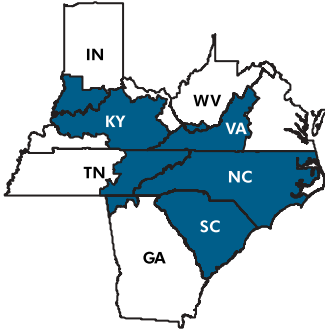


THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator

Changing Structure of Dairy Farming

The Economic Research Service recently released a report examining the consolidation of U.S. dairy production into fewer farms. The report used data from several USDA surveys to detail the consolidation and to analyze the financial drivers of consolidation. Specifically, larger farms realize lower production costs. A summary of the report is provided below. The entire report is available at <http://www.ers.usda.gov/publications/err47/>.



U.S. milk production is rapidly shifting to much larger dairy enterprises. The shift occurred first in Western dairy regions, and milk production

has increased in Western states as more capacity has been added in large-scale farms. However, similar changes are occurring in more traditional dairy states, which are rapidly adding large operations and losing smaller ones.

Large dairy farms have substantial cost advantages over smaller farms, derived from the ability to take advantage of economies of scale. On average, farms with at least 1,000 cows realize costs, per hundredweight of milk produced, that are 15 percent lower than farms in the next largest size class (500–999 head) and 35 percent lower than

Continued on page 3

Inside This Issue:

Appalachian Statistical Summary 2

August Milk Production Up 3.6% 2

U.S. Monthly Number of Cows, 2004-2007..... 2

Changing Structure of Dairy Farming (continued) 3, 4

Johanns Resigns, Conner Named Acting Secretary (continued) 3

USDA Seeks Nominations for Nat'l Fluid Milk Board, (cont'd) 3

FMMO Statistics - August 2007 4

Johanns Resigns, Conner Named Acting Secretary

On September 19, 2007, Mike Johanns announced his resignation as Secretary of Agriculture. After serving as Secretary for three years, Johanns is expected to run for the Senate to represent his home state of Nebraska.

Deputy Secretary Chuck Conner has been named Acting Secretary of Agriculture. Conner's love for agriculture goes back to his childhood,

growing up on his family's farm in Benton County, IN. There, he worked with his father and brother raising corn, soybeans, and cattle. Conner's brother, Mike, still operates the family farm.

Since coming to the Department, Conner has worked to develop and promote the

Continued on page 3

USDA Seeks Nominations For National Fluid Milk Board

The U.S. Department of Agriculture is asking fluid milk processors and other interested parties to nominate candidates for the National Fluid Milk Processor Promotion Board.

The Secretary of Agriculture will appoint six individuals from those nominated to succeed members whose terms expire June 30, 2008. Newly appointed or reappointed members will serve 3-year terms from July 1, 2008, through June 30, 2011.

The National Fluid Milk Processor Promotion Board was established by the Fluid Milk Promotion Act of 1990, as amended, to develop and administer a coordinated program of advertising and education to promote fluid milk products. Of the board's 20 members, 15 represent geographic regions and five are at-large members. The at-large members must include at least three fluid milk processors and at least one member from the general public. Currently, there

Continued on page 3

Appalachian Statistical Summary

SEPTEMBER 2007 AUGUST 2007 SEPTEMBER 2006

PRICES: (Base Zone)

Uniform Price	\$24.00	\$24.16	\$13.63
Class I Price	25.01	24.86	13.95
Class II Price	22.16	22.41	11.74
Class III Price	20.07	19.83	12.29
Class IV Price	21.61	21.87	11.10
Uniform Skim Milk Price	\$19.16	\$19.20	\$9.14
Class I Skim Milk Price	19.86	19.84	9.74
Class II Skim Milk Price	17.46	17.44	6.99
Class III Skim Milk Price	15.32	14.79	7.59
Class IV Skim Milk Price	16.92	16.91	6.36
Uniform Butterfat Price	\$1.5735	\$1.6086	\$1.3741
Class I Butterfat Price	1.6692	1.6320	1.3013
Class II Butterfat Price	1.5171	1.5942	1.4261
Class III Butterfat Price	1.5101	1.5872	1.4191
Class IV Butterfat Price	1.5101	1.5872	1.4191

PRODUCER MILK:

Class I	321,430,033	349,659,833	335,077,561
Class II	75,392,904	78,821,741	71,814,862
Class III	31,360,235	25,460,551	15,379,566
Class IV	30,507,001	23,290,989	33,452,560
Total Producer Milk	458,690,173	477,233,114	455,724,549

PERCENT PRODUCER MILK IN:

Class I	70.08	73.27	73.53
Class II	16.44	16.52	15.76
Class III	6.83	5.33	3.37
Class IV	6.65	4.88	7.34

APPALACHIAN MARKETING AREA STATS FOR AUGUST 2007:

⇒ The Uniform Price for September 2007 was \$24.00, down \$0.16 compared to \$24.16 for August 2007, and up \$10.37 compared to \$13.63 for September 2006.

⇒ Total Class I Milk for September 2007 was 321,430,033.

