APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

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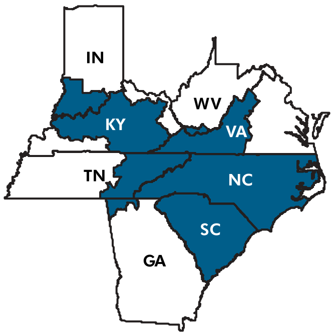
THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator

Final Rule Set for Rules of Practice for FMMO Hearings

On August 19, 2008, the U.S. Department of Agriculture announced a final rule establishing supplemental rules of practice for the Federal Milk Marketing Order hearing process. The intent of this rule is to establish guidelines and timeframes to improve the timeliness of the Federal milk order hearing process.

This final rule amends the general regulations for Federal milk marketing agreements and marketing orders by establishing supplemental rules of practice in accordance with section 1504 of the Food, Conservation and Energy Act of 2008 (2008 Farm Bill). This rule defines supplemental guidelines, timeframes and procedures for amending Federal milk marketing agreements and orders; authorizes the use of informal rulemaking (5 U.S.C. 553) to amend such agreements and orders; and establishes provisions that permit the USDA to impose assessments on pooled milk under the Federal Milk Marketing Order program to fund expedited rulemaking. Such assessments would supplement appropriated funds for the procurement of services required by USDA to perform rulemaking functions. The final rule was published in the August 20 Federal Register.

The final rule is available at http://www.ams.usda.gov/dairy.

Effective Date Delayed for Class III & IV Interim Final Rule

On August 29, 2008, the U. S. Department of Agriculture announced an interim rule that delays the effective date of an Interim Final Rule published July 31, 2008, amending the manufacturing cost allowances and the butterfat yield factor used in Class III and Class IV product-price formulas in all Federal Milk Marketing Orders. The effective date, which had been September 1, 2008, will now be October 1, 2008. USDA is delaying the effective date because of a complaint filed in the U. S. District Court for the District of Columbia to enjoin the implementation of the revised manufacturing allowances and butterfat yield factor. Delaying implementation allows sufficient time for a preliminary injunction hearing.

The interim rule was published in the September 3 Federal Register. For additional information contact: Jack Rower – Marketing Specialist, USDA/AMS/Dairy Programs, Stop 0231 Room 2961-S, 1400 Independence Avenue, SW., Washington, DC 20250-0231, (202) 720-7183, e-mail address: jack.rower@usda.gov.

Inside This Issue:

Milk Output Maintained by Lower Feed and Milk Prices

Milk production estimates for 2008 are unchanged from last month at 189.5 billion pounds. Forecasts for 2009 call for production to be up fractionally to 190.3 billion pounds. USDA projects cow numbers to average 9,255 thousand head for 2008 and step back to 9,225 thousand head in 2009. Production per cow is expected to advance 1 percent in 2008 to 20,470 pounds per cow and 0.75 percent in 2009 to 20,625 pounds.

The Cooperatives Working Together buyout will likely remove about 25,000 dairy animals from

Milk Output, Cont'd on page 3

Appalachian Statistical Summary

	AUGUST 2008	JULY 2008	AUGUST 2007
PRICES: (Base Zone)			
Uniform Price	$20.72	$22.31	$24.16
Class I Price	21.87	24.18	24.86
Class II Price	17.45	16.81	22.41
Class III Price	17.32	18.24	19.83
Class IV Price	16.64	16.60	21.87
Uniform Skim Milk Price	$15.18	$17.07	$19.20
Class I Skim Milk Price	16.45	19.10	19.84
Class II Skim Milk Price	11.74	11.31	17.44
Class III Skim Milk Price	11.63	12.82	14.79
Class IV Skim Milk Price	10.93	11.12	16.91
Uniform Butterfat Price	$1.7342	$1.6667	$1.6086
Class I Butterfat Price	1.7144	1.6426	1.6320
Class II Butterfat Price	1.7483	1.6844	1.5942
Class III Butterfat Price	1.7413	1.6774	1.5872
Class IV Butterfat Price	1.7413	1.6774	1.5872
PRODUCER MILK:			
Class I	339,946,869	330,830,757	349,659,833
Class II	95,797,005	90,412,896	78,821,741
Class III	20,357,956	21,590,635	25,460,551
Class IV	33,186,373	33,655,714	23,290,989
Total Producer Milk	**489,288,203**	**476,490,002**	**477,233,114**
PERCENT PRODUCER MILK IN:			
Class I	69.48	69.43	73.27
Class II	19.58	18.98	16.52
Class III	4.16	4.53	5.33
Class IV	6.78	7.06	4.88

