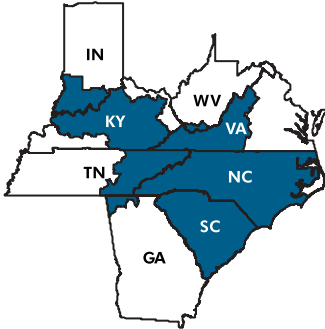




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator

USDA Issues Interim Final Rule

On June 28, 2007, the U. S. Department of Agriculture issued an interim final rule establishing a Dairy Product Mandatory Reporting Program as required by law. The Dairy Market Enhancement Act of 2000, and certain provisions of the 2002 Farm Bill amend the Agricultural Marketing Act of 1946 to establish the program.

The mandatory reporting program will provide timely, accurate, and reliable market information to facilitate more informed marketing decisions and promote competition in the dairy product manufacturing industry. The program will: (1) Require persons engaged in manufacturing dairy products to report certain information including the price, quantity, and moisture content where applicable, of dairy products sold by the manufacturer; and (2) Require persons storing dairy products to report information on the quantity of dairy products stored. Under the interim final rule, USDA's National Agricultural Statistics Service (NASS) will collect the information. Any manufacturer that processes

and markets less than 1 million pounds of dairy products per year is exempt from the reporting requirements.

USDA's Agricultural Marketing Service (AMS) will implement a plan to verify the price information submitted to NASS. AMS will visit butter, nonfat dry milk, cheese and dry whey manufacturers that file reports. AMS will verify that eligible sales transactions agree with information reported to NASS and will check for eligible sales transactions that were not reported.

The interim final rule was published in the July 3, 2007, issue of the Federal Register. Public comments are due 60 days after publication in the Federal Register. Comments may be filed by visiting www.regulations.gov. USDA will issue a final rule once public comments have been received.

Information on the interim final rule is available at: http://www.ams.usda.gov/dairy/dpmr/mandatory_reporting.htm.

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Nonfat Dry Milk Price Revisions

On June 28, 2007, USDA National Agricultural Statistics Service (NASS) published revised prices and sales volumes for nonfat dry milk for the weeks ending April 26, 2006, through April 14, 2007. The full report is available at: <http://usda.mannlib.cornell.edu/usda/current/DairProdPrSpR/DairProdPrSpR-06-28-2007.pdf>.

After NASS confirmed an error in industry reporting of nonfat dry milk data, NASS issued revisions on April 13, 2007, to previously published data for the weeks of March 31, March 24, and March 17. To determine the extent of the misreporting, NASS subsequently conducted

a special data validation of all qualifying nonfat dry milk plants for the period covering April 29, 2006, to April 14, 2007. NASS contacted all plants with sales of nonfat dry milk in order to review reporting criteria, verify previously reported data, and make any necessary revisions.

During the verification process, five firms made revisions to previously reported price and volume data for nonfat dry milk. The revisions resulted in changes ranging from -0.8 to 8.5 cents per pound in the NASS-reported weekly average price of nonfat dry milk.

Nonfat Dry Milk Price Revisions, cont'd on page 3

Appalachian Statistical Summary

	JUNE 2007	MAY 2007	JUNE 2006
PRICES: (Base Zone)			
Uniform Price	\$20.70	\$18.82	\$12.84
Class I Price	20.94	19.02	13.85
Class II Price	18.89	16.62	11.00
Class III Price	20.17	17.60	11.29
Class IV Price	20.76	18.48	10.22
Uniform Skim Milk Price	\$15.58	\$13.95	\$8.72
Class I Skim Milk Price	15.98	14.38	9.67
Class II Skim Milk Price	13.58	11.50	6.86
Class III Skim Milk Price	14.93	12.54	7.19
Class IV Skim Milk Price	15.54	13.45	6.08
Uniform Butterfat Price	\$1.6199	\$1.5320	\$1.2637
Class I Butterfat Price	1.5776	1.4699	1.2920
Class II Butterfat Price	1.6527	1.5776	1.2506
Class III Butterfat Price	1.6457	1.5706	1.2436
Class IV Butterfat Price	1.6457	1.5706	1.2436

PRODUCER MILK:

Class I	320,902,196	349,857,176	331,977,337
Class II	92,418,284	85,587,190	90,399,044
Class III	11,000,345	11,708,474	39,931,170
Class IV	12,892,100	27,494,408	81,748,490
Total Producer Milk	437,212,925	474,647,248	544,056,041

PERCENT PRODUCER MILK IN:

Class I	73.40	73.71	61.02
Class II	21.14	18.03	16.62
Class III	2.51	2.47	7.33
Class IV	2.95	5.79	15.03

APPALACHIAN MARKETING AREA STATS FOR JUNE 2007:

⇒ **The Uniform Price** for June 2007 was \$20.70, up \$1.88 compared to \$18.82 for May 2007 and up \$7.86 compared to \$12.84 for June 2006.

