 88.74 cents a pound for the year, 5.3 cents below 2005. Prices in 2007 are forecast to recover even more strongly than butter and cheese. The forecast 2007 price for NDM is 93.0 cents to 99.0 cents per pound. Whey prices rose throughout most of 2006 and finished at 32.85 cents a pound, 5 cents above the 2005 price. Whey price rises are forecast to

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Appalachian Statistical Summary

JANUARY 2007 DECEMBER 2006 JANUARY 2006

PRICES: (Base Zone)

Uniform Price	\$15.60	\$14.62	\$15.52
Class I Price	16.69	15.53	16.48
Class II Price	12.85	12.55	13.25
Class III Price	13.56	13.47	13.39
Class IV Price	12.53	12.30	12.20
Uniform Skim Milk Price	\$11.32	\$10.17	\$10.66
Class I Skim Milk Price	12.27	10.99	11.52
Class II Skim Milk Price	8.57	8.09	8.38
Class III Skim Milk Price	9.33	9.07	8.55
Class IV Skim Milk Price	8.27	7.86	7.32
Uniform Butterfat Price	\$1.3348	\$1.3726	\$1.4945
Class I Butterfat Price	1.3857	1.4080	1.5326
Class II Butterfat Price	1.3079	1.3551	1.4754
Class III Butterfat Price	1.3009	1.3481	1.4684
Class IV Butterfat Price	1.3009	1.3481	1.4684

PRODUCER MILK:

Class I	378,720,101	339,823,501	361,305,110
Class II	81,400,790	71,794,662	78,274,456
Class III	24,756,750	26,147,564	22,695,849
Class IV	64,655,638	85,130,812	58,207,085
Total Producer Milk	549,533,279	522,896,539	520,482,500

PERCENT PRODUCER MILK IN:

Class I	68.92	64.99	69.42
Class II	14.81	13.73	15.04
Class III	4.50	5.00	4.36
Class IV	11.77	16.28	11.18

APPALACHIAN MARKETING AREA STATS FOR JANUARY 2007:

⇒ **The Uniform Price** for January 2007 increased 98 cents from last month to \$15.60.

⇒ **Total Producer Milk** for January 2007 was 549,533,279, an increase of 26.6 million pounds or 5.1% from last month.

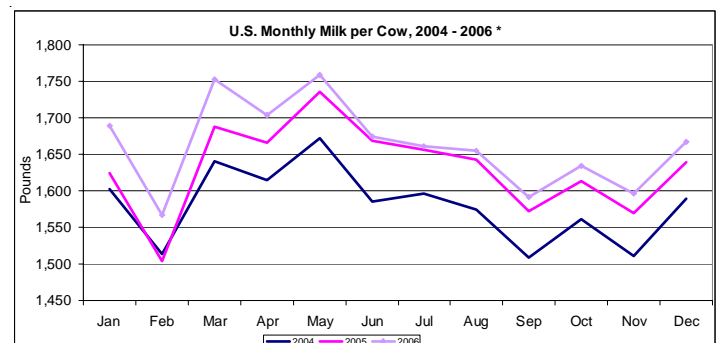
⇒ **Class I Utilization** for January 2007 decreased 0.5 percent from a year ago and increased 3.93 percent from last month to 68.92 percent.

December Milk Production Up 2.7 Percent

Milk production in the 23 major States during December totaled 14.0 billion pounds, up 2.7 percent from December 2005. November revised production, at 13.3 billion pounds, was up 2.6 percent from November 2005. The November revision represented an increase of 13 million pounds or 0.1 percent from last month's preliminary production estimate. For the entire United States, NASS

estimated milk production was 15.2 billion pounds in December 2006, a 2.4 percent increase from December 2005. Production per cow in the 23 major States averaged 1,689 pounds for December, 26 pounds above December 2005. The number of milk cows on farms in the 23 major States was 8.27 million head, 86 thousand head more than December 2005, and 14

thousand head more than November 2006. The number of cows in all States was estimated at 9.13 million head for December 2006, an increase of 63 thousand head from December 2005.



* Based on entire U.S. production.

Federal Milk Marketing Order Statistics, 2006

Total receipts of producer milk on all Federal Orders in 2006 totaled approximately 120.6 billion pounds, a 5.2 percent increase from the 2005 total of 114.7 billion pounds. The Southwest Marketing Area experienced the highest percentage increase in producer milk in 2006 with an increase of 21.1 percent from 2005. The Upper Midwest Marketing Area had the largest volume increase in 2006 of total producer milk of 4.4 billion pounds. The Upper Midwest Marketing Area overtook the Northeast Marketing Area in 2006 as the order with the greatest volume of producer milk. For 2006, the total receipts of producer milk in the Upper Midwest Marketing Area was 26.9 billion pounds compared to 22.7 billion pounds of total receipts of producer milk in the Northeast Marketing Area. The Appalachian Marketing Area's total receipts of producer milk decreased 2.5 percent from 6.4 billion pounds in 2005 to 6.2 billion pounds in 2006.