APPALACHIAN MARKETING AREA STATS FOR AUGUST 2008:

⇨ **The Uniform Price** for August 2008 was $20.72.

⇨ **Total Class I Milk** for August 2008 was 339,946,869 pounds, up 9.1 million pounds from July.

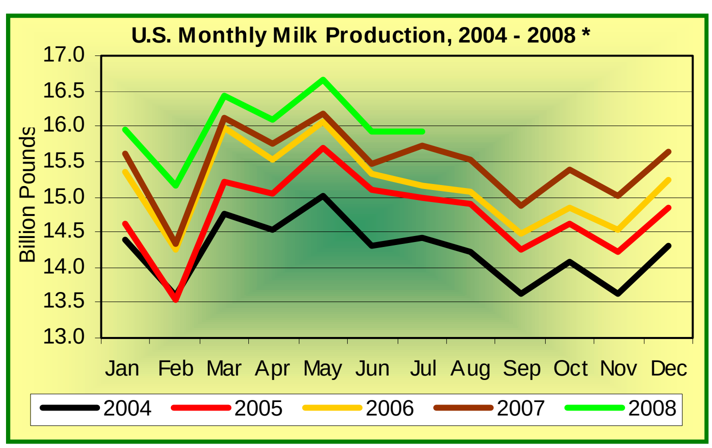
⇨ **Class I Utilization** for August 2008 was 69.48 percent, up .05 percent from last month.

⇨ **Total Producer Milk** for August 2008 was 489,288,203 pounds, up 12.8 million pounds, or a 2.7% increase compared to last month, and up 12.1 million pounds, or a 2.5% increase compared to last year.

July Milk Production Up 1.7 Percent

Milk production in the 23 major states during July totaled 14.8 billion pounds, up 1.7 percent from July 2007. June revised production at 14.7 billion pounds, was up 3.2 percent from June 2007. The June revision represented a decrease of 19 million pounds or -0.1 percent from last month's preliminary production estimate. Production per cow in the 23 major states averaged 1,742 pounds for July, unchanged from July 2007.

The number of milk cows on farms in the 23 major states was 8.47 million head, 143,000 head more than July 2007, and 5,000 head more than June 2008.



* Based on entire U.S. production.

Disposition of Downer Cattle Proposed Rule Announced

On August 27, 2008, the U.S. Department of Agriculture announced a proposed rule to amend the Federal meat inspection regulations to initiate a complete ban on the slaughter of cattle that become non-ambulatory after initial inspection by Food Safety and Inspection Service (FSIS) inspection program personnel.

This proposed rule follows the May 20 announcement by Secretary of Agriculture Ed Schafer to remove the provision that states that FSIS inspection program will determine the disposition of cattle that become non-ambulatory disabled after they have passed ante-mortem, before slaughter, inspection on a case-by-case basis. Under the proposed rule, all cattle that are non-ambulatory disabled at any time prior to slaughter, including those that become non-ambulatory disabled after passing ante-mortem inspection, will be condemned and properly disposed of.

Of the nearly 34 million cattle that were slaughtered in 2007, less than 1,000 cattle that were re-inspected were actually approved by the veterinarian for slaughter. This represents less than 0.003 percent of cattle slaughtered annually.

