APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

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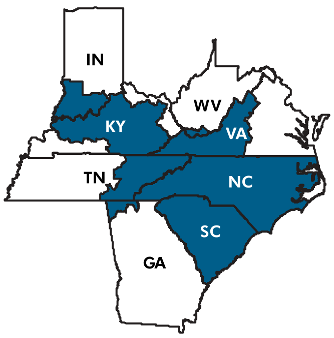
THE COURIER

Appalachian Marketing Area Monthly Newsletter



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Dairy Outlook for 2008

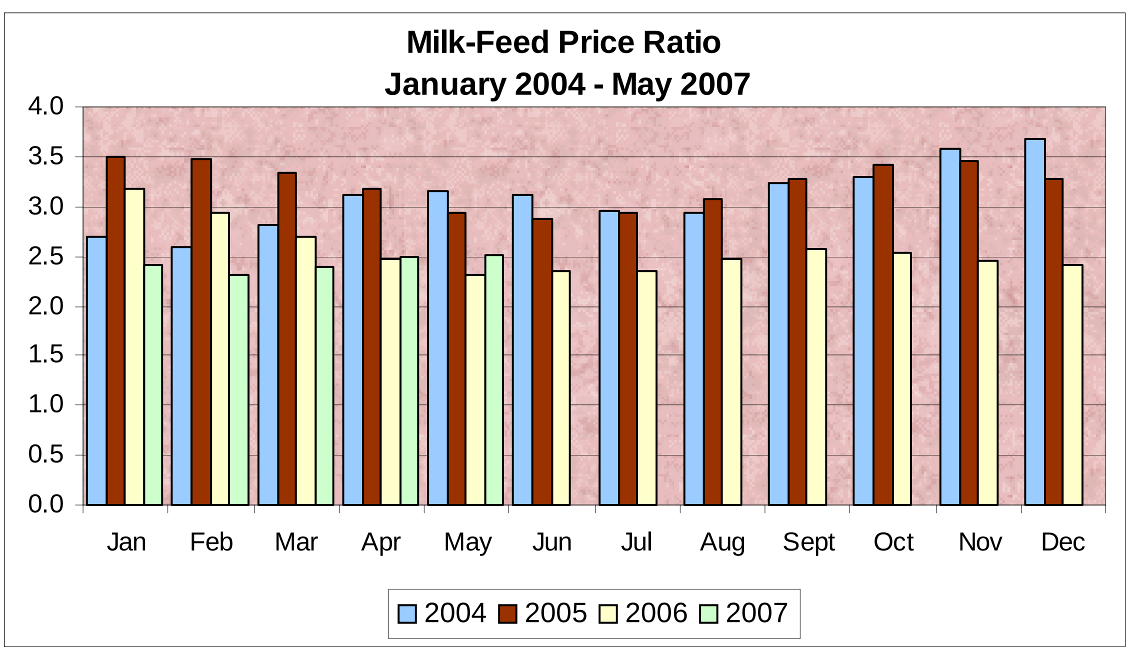
The Economic Research Service of the U.S. Department of Agricultural provided a forecast of 2008 for the dairy industry in the May 21, 2007, issue of *Livestock, Dairy, and Poultry Outlook*. According to the report, dairy product prices are expected to remain strong through 2008.

Milk production continues to increase as higher product prices counter higher feed costs. The increase is expected to be only about 1.3 percent for 2007. Cow numbers are expected to move below 2006 levels in the second quarter and are expected to end 2007 slightly below 2006 levels. Production per cow in 2007 is expected to rise 1.4 percent above 2006. As a result, milk production is projected to be 184.2 billion pounds in 2007. In 2008, cow numbers are forecast to be virtually unchanged from this year's projection. However, output per cow could accelerate slightly in 2008 to 2.0 percent above 2007. Initial forecasts for 2008 place milk production higher at 187.7 billion pounds.

Higher feed costs are being offset by much higher than expected prices for dairy products in the balance of 2007 and into 2008. The bellwether milk-feed price ratio stood at 2.38 for the first quarter of 2007, but could average above 2.5 for the year because of higher dairy product prices and an easing in alfalfa and grain prices. The projected higher milk-feed price ratio could prompt some expansion in both cow numbers and milk per cow in 2008.

