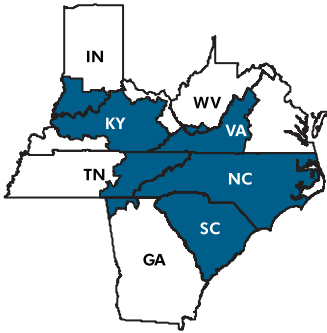




# THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.  
Market Administrator

## Hearing on Class III and IV Price Formulas to Reconvene

On March 20, 2007, the U.S. Department of Agriculture announced that it will reconvene 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 1:00 p.m. on April 9 at the Radisson Hotel City Centre Indianapolis, 31 West Ohio St., Indianapolis, IN 46204, phone (317) 635-2000.

The public hearing was originally held February 26 – March 2 in Strongsville, OH. The purpose

of reconvening this proceeding is to receive additional testimony on proposed amendments 1 through 20 as published in the original hearing notice on February 9, 2007, and the supplemental notice of hearing on February 20, 2007, in the Federal Register.

The reconvened hearing notice is published as a proposed rule in the March 21 Federal Register. Copies of the hearing notice may be obtained from the USDA/AMS/Dairy Programs, STOP

*Hearing on Class III & IV, cont'd on page 3*



## Impact of Big-Box Stores on Retail Dairy Product Prices

The Economic Research Service (ERS) of the U.S. Department of Agriculture recently released a report entitled “The Impact of Big-Box Stores on Retail Food Prices and the Consumer Price Index.” The report focuses on retail food market dynamics and how they affect food price variation across store formats. Nontraditional retailers such as Wal-Mart, Costco, and Target have gained more of the consumer food dollar over the past 10 years. The share of sales going to traditional retailers fell from 82 percent in 1998 to 69 percent in 2003. The nontraditional retailers have helped to increase the variety of shopping and food options available to consumers, and variation in retail food prices have widened. Competition for the U.S. consumer food dollar has intensified, and traditional retailers have been forced to lower prices, increase the number of services provided, or improve the quality of their offerings.

The differences in prices across store formats are especially noteworthy when compared with standard measures of food price inflation over time. Over the past 20 years, annual food price changes, as measured by the Consumer Price Index (CPI) have averaged just 3 percent per year, while food prices for similar products can vary by more than 10 percent across store formats at

any one point in time. Since the current CPI for food does not fully take into account the lower price option of nontraditional retailers, a gap exists between price changes as measured using scanner data versus the CPI estimate, even for the relatively low food inflation period of 1998 to 2003.

Dairy prices are 5 to 25 percent lower at nontraditional retailers than at traditional supermarkets. For example, skim and low-fat milk prices are consistently 5-12 percent lower at nontraditional stores. Even more price variation exists in random weight cheese products; a pound of Swiss cheese averaged \$4.71 at grocery stores in 2003, but just \$3.77 at nontraditional retailers and mass merchandisers.

Since food-at-home inflation averaged 2.2 percent per year over 1998-2003, a discrepancy of 5-25 percent in price between store formats is relatively large. If the difference in food prices across store formats applies to many food categories, the official estimates of price changes might be overstating the actual rate of change.

The full report can be found at <http://www.ers.usda.gov/Publications/ERR33/>.

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## Appalachian Statistical Summary

FEBRUARY 2007    JANUARY 2007    FEBRUARY 2006

### PRICES: (Base Zone)

Uniform Price	\$15.57	\$15.60	\$15.01
Class I Price	16.49	16.69	16.48
Class II Price	13.08	12.85	12.62
Class III Price	14.18	13.56	12.20
Class IV Price	12.71	12.53	11.10
Uniform Skim Milk Price	\$11.36	\$11.32	\$10.45
Class I Skim Milk Price	12.29	12.27	11.61
Class II Skim Milk Price	8.77	8.57	8.17
Class III Skim Milk Price	9.94	9.33	7.76
Class IV Skim Milk Price	8.42	8.27	6.62
Uniform Butterfat Price	\$1.3171	\$1.3348	\$1.4074
Class I Butterfat Price	1.3216	1.3857	1.5081
Class II Butterfat Price	1.3182	1.3079	1.3539
Class III Butterfat Price	1.3112	1.3009	1.3469
Class IV Butterfat Price	1.3112	1.3009	1.3469

### PRODUCER MILK:

Class I	331,038,573	378,720,101	329,006,961
Class II	77,126,750	81,400,790	73,195,206
Class III	23,750,409	24,756,750	20,858,531
Class IV	60,216,604	64,655,638	66,747,277
<b>Total Producer Milk</b>	<b>492,132,336</b>	<b>549,533,279</b>	<b>489,807,975</b>

### PERCENT PRODUCER MILK IN:

Class I	67.27	68.92	67.17
Class II	15.67	14.81	14.94
Class III	4.82	4.50	4.26
Class IV	12.24	11.77	13.63

### APPALACHIAN MARKETING AREA STATS FOR FEBRUARY 2007:

⇒ The Uniform Price for February 2007 decreased 3 cents from last month to \$15.57.

⇒ Total Producer Milk for February 2007 was 492,132,336, an increase of 2.3 million pounds or 0.5 percent from February 2006.

