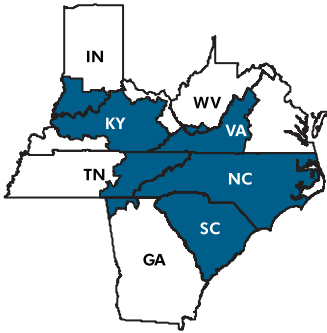




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator



Sign-Up Begins For Dairy Disaster Aid Program

Eligible dairy producers can sign up for the Dairy Disaster Assistance Program (DDAP-III) at local U.S. Department of Agriculture Farm Service Agency (FSA) service centers beginning Monday, Dec. 3, 2007.

DDAP-III will help dairy producers recover production losses resulting from a variety of adverse weather conditions in the last few years. The program provides \$16 million in benefits to dairy producers for production losses that occurred between Jan. 1, 2005, and Feb. 28, 2007, because of qualifying natural disasters. It compensates producers for production losses that resulted from lost herds or dumped milk when dairy plants closed or the natural disaster damaged containment equipment. Additionally, power outages, fuel shortages, and infrastructure damage may have temporarily interrupted the flow of dairy products to markets.

To be eligible for DDAP-III, dairy producers must have suffered losses in primary and contiguous counties declared or designated a natural disaster. Also, producers in counties receiving an FSA Administrator's Physical Loss Notice determination are eligible.

Under proposed rules, USDA will calculate payments to eligible producers by multiplying the eligible pounds by the average price received for commercial milk production in the affected areas during the disaster for 2005 and 2006, and for the months of January and February 2007. If the total amount of funding (less any reserve established for disputed claims) is insufficient to compensate eligible producers for losses, then USDA will pay losses at two levels in an effort to more equitably distribute the limited funds and maximize the effectiveness of the program. USDA provides more information on proposed DDAP-III provisions in a fact sheet posted online at: <http://disaster.fsa.usda.gov>.

DDAP-III is authorized by the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, signed into law on May 25, 2007, by President George W. Bush. For more information on disaster programs administered by FSA, visit: <http://disaster.fsa.usda.gov>.

The program provides \$16 million in benefits to dairy producers for production losses that occurred between Jan. 1, 2005, and Feb. 28, 2007, because of qualifying natural disasters.

Inside This Issue:

- Appalachian Statistical Summary 2**
- October Milk Production Up 4.1% 2**
- U.S. Monthly Milk Production, 2004-2007 2**
- 2008 Price Data Release Dates 3**
- Dairy Outlook (continued) 3, 4**
- FMMO Statistics - October 2007 4**

Dairy Outlook

U.S. milk production rose 3.5 percent in October from September's robust increase, according to the November 16th *Milk Production* report. Increases in both U.S. cow numbers and production per cow were reported. Higher feed prices, relatively tight supplies of quality alfalfa hay, along with other non-feed inputs, are pushing up costs. In order to maintain expansion, milk prices must remain high. However, inventories of butter and nonfat dry milk (NDM) are above last year, and higher retail prices have softened fluid milk sales.

Commercial use of dairy products continued upward in 2007 and is expected to rise again in 2008. Exports are figuring more prominently in overall commercial use. Cheese production in September trailed that of September 2006. Total cheese stocks have been behind year-earlier levels since June. Cheese demand has been strong, and this has firmed cheese prices, especially in the fourth quarter. Increased milk production and less fluid use should make more

Continued on page 3



Appalachian Statistical Summary

NOVEMBER 2007 OCTOBER 2007 NOVEMBER 2006

PRICES: (Base Zone)

Uniform Price	\$23.75	\$23.75	\$14.68
Class I Price	24.55	24.69	15.50
Class II Price	22.07	21.90	11.98
Class III Price	19.22	18.70	12.84
Class IV Price	20.40	21.31	12.11
Uniform Skim Milk Price	\$19.42	\$19.28	\$10.11
Class I Skim Milk Price	20.14	19.96	10.87
Class II Skim Milk Price	17.74	17.56	7.37
Class III Skim Milk Price	14.81	14.27	8.28
Class IV Skim Milk Price	16.03	16.97	7.52
Uniform Butterfat Price	\$1.4325	\$1.4694	\$1.4063
Class I Butterfat Price	1.4628	1.5519	1.4314
Class II Butterfat Price	1.4147	1.4162	1.3922
Class III Butterfat Price	1.4077	1.4092	1.3852
Class IV Butterfat Price	1.4077	1.4092	1.3852

