APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

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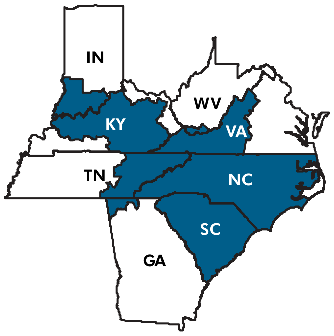
THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator

Inside This Issue:

Interim Order Announced for Federal Orders No. 5, 6 & 7

On March 14, 2008, the U. S. Department of Agriculture issued an interim order that temporarily adjusts the Class I pricing surface of the Appalachian, Southeast and Florida marketing orders. The interim order is based on testimony and evidence given at a public hearing held at Tampa, FL, May 21-23, 2007.

In addition, this order amends certain features of the touch-base, diversion limit standards and transportation credit provisions for the Appalachian and Southeast Federal milk marketing orders. Other proposals concerning administrative assessments, seeking to increase the maximum administrative assessment from 5 cents per hundredweight (cwt.) to a maximum of 8 cents per cwt. for the Appalachian, Florida and Southeast marketing orders were addressed in a separate recommended decision.

The interim order was published in the March 17 Federal Register. The amendments to the Class I pricing adjustments will become effective on May 1, 2008. All other amendments were effective March 18, 2008.

Public comments and exceptions to the tentative final decision, which was published February 25, 2008, are due on or before April 29. USDA will consider the comments and exceptions and issue a final decision.

Additional information may also be obtained from this office by calling (502) 499-0040, or e-mail friedly@malouisville.com.

Sign-Up For Dairy Disaster Assistance Program Resumes

Eligible dairy producers who suffered production losses in 2005, 2006 or 2007 may apply to receive benefits under the Dairy Disaster Assistance Program III. Producers can sign up at their local USDA Farm Service Agency (FSA) service center until May 5, when sign-up will end.

This dairy program will provide $16 million in benefits to dairy producers for dairy production losses that occurred between Jan. 1, 2005, and Dec. 31, 2007, because of natural disasters. To be eligible, a producer's operation must be in a

Sign-Up, continued on page 3

Soaring Feed Costs Hurting '08 Milk Production Expansion

Milk production is forecast to rise 2.7 percent in 2008 over 2007, reaching 190.7 billion pounds. The increase comes as cow numbers are forecast to rise about 1 percent in 2008. Feed prices continue to rise above year earlier levels, and are expected to do so for the remainder of 2008. However, those producers who have expansion plans underway will continue to implement them.

According to the *Livestock Slaughter* report, January dairy cow slaughter was very near last year's level. Many farmers in the upper Midwest produce much of their feed on farm and are somewhat insulated from rising feed prices. The impetus for expansion continues in the West because of the lengthy process of obtaining

Soaring Feed, continued on page 3

Appalachian Statistical Summary

	MARCH 2008	FEBRUARY 2008	MARCH 2007
PRICES: (Base Zone)			
Uniform Price	$18.63	$21.32	$16.46
Class I Price	19.80	22.78	17.35
Class II Price	15.63	18.46	13.60
Class III Price	18.00	17.03	15.09
Class IV Price	14.17	14.67	13.71
Uniform Skim Milk Price	$14.38	$17.24	$12.10
Class I Skim Milk Price	15.64	18.54	13.10
Class II Skim Milk Price	11.24	14.39	9.07
Class III Skim Milk Price	13.72	12.93	10.64
Class IV Skim Milk Price	9.75	10.48	9.21
Uniform Butterfat Price	$1.3574	$1.3392	$1.3680
Class I Butterfat Price	1.3448	1.3970	1.3445
Class II Butterfat Price	1.3674	1.3080	1.3839
Class III Butterfat Price	1.3604	1.3010	1.3769
Class IV Butterfat Price	1.3604	1.3010	1.3769
PRODUCER MILK:			
Class I	346,366,184	332,730,566	354,852,920
Class II	91,006,685	73,810,128	91,264,501
Class III	20,326,228	15,420,046	30,590,513
Class IV	52,402,519	38,505,866	53,798,321
Total Producer Milk	**510,101,616**	**460,466,606**	**530,506,255**
PERCENT PRODUCER MILK IN:			
Class I	67.90	72.26	66.89
Class II	17.84	16.03	17.20
Class III	3.99	3.35	5.77
Class IV	10.27	8.36	10.14

APPALACHIAN MARKETING AREA STATS FOR MARCH 2008:

⇨ **The Uniform Price** for March 2008 was $18.63, up $2.17 compared to March 2007.

⇨ **Total Class I Milk** for March 2008 was 346,366,184 pounds, up 13.6 million pounds compared to February 2008.

⇨ **Class I Utilization** for March 2008 was 67.90 percent, up 1.01 percent compared to last year's Class I utilization.

February Milk Production Up 6.0 Percent

Milk production in the 23 major states during February totaled 13.9 billion pounds, up 6.0 percent from February 2007. However, due to the leap year, February 2008 had an extra day compared to February 2007. When adjusted for the extra day in February this year, the milk production in the 23 major states is up 2.4 percent. January revised production at 14.7 billion pounds, was up 2.7 percent from January 2007. The January revision represented an increase of 40 million pounds or 0.3 percent from last month's preliminary production estimate.

