APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

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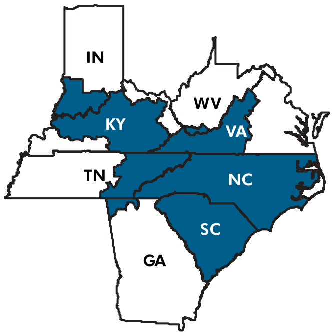

Harold H. Friedly, Jr.
Market Administrator

Inside This Issue:

Shipman Named Associate Administrator of USDA, AMS

On April 9, 2008, the U.S. Department of Agriculture's Agricultural Marketing Service (AMS) announced the selection of David R. Shipman as the new Associate Administrator of the agency.

"I am pleased to announce the appointment of David Shipman for the Associate Administrator post," said AMS Administrator Lloyd Day. "His vast experience and proven abilities in a variety of leadership positions throughout USDA make him an ideal choice for this important position."


David Shipman

Shipman has worked for USDA since 1976. Prior to this appointment, since 1994, Shipman served as the Deputy Administrator for USDA's Grain Inspection, Packers and Stockyards Administration. Shipman also has served as Acting Deputy Assistant Secretary for USDA's Marketing and Regulatory Programs and Acting Administrator for the Grain Inspection, Packers and Stockyards Administration. He was an alternate U.S. delegate to Codex Alimentarius, the major international mechanism for establishing technical standards for international trade in foods. Shipman is also a member of various trade and technology policy groups at USDA

The Associate Administrator is responsible for a wide range of programs that facilitate the domestic and international marketing of U.S. agricultural products. The Programs under the Associate Administrator's direction include a variety of fee-for-service, agricultural and food product certification activities; daily commodity price reporting for U.S. and foreign markets; oversight of industry-funded research

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2008 Production Expected To Rise Despite Soaring Feed Prices

Feed prices are expected to climb higher in 2008, as 8 percent fewer acres of corn are forecast to be planted, and soybean acreage is expected to jump 18 percent. Of importance to the dairy industry are higher prices for alfalfa hay. According to the March *Prospective Plantings* report, producers intend to harvest 2 percent fewer total hay acres in 2008. The rising ingredient prices could push the benchmark 16-percent-mixed-ration price up 33 percent from 2007, which in 2007 was up 34 percent from 2006. Despite this, the milk herd size is expected to continue to increase slightly in 2008. Milk production is projected at 190.0 billion pounds in 2008 as output per cow climbs less than 1 percent on a per day basis in 2007. This year-over-year increase is the smallest in about 3 years.

Production has not buckled under high feed prices because herds are continuing to expand in response to last year's favorable returns. Milk prices have been declining and demand for dairy products remains relatively strong. Commercial use in 2008 is expected to exceed that of 2007 in each of the four quarters and average 3 percent above 2007. Domestic demand appears steady as consumers adjusted to substantially higher prices in 2007. Cheese and butter prices are expected to be higher in 2008.

Exports have helped boost demand. While dry products have traded briskly in recent years, now cheese and butter are being exported in larger quantities. In the fourth quarter of 2007, butter

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Appalachian Statistical Summary

	APRIL 2008	MARCH 2008	APRIL 2007
PRICES: (Base Zone)			
Uniform Price	$20.21	$18.63	$17.41
Class I Price	21.71	19.80	18.10
Class II Price	15.29	15.63	14.51
Class III Price	16.76	18.00	16.09
Class IV Price	14.56	14.17	16.12
Uniform Skim Milk Price	$15.71	$14.38	$12.77
Class I Skim Milk Price	17.49	15.64	13.60
Class II Skim Milk Price	10.47	11.24	9.69
Class III Skim Milk Price	12.02	13.72	11.36
Class IV Skim Milk Price	9.74	9.75	11.39
Uniform Butterfat Price	$1.4418	$1.3574	$1.4520
Class I Butterfat Price	1.3793	1.3448	1.4206
Class II Butterfat Price	1.4818	1.3674	1.4727
Class III Butterfat Price	1.4748	1.3604	1.4657
Class IV Butterfat Price	1.4748	1.3604	1.4657
PRODUCER MILK:			
Class I	346,687,291	346,366,184	340,029,517
Class II	82,120,838	91,006,685	89,914,132
Class III	19,760,173	20,326,228	26,060,780
Class IV	40,133,625	52,402,519	58,226,216
Total Producer Milk	**488,701,927**	**510,101,616**	**514,230,645**
PERCENT PRODUCER MILK IN:			
Class I	70.94	67.90	66.12
Class II	16.80	17.84	17.49
Class III	4.05	3.99	5.07
Class IV	8.21	10.27	11.32

APPALACHIAN MARKETING AREA STATS FOR APRIL 2008:

⇨ **The Uniform Price** for April 2008 was $20.21, up $1.58 from March 2008, and up $2.80 compared to April 2007.