PRODUCER MILK:

Class I	350,581,128	354,738,544	358,514,306
Class II	69,783,215	75,159,764	80,840,040
Class III	30,683,536	30,730,243	22,099,986
Class IV	20,363,067	18,236,676	40,784,994
Total Producer Milk	471,410,946	478,865,227	502,239,326

PERCENT PRODUCER MILK IN:

Class I	74.37	74.08	71.38
Class II	14.80	15.70	16.10
Class III	6.51	6.41	4.40
Class IV	4.32	3.81	8.12



APPALACHIAN MARKETING AREA STATS FOR NOVEMBER 2007:

⇒ The Uniform Price for November 2007 was \$23.75, same as October 2007, up \$9.07 compared to \$14.68 for November 2006.

⇒ Total Class I Milk for November 2007 was 350,581,128 pounds.

⇒ Class I Utilization for November 2007 was 74.37 percent, up 0.29% from October 2007, and up 2.99 percent compared to last year's Class I utilization.

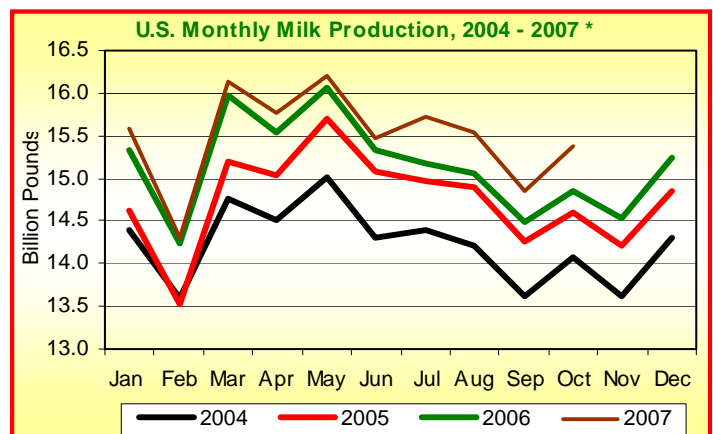


October Milk Production Up 4.1 Percent

Milk production in the 23 major states during Oct. totaled 14.2 billion pounds, up 4.1% from Oct. 2006. Sept. revised production at 13.7 billion pounds, was up 3.1% from Sept. 2006. The Sept. revision represented an increase of 10.0 million pounds or 0.1% from last month's preliminary production estimate.

Production per cow in the 23 major states averaged 1,699 pounds for October, 47 pounds above October 2006.

The number of milk cows on farms in the 23 major states was 8.35 million head, 98,000 head more than October 2006, and 13,000 head more than September 2007.



* Based on entire U.S. production.

2008 Price Data Release Dates

Listed below are the release dates for the Federal milk order program for price data applicable to January through December 2008. The advanced prices and pricing factors will be released at 10:00 a.m. EST/EDST no later than the 23rd of the preceding month if that date is on a Friday; otherwise, the release date will be the nearest Friday before the 23rd. Likewise, the class and component prices will be released at 10:00 a.m. EST/EDST no later than the 5th of the following month if that date is on a Friday; otherwise the release date will be the nearest Friday before the 5th. As noted below, the release time and release dates may differ from this schedule due to the timing of some holidays. Due to the 4th of July holiday, the release date and time for the June Class and Component Prices is Thursday, July 3 at 2:00 p.m. EDST. The release time for the December Class and Component Prices on Friday, January 2, 2009, is 2:00 p.m. EST due to a holiday on the preceding day.