⇒ **Total Class I Milk** for June 2007 was 320,902,196, a decrease of 11 million pounds or 3.3 percent from June 2006.

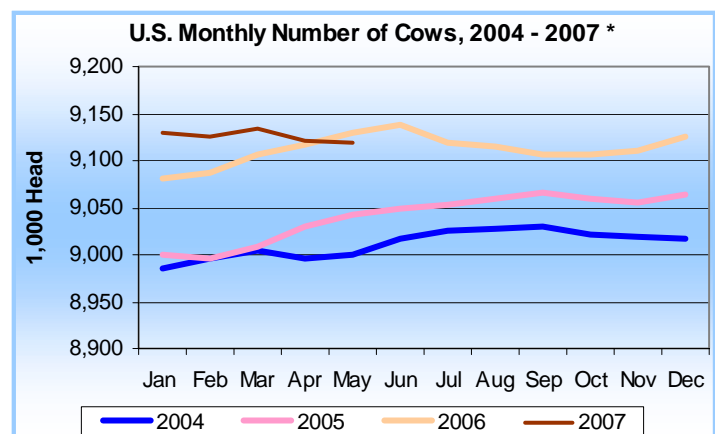
⇒ **Class I Utilization** for June 2007 increased 12.38 percent from a year ago and decreased 0.31 percent from last month to 73.40 percent.

May Milk Production Up 1.1 Percent

Milk production in the 23 major states during May totaled 14.9 billion pounds, up 1.1 percent from May 2006. April revised production, at 14.5 billion pounds, was up 1.7 percent from April 2006. The April revision represented an increase of 14 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major states averaged 1,795 pounds for May, 13 pounds above May 2006.

The number of milk cows on farms in the 23 major states was 8.28 million head, 26,000 head more than May 2006, and 3,000 head more than April 2007.



* Based on entire U.S. production.

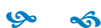
Nonfat Dry Milk Price Revisions, cont'd from page 1

The Dairy Market Enhancement Act of 2000, U.S. Code Title 7, Section 1627, requires mandatory reporting of the price, quantity, and moisture content of butter, nonfat dry milk, Cheddar cheese, and dry whey. Dairy products prices data, collected weekly by NASS, are used by USDA to calculate the minimum value of raw milk. These data are also used to implement the National Dairy Support Program.

Each week, NASS surveys plants that produce and sell more than one million pounds of nonfat dry milk annually. Specific, detailed criteria must be met for sales to qualify as usable data. Reporting rules were established to allow standard price discovery that best reflects current market conditions. Included in the publication are details on what information is included and excluded from the weekly reporting process of nonfat dry milk.