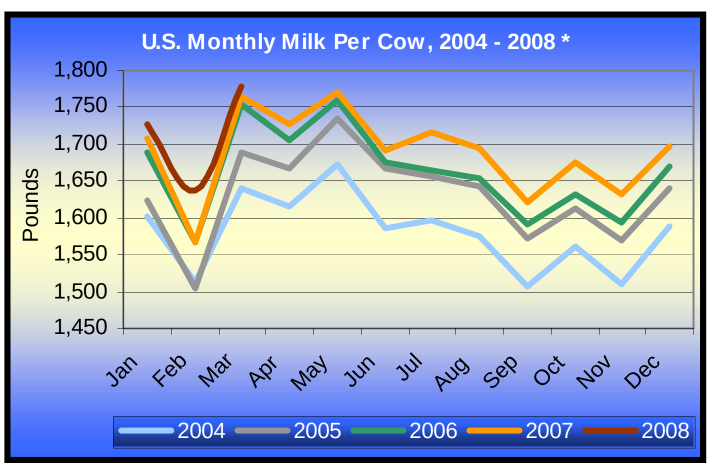
⇨ **Total Class I Milk** for April 2008 was 346,687,291 pounds, up 6.7 million pounds compared to April 2007.

⇨ **Class I Utilization** for April 2008 was 70.94 percent, up 3.04 percent from March 2008, and up 4.82 percent compared to last year's Class I utilization.

March Milk Production Up 2.4 Percent

Milk production in the 23 major states during March totaled 15.1 billion pounds, up 2.4 percent from March 2007. February revised production at 13.9 billion pounds, was up 6.2 percent from February 2007. The February revision represented an increase of 23 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major states averaged 1,795 pounds for March, 12 pounds above March 2007. The number of milk cows on farms in the 23 major states was 8.44 million head, 141,000 head more than March 2007, and 9,000 head more than February 2008.



* Based on entire U.S. production.

Shipman Named Associate Administrator of USDA, AMS, Cont'd from page 1

and promotion programs; regulatory programs that ensure fair trade practices in agricultural markets and procurement of commodities, which include fruits and vegetables, meat, poultry, fish and egg products, for the national school lunch and other Federal food and nutrition programs.

Shipman is a graduate of the University of Connecticut. His selection comes at the retirement of Dr. Kenneth C. Clayton, who served in the Associate Administrator position for over 19 years and served at USDA for over 30 years.

As Associate Administrator, Shipman is responsible for a wide range of programs that facilitate the domestic and international marketing of U.S. agricultural products.

2008 Production Is Expected to Rise Despite Soaring Feed Prices, Cont'd from pg. 1

exports ranged at between 14 and 16 percent of total production. February butter and butter product exports also exceed 11 percent of production. For the most recent 2 years, butter exports have been between 2 and 4 percent of total production. Likewise, cheese exports in 2007 have exceeded those of recent years and reached nearly 3 percent of total production in January 2008. These higher export trends are expected to continue in 2008. While the European Union increased milk production quotas by 2 percent in April 2008, most of any increased production will likely be directed to internal demand. Although Australia appears to be recovering from drought, production this season is still expected to be below last year. Robust global demand for dairy products and limited supplies in the rest of the world provide a basis for strong U.S. export sales for the remainder of 2008.

Stocks on a milk-equivalent fat basis were higher in 2007 than in recent years and are expected to climb slightly by the end of 2008 to 10.5 billion pounds. Likewise, stocks on a skim-solids basis will likely climb slightly to 10.0 billion pounds by year-end. These stocks do not appear burdensome and falling interest rates lower the cost of holding stocks

Prices for cheese and butter are expected to be higher in 2008. Cheese could be substantially higher as supplies remain tight. Cheese prices are expected to average between $1.775 and $1.825 per pound in 2008, above $1.738 per pound in 2007. Although butter supplies appear ample, availability could tighten later in the year, firming prices, especially if exports maintain their recent pace. Butter price is projected to average $1.310 to $1.390 per pound this year, compared with 2007's average of $1.344 per pound. Declines are expected for nonfat dry milk (NDM) and whey.

NDM prices are expected to average $1.360 to $1.400 per pound and whey prices 27.5 to 30.5 cents per pound in 2008. In 2007, average prices for these products were $1.708 and 60.0 cents per pound, respectively. Despite firm product demand, slightly higher production is forecast to tip milk prices lower. The Class III price is expected to average $16.55 to $17.05 per cwt. in 2008 and will average above the Class IV price this year in contrast to last year's situation. The Class IV price is expected to average $15.35 to $15.95 per cwt. The all milk prices will be lower in 2008, averaging $17.65 to $18.15 per cwt. *(Source: Livestock, Dairy, & Poultry Outlook*/LDP-M-166/ April 17, 2008, Economic Research Service, USDA)

January - March Milk Production up 3.2 Percent

Milk production in the U.S. during the January - March quarter totaled 47.6 billion pounds, up 3.2 percent from the January - March quarter last year. The average number of milk cows in the U.S. during the quarter was 9.25 million head, 112,000 head more than the same period last year.

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Federal Milk Marketing Order Statistics - March 2008

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,134	873	40.9	17.89
5	***Appalachian***	***510***	***346***	***67.9***	***18.63***
6	Florida	283	233	82.3	19.92
7	Southeast	614	398	64.8	18.79
30	Upper Midwest	2,105	371	17.6	17.75
32	Central	864	357	41.3	16.85
33	Mideast	1,288	551	42.8	17.21
124	Pacific Northwest	506	190	37.7	15.94
126	Southwest	677	352	52.0	17.32
131	Arizona	381	119	31.2	16.86
	All Orders [1]	**9,363**	**3,791**	**40.5**	**17.64**

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

DAIRY