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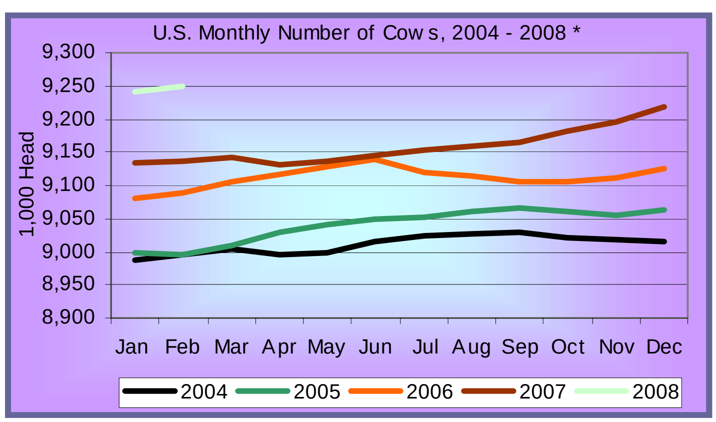
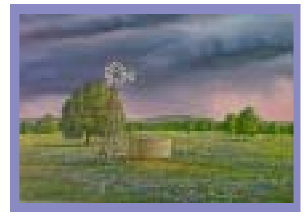


* Based on entire U.S. production.



Sign-Up For Dairy Disaster Assistance Program, cont'd from page 1

county designated a major disaster or emergency area by the president or declared a natural disaster area by the secretary of agriculture between Jan. 1, 2005, and Dec. 31, 2007. Producers in contiguous counties are also eligible. Producers in counties declared disaster areas by the president may be eligible, even though the agricultural loss was not covered by the declaration, if an FSA Administrator's Physical Loss Notice covered such losses.

The U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (2007 Act), signed by President Bush in May 2007, authorizes this program. The 2007 Act charges USDA with implementing under the Dairy Disaster Assistance Program III (DDAP-III). The 2007 Act provides $16 million in DDAP-III benefits. On Dec. 26, 2007, President Bush signed the Consolidated Appropriations Act, 2008, which extends DDAP-III payments to eligible producers who suffered dairy production losses throughout the 2007 crop year before Dec. 31, 2007.

FSA began enrolling producers in DDAP-III in late 2007 and early 2008, then temporarily halted sign-up pending the completion of rulemaking, which began with the issuance of a proposed rule for public comments on the program. Based on public comments, FSA made minor changes to the proposed DDAP-III rules. These changes are explained in the final DDAP-III regulations, which were published in the March 4 Federal Register.

Soaring Feed Costs, cont'd from page 1

permits. Once current expansion is complete, the process may slow because permits are becoming difficult to obtain, especially in California.

Milk production per cow is projected to rise by less than 1 percent on a daily basis, well below the trend of the previous 2 years. Reduced feeding intensity is the short-term response to higher feed prices. Milk-feed ratios are expected to be weaker during 2008. Lower returns in mid-2008 may point toward contraction in the herd by late 2008.

Commercial use of dairy products is expected to increase by better than 3 percent in 2008 compared with 2007, well above the trend of recent years. However, higher production coupled with concerns about the overall economy will likely pressure product prices during the year. Cheese prices have likely crested for 2008 and are expected to decline slightly through the second half of 2008 to average $1.745 to $1.805 per pound. Although butter use may be helped by exports, larger supplies and potential weakness in the restaurant sector may exert pressure on prices. Butter prices are expected to average $1.225 to $1.315 per pound in 2008.

Although pressured by early-year supplies, nonfat dry milk (NDM) prices should climb in the second half of 2008 as tighter supplies encounter robust export demand and stable domestic demand. NDM prices are forecast to average $1.350 to $1.400 a pound in 2008. In 2008, whey prices are not expected to recover much. Lower prices may prompt some demand but supplies are sufficient. Prices will likely average 26.5 to 29.5 cents a pound this year.

Lower product prices will result in lower milk prices in 2008. The Class IV price is forecast at $14.95 to $15.65 per cwt., substantially below 2007's average of $18.36 per cwt. The Class III price is expected to decline to $16.15 to $16.75 per cwt., down from 2007's $18.04 per cwt. average. The all milk price is forecast to average $17.30 to $17.90 per cwt., a drop from $19.13 in 2007. *(Source: "Livestock, Dairy, and Poultry Outlook", LDP-M-165, March 19, 2008, Economic Research Service, USDA.)*

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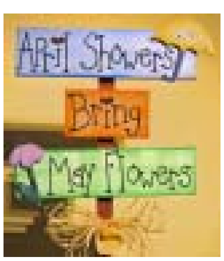
USDA

February Milk, cont'd from page 2

Production per cow in the 23 major states averaged 1,653 pounds for February, 69 pounds above February 2007.

The number of milk cows on farms in the 23 major states was 8.42 million head, 136,000 head more than February 2007, and 9,000 head more than January 2008.



Federal Milk Marketing Order Statistics - February 2008

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	1,977	841	42.5	19.54
5	***Appalachian***	***460***	***333***	***72.3***	***21.32***
6	Florida	266	221	83.1	22.60
7	Southeast	606	389	64.2	20.90
30	Upper Midwest	2,409	364	15.1	17.63
32	Central	1,064	353	33.1	18.11
33	Mideast	1,375	536	39.0	18.65
124	Pacific Northwest	607	182	29.9	17.47
126	Southwest	754	340	45.1	19.28
131	Arizona	338	114	29.9	18.00
	All Orders [1]	**9,856**	**3,672**	**37.3**	**18.84**

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