Commercial disappearance of butter for January to March 2007 is up 16.8 percent over the same period in 2006. Commercial disappearance of all cheese is up 3.2 percent, comparing the same two periods, with most of the increase occurring in other than American cheese. While butter disappearance is unlikely to maintain the January-March pace, year-over-year disappearance is expected to increase for both butter and cheese, keeping prices in 2007 above those in 2006.

Dairy Outlook for 2008, cont'd on page 3



Appalachian Statistical Summary

	MAY 2007	APRIL 2007	MAY 2006
PRICES: (Base Zone)			
Uniform Price	$18.82	$17.41	$13.05
Class I Price	19.02	18.10	14.07
Class II Price	16.62	14.51	11.13
Class III Price	17.60	16.09	10.83
Class IV Price	18.48	16.12	10.33
Uniform Skim Milk Price	$13.95	$12.77	$8.94
Class I Skim Milk Price	14.38	13.60	10.00
Class II Skim Milk Price	11.50	9.69	6.94
Class III Skim Milk Price	12.54	11.36	6.66
Class IV Skim Milk Price	13.45	11.39	6.14
Uniform Butterfat Price	$1.5320	$1.4520	$1.2629
Class I Butterfat Price	1.4699	1.4206	1.2641
Class II Butterfat Price	1.5776	1.4727	1.2652
Class III Butterfat Price	1.5706	1.4657	1.2582
Class IV Butterfat Price	1.5706	1.4657	1.2582
PRODUCER MILK:			
Class I	349,857,176	340,029,517	354,985,928
Class II	85,587,190	89,914,132	102,208,426
Class III	11,708,474	26,060,780	45,229,613
Class IV	27,494,408	58,226,216	83,921,761
Total Producer Milk	**474,647,248**	**514,230,645**	**586,345,728**
PERCENT PRODUCER MILK IN:			
Class I	73.71	66.12	60.54
Class II	18.03	17.49	17.43
Class III	2.47	5.07	7.72
Class IV	5.79	11.32	14.31

APPALACHIAN MARKETING AREA STATS FOR MAY 2007:

⇨ **The Uniform Price** for May 2007 was $18.82, up $1.41 compared to $17.41 for April 2007 and up $5.77 compared to $13.05 for May 2006.

⇨ **Total Class I Milk** for May 2007 was 349,857,176, an increase of 9.8 million pounds or 2.9 percent from April 2007.

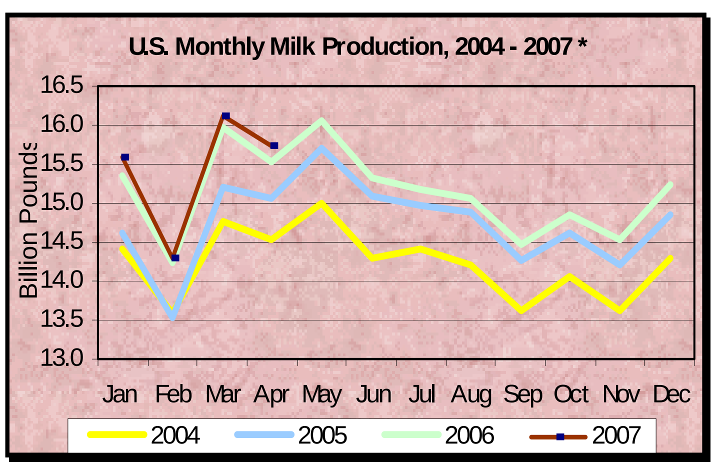
⇨ **Class I Utilization** for May 2007 increased 13.17 percent from a year ago and increasd 7.59 percent from last month to 73.71 percent.

April Milk Production Up 1.6 Percent

Milk production in the 23 major states during April totaled 14.4 billion pounds, up 1.6 percent from April 2006. March revised production, at 14.8 billion pounds, was up 1.2 percent from March 2006. The March revision represented an increase of 11 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major states averaged 1,745 pounds for April, 19 pounds above April 2006.

The number of milk cows on farms in the 23 major states was 8.28 million head, 39,000 head more than April 2006, but 6,000 head less than March 2007.



* Based on entire U.S. production.