⇒ Class I Utilization for February 2007 increased 0.1 percent from a year ago and decreased 1.65 percent from last month to 67.27 percent.

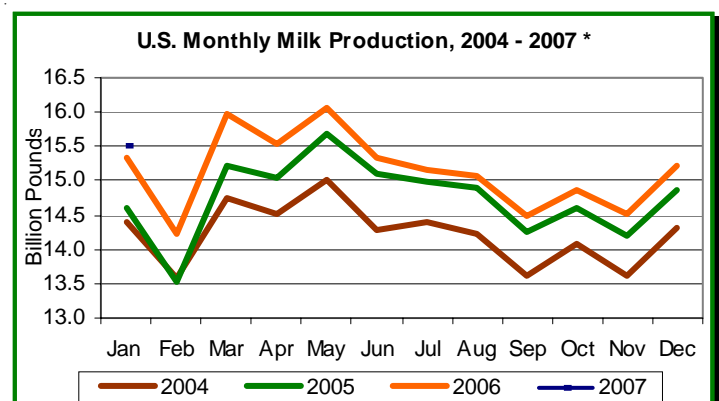
## January Milk Production Up 1.4 Percent

Milk production in the 23 major states during January totaled 14.2 billion pounds, up 1.4 percent from January 2006. December production, at 14.0 billion pounds, was up 2.8 percent from December 2005.

Production per cow in the 23 major states averaged 1,719

pounds for January, 8 pounds above January 2006.

The number of cows on farms in the 23 major states was 8.28 million head, 81,000 head more than January 2006, and 3,000 head more than December 2006.



\* Based on entire U.S. production.

Hearing on Class III & IV, cont'd from page 1

0231 - Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231. The reconvened hearing notice is available on AMS'

web site: [www.ams.usda.gov/dairy](http://www.ams.usda.gov/dairy). The reconvened hearing notice and additional information is also available by contacting this office.

## 2006 Annual Milk Production Up 2.8 Percent from 2005

The annual production of milk for the U.S. during 2006 was 182 billion pounds, 2.8 percent above 2005. Revisions to 2005 production decreased the annual total 60 million pounds. Revised 2006 production was down slightly from last month's publication.



Production per cow in the U.S. averaged 19,951 pounds for 2006, 386 pounds above 2005. The

average annual rate of milk production per cow has increased 18.3 percent from 1997.

The average number of milk cows on farms in the U.S. during 2006 was 9.11 million head, up 0.8 percent from 2005. The average number of milk cows was revised up 2,000 head for 2005, and down 3,000 head for 2006

## Johanns Names Members to National Fluid Milk Board

On February 6, 2007, Secretary of Agriculture Mike Johanns announced the appointment of six incumbents and two new members to the National Fluid Milk Processor Promotion Board.

Re-appointed to serve second terms are: Michael Francis Touhey, Jr., Franklin, MA (Region 1); Robert Bruce McCullough, San Antonio, TX (Region 10); Jerry N. Tidwell, Pleasanton, CA (Region 13); and Randy Dean Mooney, Rogersville, MO (At-Large Processor).

Re-appointed to serve first terms after filling vacancies lasting less than 18 months are Charles L. Gaither, Jr., Asheville, NC (Region 4) and Teresa E. Webb, Wallington, NJ (At-Large Processor).

Newly Appointed are: James B. Green, St. Paul, MN (Region 7) and Jay B. Simon, Stockton, CA (Region 14).

Terms for these appointees begin July 1, 2007, and expire June 30, 2010, except for Jay B. Simon who is filling a vacant position with less than 18 months remaining and whose term expires June 30, 2008. All appointees will be seated at the summer board meeting July 13-14, 2007.



Mike Johanns

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.

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 million pounds or less per month, excluding those fluid milk products delivered to the residence of a consumer, are exempt from assessments.

The U.S. Department of Agriculture's Agricultural Marketing Service monitors the operations of the Board. It is USDA's policy that membership on industry-governed boards and committees accurately reflect the diversity of individuals served by the program.



The Board was established to develop and administer a coordinated program of advertising and promotion to increase the demand for fluid milk products.



**APPALACHIAN MARKETING AREA  
FEDERAL ORDER 5**

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KRS 7-1-1



**Federal Milk Marketing Order Statistics - January 2007**

Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	1,879	914	48.6	15.09
<b>5</b>	<b>Appalachian</b>	<b>550</b>	<b>379</b>	<b>68.9</b>	<b>15.60</b>
6	Florida	288	239	82.9	16.77
7	Southeast	737	435	59.0	15.49
30	Upper Midwest	2,655	397	15.0	13.75
32	Central	1,030	393	38.2	13.92
33	Mideast	1,472	588	39.3	14.03
124	Pacific Northwest	632	200	31.7	13.63
126	Southwest	957	388	40.6	14.77
131	Arizona	316	124	39.3	14.12
<b>All Orders <sup>1</sup></b>		<b>10,515</b>	<b>4,056</b>	<b>38.6</b>	<b>14.44</b>

<sup>1</sup> Weighted average uniform prices at 3.5% butterfat at announced locations.

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