Month to Which Prices Apply	ADVANCED PRICES AND PRICING FACTORS		CLASS AND COMPONENT PRICES	
	Release Date	Time Period of NASS Prices ^{1/}	Release Date	Time Period of NASS Prices ^{1/}
JANUARY	Dec. 21, 2007	12/8, 15	Feb. 1, 2008	1/5, 12, 19, 26
FEBRUARY	Jan. 18, 2008	1/5, 12	Feb. 29	2/2, 9, 16, 23
MARCH	Feb. 22	2/9, 16	Apr. 4	3/1, 8, 15, 22, 29
APRIL	Mar. 21	3/8, 15	May 2	4/5, 12, 19, 26
MAY	Apr. 18	4/5, 12	May 30	5/3, 10, 17, 24
JUNE	May 23	5/10, 17	Jul. 3	5/31, 6/7, 14, 21, 28
JULY	Jun. 20	6/7, 14	Aug. 1	7/5, 12, 19, 26
AUGUST	Jul. 18	7/5, 12	Sep. 5	8/2, 9, 16, 23, 30
SEPTEMBER	Aug. 22	8/9, 16	Oct. 3	9/6, 13, 20, 27
OCTOBER	Sept. 19	9/6, 13	Oct. 31	10/4, 11, 18, 25
NOVEMBER	Oct. 17	10/4, 11	Dec. 5	11/1, 8, 15, 22, 29
DECEMBER	Nov. 21	11/8, 15	Jan. 2, 2009	12/6, 13, 20, 27

^{1/} Weekly sales periods, ending on the indicated date, which are included in the applicable average. Information for the week usually is released by NASS on Friday of the following week.



Dairy Outlook, cont'd from page 1

milk available for cheese production. As a result, cheese prices are forecast to decline into 2008. The cheese price is expected to average in the range of \$1.715 to \$1.725 per pound in 2007 and decline to \$1.605 to \$1.695 per pound next year. Limited imports and relatively strong demand should keep prices from dropping precipitously.

Third-quarter butter production was 17 percent ahead of third-quarter 2006. Although stocks declined slightly in September compared with August, they remain 27 percent above September 2006. Butter prices are forecast to average in the \$1.330 to \$1.360 per pound range in 2007 and the \$1.190 to \$1.310 per pound range next year as supplies remain large. World butter prices are above current U.S. prices, and butter exports have been on an upward trajectory throughout most of 2007, except for June. The small month-over-month drawdown in stocks suggests that manufacturers are working off inventories.

Nonfat dry milk (NDM) remains in short supply globally, and thus prices for now remain strong. NDM prices are projected to average in the \$1.720 to \$1.740 per pound range in 2007 and to decline to average in the range of \$1.645 to \$1.715 per pound in 2008. It is in this sector that higher production to date and next year should ease tight supplies, in both the domestic and export markets.

Dry whey prices rose high enough in 2007 that price-sensitive users cut back on purchases. It appears that prices in the 40-cent-a-pound range will increase whey demand as a feedstuff. Greater availability of whey should keep prices in that range for most of 2008. Whey prices are forecast to average 59.0 to 60.0 cents a pound in 2007 and 43.0 to 46.0 cents a pound in 2008.

The forecast decline in dairy product prices will translate into lower milk prices in 2008. *Continued on page 4* ➤

**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

**VISIT US ON
THE WEB:**
<http://www.malouisville.com>



Dairy Outlook, cont'd from pg. 3

Although higher than in recent years, prices should begin to decline from 2007 highs. The Class IV price is projected to average in the \$18.45 to \$18.65 per cwt range in 2007 and to decline to average in the range of \$17.35 to \$18.35 in 2008. Likewise, the Class III price is expected to average from \$17.80 to \$17.90 per cwt this year and to soften to from \$15.75 to \$16.65 per cwt next year. The all milk price will average from \$18.95 to \$19.05 per cwt in 2007, with a decline to between \$17.70 and \$18.60 per cwt expected in 2008. (Source: *Livestock, Dairy, & Poultry Outlook/LDP-M-161/November 20, 2007, Economic Research Service, USDA.*)

Federal Milk Marketing Order Statistics - October 2007

Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	1,996	926	46.4	22.38
5	Appalachian	479	355	74.1	23.75
6	Florida	254	217	85.3	24.81
7	Southeast	584	412	70.6	23.36
30	Upper Midwest	2,345	401	17.1	19.53
32	Central	972	383	39.4	20.82
33	Mideast	1,277	582	45.6	21.13
124	Pacific Northwest	578	203	35.0	20.91
126	Southwest	837	367	43.9	21.62
131	Arizona	309	124	39.9	21.57
All Orders ¹		9,632	3,969	41.2	21.37

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.