Dairy Outlook for 2008, cont'd from page 1

Butter prices are expected to average $1.325 to $1.405 per pound in 2007. Cheese prices are expected to average $1.475 to $1.525 per pound for the year. The slightly higher production forecast for next year could help ease prices in 2008. Initial forecasts for 2008 place the average butter price at $1.330 to $1.460 for the year and at $1.435 to $1.535 per pound for cheese.

Prices for nonfat dry milk (NDM) are projected to average sharply higher in 2007 than in 2006 and higher still in 2008. While export demand for dry milk products remains strong, demand for low-fat high-protein cheeses is keeping some NDM in domestic uses. Global NDM and other dry milk product supplies will remain tight through the balance of 2007 and into 2008. NDM prices are projected to average $1.375 to $1.415 per pound in 2007 and are forecast to average $1.410 to $1.480 per pound in 2008. NDM prices are expected to begin declining in 2008, however, from highs reached in late 2007. Whey prices are expected to average 68.0 to 71.0 cents a pound in 2007 and 66.0 to 69.0 cents a pound in 2008, driven in part by expansion of new products and uses.

Forecasts, for both this year and next, are for higher milk prices across all classes. The Class IV milk price is expected to climb throughout 2007, averaging $15.60 to $16.20 per cwt. for the year. The Class III price is projected to rise to an average $16.05 to $16.55 per cwt. for the year. The reported all milk price is expected to be sharply higher in 2007 and will likely average $17.05 to $17.55 per cwt. for the year. Strong milk prices will likely continue into 2008. The Class IV price is forecast to average $15.90 to $17.00 per cwt. and the Class III prices $15.50 to $16.50 per cwt. The all milk price is forecast to average $17.00 to $18.00 per cwt. for 2008.

Milk and other dairy products have been shown to contribute to stronger bones and healthier weight. They are also some of the best nutritional values you can get in the grocery store.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—JANUARY-MARCH 2007 1/

	Jan.-Mar. 2007	Jan.-Mar. 2006	Percent Change 2/
	Million Pounds		
Milk			
Production	46,172	45,553	1.4
Marketings	45,890	45,271	1.4
Beginning Commercial Stocks 3/	9,509	8,007	18.8
Imports 3/	1,076	1,133	-5.0
Total Supply 4/	56,475	54,411	3.8
Ending Commercial Stocks 3/	11,863	11,492	3.2
Net Removals 3/	0	0	0.0
Commercial Disappearance 4/	44,612	44,612	3.9
Selected Products 5/			
Butter	346.9	297.1	16.8
American Cheese	970.2	948.9	2.2
Other Cheese	1,477.0	1,423.4	3.8
Nonfat Dry Milk	329.2	345.0	-4.6
Fluid Milk Products 6/	14,070.6	13,880.1	1.4

1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. 2/ From year earlier on a daily average basis. 3/ Milk-equivalent, milkfat basis. 4/ Totals may not add because of rounding. 5/ Commercial disappearance in product pounds. 6/ Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. ***SOURCE****: Economic Research Service, USDA. Fluid Milk Products - Agricultural Marketing Service, USDA. (Taken from Dairy Market News, June 1, 2007.)*

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June is Dairy Month

June marks a month-long salute that began in 1937, and it has grown into an annual tradition. It honors the hard work of our nation's dairy farmers, and it highlights the importance of dairy foods in our diets.

This year's theme is "got flavored milk?" The theme urges people to get three servings of dairy each day by consuming a glass of cold milk, a cup of creamy yogurt or a slice of tasty cheese, all of which are nutritious and family friendly. *Source: Southeast United Dairy Industry Assn., Inc.*

Federal Milk Marketing Order Statistics - April 2007

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	1,901	843	44.3	17.02
5	***Appalachian***	***514***	***340***	***66.1***	***17.41***
6	Florida	293	220	75.2	18.35
7	Southeast	707	395	55.8	17.36
30	Upper Midwest	1,933	365	18.9	16.15
32	Central	909	355	39.1	15.98
33	Mideast	1,416	530	37.5	16.09
124	Pacific Northwest	575	184	32.1	16.24
126	Southwest	1,009	349	34.6	16.97
131	Arizona	342	115	34.1	16.43
	All Orders [1]	**9,600**	**3,696**	**38.5**	**16.62**

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