Comments on this proposed rule must be received on or before September 29, 2008. Comments can be sent to Docket Clerk, U.S. Department of Agriculture, Food Safety and Inspection Service, Room 2534 South Agriculture Building, 1400 Independence Avenue, SW., Washington, D.C. 20250; e-mailed to fsis.regulationscomments@fsis.usda.gov or submitted through the Federal eRulemaking Portal at www.regulations.gov. All submissions received by mail or electronic mail must reference the Food Safety and Inspection Service and include the docket number FSIS-2008-0022.

Milk Output Maintained by Lower Feed and Milk Prices, Continued from page 1

the herd. Also, the July *Livestock Slaughter* report showed dairy cow slaughter up slightly year-over-year. However, cow prices climbed in the second quarter of the year. The price strength for cows suggests demand for dairy replacements. The buyout removal is likely removing lower productivity animals from smaller operations while replacement cow prices suggest some operators, most likely larger ones, are replacing older cows with newer stock. This move is likely to boost productivity and feed efficiency and is a calculated response to earlier season high grain and alfalfa hay prices.

Strong dairy product exports, aided by a weak dollar and a slowly growing domestic economy, will limit the year-over-year rise in domestic use in 2008. With lower export sales forecast for 2009, the increase in domestic use should rebound from this year's slower growth rate. Milk prices are expected to be lower this year than last, and relatively higher feed prices, especially for corn, will likely stress profitability for some producers.

Demand has favored the butter-powder sector in recent weeks as demand for both butter and powder have been strong both domestically and internationally. Strong exports of nonfat dry milk and skim milk powder (NDM/SMP) have kept stocks from building. Stocks for butter are below those for a corresponding level in 2007. As a result, butter prices have shown remarkable strength in 2008 and are expected to average $1.415 to $1.455 per pound for the year. The average would be higher except for the weak first-quarter performance. Butter prices are expected to continue high in 2009 averaging $1.355 to $1.485 per pound. Nonfat dry milk (NDM) prices, although lower than in 2007, have strengthened of late and are expected to average $1.385 to 1.405 per pound in 2008 and $1.485 to $1.555 per pound in 2009. Robust export sales of dry milk products continue to buoy this market. Cheese prices as reported by the National Agricultural Statistics Service (NASS) peaked in early June and then declined until a slight uptick in early August according to NASS, closing at $2.05 per pound for barrels and $1.97 for blocks on August 2. Cheese prices will likely remain unsettled into the fourth quarter as softness in the U.S. economy works through the market. Cheese prices are expected to average $1.920 to $1.940 per pound for 2008 and decline modestly in 2009 to $1.855 to 1.955 per pound. Whey prices have been declining throughout 2008 as demand has flagged. Prices in 2008 are projected to average 27.0 to 29.0 cents per pound. Prices in 2009 are expected to improve slightly to 30.0 to 33.0 cents per pound.

Slightly higher production is forecast to tip the all milk price lower into next year. The all milk price is projected at $18.85 to $19.05 per cwt. this year, declining to $18.25 to $19.25 per cwt. next year.

SOURCE: *"Livestock, Dairy, and Poultry Outlook", LDP-M-170, August 19, 2008, Economic Research Service, USDA.*

APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

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FALL 2008

Federal Milk Marketing Order Statistics - July 2008

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,051	831	40.5	20.61
5	***Appalachian***	***476***	***331***	***69.4***	***22.31***
6	Florida	244	204	83.5	24.89
7	Southeast	540	366	67.7	22.68
30	Upper Midwest	2,384	349	14.6	18.90
32	Central	931	327	35.2	19.38
33	Mideast	1,389	506	36.4	19.71
124	Pacific Northwest	665	180	27.1	18.94
126	Southwest	1,034	324	31.4	20.09
131	Arizona	328	105	32.0	19.31
	All Orders [1]	**10,043**	**3,523**	**35.1**	**20.06**

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