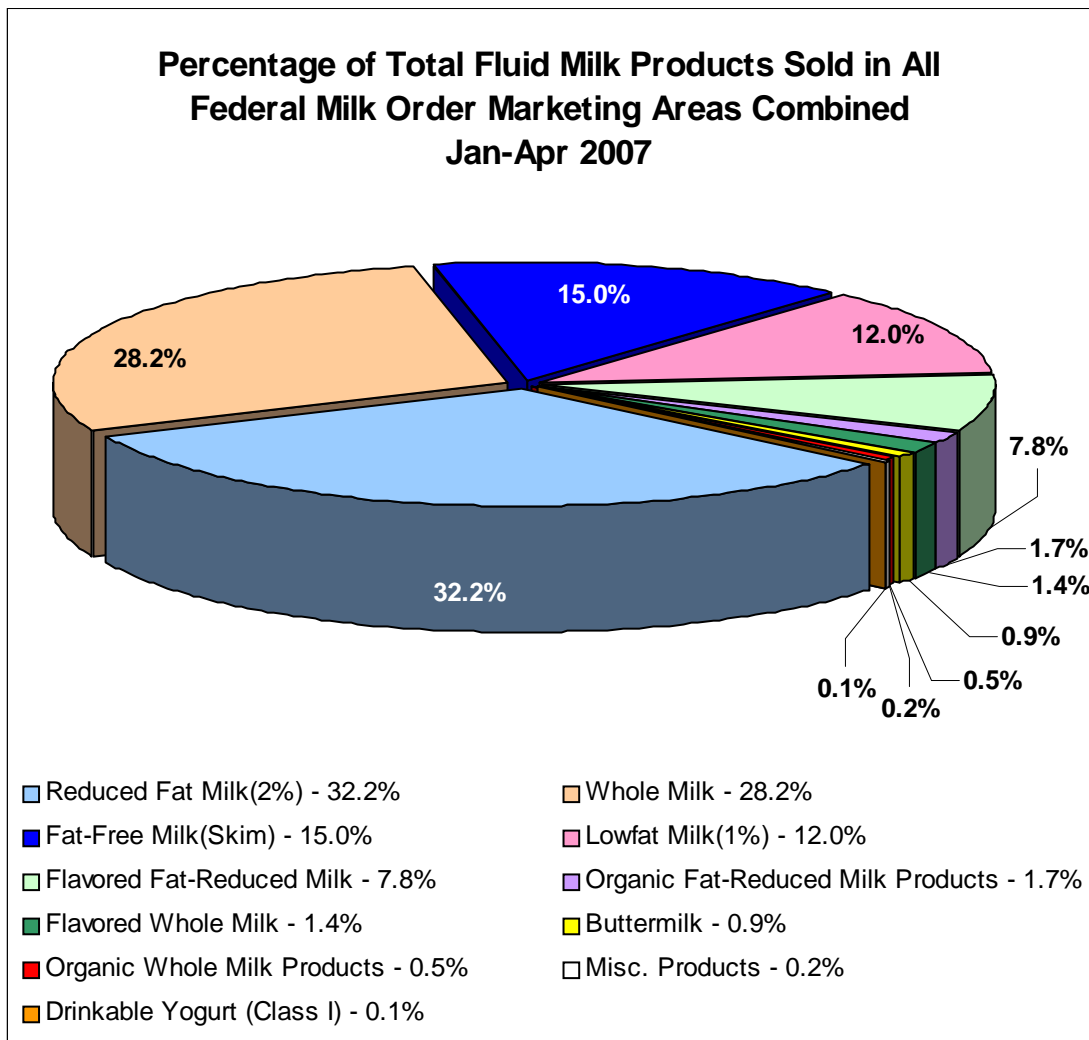
Nonfat dry milk prices as reported by NASS are used to calculate nonfat solids pricing factors used in Federal order formulas. These formulas set minimum classified prices that handlers must pay for milk pooled in the Federal order system. The impacts that these revisions would have had in the Federal order system are provided in a report available at: http://www.ams.usda.gov/dyfmos/mib/impacts_of_NASS_Revisions.pdf.

According to the report, the total classified value of milk regulated under the Federal milk marketing order program for the period covered by the NASS revision was understated by \$50 million, or about 0.25 percent. On a per hundredweight basis, the value was understated an average of \$0.04. The total classified value of milk regulated under the Appalachian Marketing Order was understated by \$3.0 million, or \$0.04 per hundredweight for the period covered by the NASS revision.



Fluid Milk Sales

Total fluid milk products sold in Federal milk marketing areas during the period of January to April 2007 increased by 1.8 percent compared to the same period in 2006. The only fluid milk products that experienced a decrease during the period from the previous year was whole milk (-1.5 percent) and drinkable yogurt in Class I (-68.7 percent). Organic fat-reduced milk products (37.3 percent) and organic whole milk (30.7 percent) products experienced the largest increase in sales during the period from the previous year. However, organic milk represented only 2.2 percent of the total sales of fluid milk products during January through April 2007. Reduced fat milk represented 32.2 percent of total sales, while whole milk represented 28.2 percent of the total sales.



**APPALACHIAN MARKETING AREA
FEDERAL ORDER 5**

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Federal Milk Marketing Order Statistics - May 2007



Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	1,989	888	44.6	18.60
5	Appalachian	475	350	73.7	18.82
6	Florida	287	215	74.8	19.55
7	Southeast	695	399	57.4	18.73
30	Upper Midwest	1,873	381	20.3	17.65
32	Central	893	356	39.9	17.50
33	Mideast	1,424	547	38.4	17.63
124	Pacific Northwest	592	192	32.3	17.87
126	Southwest	475	348	73.3	18.51
131	Arizona	346	118	34.1	18.07
All Orders¹		9,050	3,793	41.9	18.12

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

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