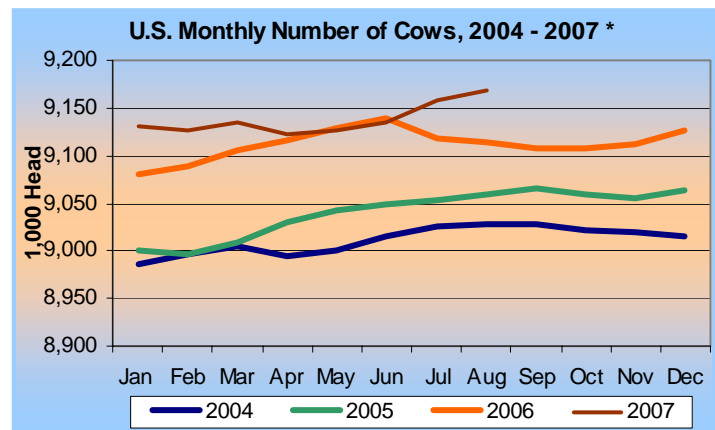
⇒ Class I Utilization for September 2007 was 70.08 percent.

August Milk Production Up 3.6 Percent

Milk production in the 23 major states during August totaled 14.3 billion pounds, up 3.6 percent from August 2006. July revised production at 14.5 billion pounds, was up 4.0 percent from July 2006. The July revision represented an increase of 10.0 million pounds or 0.1 percent from last month's preliminary production esti-

mate. Production per cow in the 23 major states averaged 1,721 pounds for August, 45 pounds above August 2006.

The number of milk cows on farms in the 23 major states was 8.33 million head, 72,000 head more than August 2006, and 11,000 head more than July 2007.



* Based on entire U.S. production.

Changing Structures of Dairy Farming, cont'd from page 1

farms with 100–199 head. Other evidence suggests that costs may continue to decline as herds increase to and above 3,000 head.

Smaller farms tend to get higher prices for their milk than larger farms. But cost differences tend to overwhelm this advantage: larger farms, especially those with more than 1,000 cows, are realizing economic profits while most smaller farms are realizing negative net returns. In turn, differences in returns are driving investment decisions that are shifting production to larger farms.

Still, some small farms realize economic profits—in that the value of their production

exceeds their total costs, including operating costs, capital recovery costs, and the opportunity costs of the operators' time. Others, although not returning enough to encourage reinvestment, earn enough to remain in business.

The continued shift of production to larger operations will likely reduce industrywide costs, leading to lower dairy prices for consumers even as it forces more small operations out. But the shift also creates increased environmental risks associated with the concentration of manure-based nitrogen and phosphorus. Federal and state regulators have been applying rules to govern the storage, application, and disposal of

Continued on page 4 ←



Johanns Resigns, Conner Named Acting Secretary, cont'd from page 1

Administration's farm policy. Along with former Secretary of Agriculture Mike Johanns, Conner led farm bill listening sessions around the country, hearing first-hand from farmers and other stakeholders about their likes and dislikes with the current farm bill. He also led the Department's review of over 4000 comments which were used to develop a sound policy

direction for the future of American agriculture. Conner continues to lead the Administration's efforts for farm policy reform. He has an extensive agricultural background.

He received a Bachelor of Science degree in Agricultural Economics from Purdue University in 1980. He is married and has four children.



*Acting Secretary of Agriculture
Chuck Conner*

Complete [biography](#) is available at the USDA web site, <http://www.usda.gov/>

USDA Seeks Nominations, cont'd from page 1

are four at-large processor members and one member from the general public serving on the board.

The national fluid milk program is financed by a mandatory 20-cent per hundredweight assessment on fluid milk processors who process and market commercially in consumer-type packages more than 3,000,000 pounds of fluid milk products per month in the contiguous 48 states and the District of Columbia, excluding those fluid milk products delivered directly to consumer residences.

USDA will accept nominations for board representation in five geographic regions and one at-large processor position. Nominees must be active owners or employees of a fluid milk processor. The geographic regions are: Region

2 (New Jersey and New York); Region 5 (Florida); Region 8 (Illinois and Indiana); Region 11 (Arkansas, Iowa, Kansas, Missouri, Nebraska, and Oklahoma); and Region 14 (Northern California). No fluid milk processor shall be represented on the board by more than three members.

To nominate an individual, please submit originals of both the nomination form and a signed background form for each nominee by October 31, 2007, to: Promotion and Research Branch, Dairy Programs, AMS, MRP, USDA, 1400 Independence Ave., S.W., Stop 0233, Room 2958-S, Washington, D.C. 20250-0233. To obtain forms or additional information, call (202) 720-6909. Blank forms are available on the Dairy Promotion and Research Branch's website at <http://www.ams.usda.gov/Dairy>.

Fluid milk processors and interested parties may submit nominations for regions in which they are located or market fluid milk and for at-large members.

**APPALACHIAN MARKETING AREA
FEDERAL ORDER 5**

Milk Market Administrator
P. O. Box 18030
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



Changing Structure of Dairy Farming, cont'd from page 3

nutrients. Some large specialized dairies already remove most or all of their manure to other sites, at modest costs; moreover, large dairies have begun to invest in technologies that allow for lower cost transport of manure-based nutrients. At present, the costs of manure treatment and transport are not large enough to offset the considerable production cost advantage held by large dairies. Given this, production should continue to shift to large dairy farms.

Federal Milk Marketing Order Statistics - August 2007

Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	1,999	876	43.9	23.14
5	Appalachian	477	350	73.3	24.16
6	Florida	246	214	86.7	25.24
7	Southeast	581	410	70.6	23.87
30	Upper Midwest	2,352	390	16.6	20.61
32	Central	944	368	39.0	21.93
33	Mideast	1,247	556	44.6	22.19
124	Pacific Northwest	597	188	31.5	21.84
126	Southwest	783	350	44.7	22.76
131	Arizona	290	119	41.0	22.22
All Orders ¹		9,516	3,821	40.1	22.28

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

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.