The average Class I utilization of all Federal Orders in 2006 was 37.56 percent, down slightly from 38.86 percent in 2005. For the Appalachian Marketing Area, the total pounds of Class I producer milk decreased 1.3 percent from 4.2 billion in 2005 to 4.1 billion in 2006. Although the total Class I pounds decreased, the percent of Class I to total producer milk increased by 0.77 percentage points from 2005. The Appalachian Marketing Area's Class I Utilization for 2005 averaged 66.26 percent, which is the second highest among all Federal orders.

The weighted average statistical uniform price among all Federal Orders for 2006 was \$12.86 per hundredweight. The decrease in the statistical uniform prices in 2006 followed two strong years of prices in 2004 and 2005. The average annual statistical uniform price for the Appalachian Marketing Area in 2006 was \$13.99 per hundredweight, \$2.24 lower than last year. The Appalachian Marketing Area had the second highest statistical uniform price among all Federal Orders.

FMMO Statistics, 2004-2006

Receipts of Producer Milk (Million Lbs.)

Federal Milk Marketing Area	2006	2005	2004
1 Northeast	22,680	23,565	22,670
5 Appalachian	6,243	6,400	6,202
6 Southeast	8,055	7,544	7,164
7 Florida	3,126	3,125	2,873
33 Mideast	17,189	18,060	15,940
30 Upper Midwest	26,855	22,450	17,302
32 Central	13,917	13,966	11,589
126 Southwest	11,600	9,579	8,791
131 Arizona-Las Vegas	3,383	2,947	2,901
135 Western *	N/A	N/A	1,096
124 Pacific Northwest	7,570	7,046	6,518
All Markets Combined	120618.36	114682	103047.6839

Class I Utilization (%)

Federal Milk Marketing Area	2006	2005	2004
1 Northeast	46.49	45.04	47.16
5 Appalachian	66.26	65.48	69.72
6 Southeast	59.27	61.70	64.77
7 Florida	84.03	82.31	84.91
33 Mideast	38.42	35.90	40.73
30 Upper Midwest	16.86	19.83	25.77
32 Central	31.40	31.15	37.50
126 Southwest	36.35	43.21	47.08
131 Arizona-Las Vegas	37.50	33.46	33.34
135 Western *	N/A	N/A	26.09
124 Pacific Northwest	29.52	30.21	33.04
All Markets Combined	37.56	38.86	43.61

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

Federal Milk Marketing Area	2006	2005	2004
1 Northeast	13.51	15.64	16.46
5 Appalachian	13.99	16.23	17.00
6 Southeast	13.89	16.14	16.92
7 Florida	15.24	17.57	18.39
33 Mideast	12.51	14.70	15.33
30 Upper Midwest	12.17	14.28	14.75
32 Central	12.26	14.47	15.06
126 Southwest	13.14	15.37	16.00
131 Arizona-Las Vegas	12.57	14.65	15.51
135 Western *	N/A	N/A	12.68
124 Pacific Northwest	12.01	14.20	14.75
All Markets Combined	12.86	15.07	15.74

* 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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**Dairy Recovery,
cont'd from page 1**

continue into 2007 with the yearly average price forecast at 35.5 cents to 38.5 cents a pound for the year.

The 2006 Class IV price averaged \$11.06 per cwt. In 2007, the price is forecast to rise to \$11.35 to \$12.25 per cwt. Class III price averaged \$11.89 per cwt. in 2006 and is expected to climb to \$12.50 to \$13.30 per cwt. in 2007. The resulting reported all milk price is expected to be \$13.60 to \$14.40 per cwt. for 2007, after averaging \$12.91 per cwt. in 2006.

Federal Milk Marketing Order Statistics - December 2006

Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	1,844	904	49.0	14.42
5	Appalachian	523	340	65.0	14.62
6	Florida	265	225	85.1	15.88
7	Southeast	610	400	65.5	14.81
30	Upper Midwest	2,277	390	17.1	13.47
32	Central	903	374	41.4	13.32
33	Mideast	1,374	559	40.7	13.41
124	Pacific Northwest	454	196	43.2	12.99
126	Southwest	1,077	350	32.5	14.05
131	Arizona	302	118	39.1	13.71
All Orders ¹		9,630	3,857	40.1	13.89

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

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