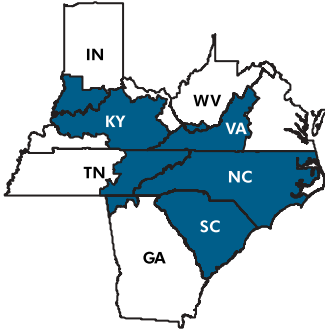


THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator



2009 Production Increases Slight, Demand Increases Limited

The milk production forecast was raised slightly in September from last month as cow numbers were adjusted to continued herd growth. Cow numbers are projected to average 9,260-thousand head for 2008. Next year, herd size is forecast to contract to 9,235-thousand head. The forecast decline is based on expected higher feed costs and lower milk prices. Cow slaughter is higher than a year ago and replacement prices lower. Production is expected to rise incrementally to 190.8 billion pounds in 2009, less than a 1-percent rise from 2008's estimated production. The increase is based on gains in production per cow, which are estimated to average less than 1 percent in 2008. However, the milk per cow increase forecast for 2009 will be the smallest since 2004. It appears that higher feed prices and lower product prices are continuing to have an impact on the rate of increase in milk production, since the rate of increase in output per cow has been declining since 2005. That the impact has not developed more rapidly suggests that many larger operators may have lowered breakeven points in recent years.

Demand growth across all major products appears to be slowing. Cheese and butter production in 2008 lead last year's totals on a year-to-date basis. This month's forecast shows higher expected stock levels on skim-solids basis, indicating softening demand for butter and powder products. A slowing domestic economy has stressed the restaurant sector, which—along with higher food and energy prices—is dampening cheese demand. Butter and nonfat dry milk (NDM) had benefited from strong export sales, but exports are forecast to taper off toward the end of 2008 and decline slightly in 2009. A slowing global economy, the dollar strengthening against the Euro and other currencies, and increasing foreign production underpin the export forecast. Of special note, is that declining oil prices may affect a number of major NDM importers (Mexico and Algeria among others).

While slower milk production growth should limit price declines, softening demand
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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 seven individuals from those nominated to succeed members whose terms expire June 30, 2009. Newly appointed or reappointed members will serve 3-year terms from July 1, 2009, through June 30, 2012.

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,
USDA Seeks Nominations, cont'd on page 3 ➔

Appalachian Statistical Summary

SEPTEMBER 2008 AUGUST 2008 SEPTEMBER 2007

PRICES: (Base Zone)

Uniform Price	\$20.23	\$20.72	\$24.00
Class I Price	21.05	21.87	25.01
Class II Price	17.58	17.45	22.16
Class III Price	16.28	17.32	20.07
Class IV Price	15.45	16.64	21.61
Uniform Skim Milk Price	\$14.42	\$15.18	\$19.16
Class I Skim Milk Price	15.38	16.45	19.86
Class II Skim Milk Price	11.59	11.74	17.46
Class III Skim Milk Price	10.27	11.63	15.32
Class IV Skim Milk Price	9.41	10.93	16.92
Uniform Butterfat Price	\$1.8053	\$1.7342	\$1.5735
Class I Butterfat Price	1.7751	1.7144	1.6692
Class II Butterfat Price	1.8266	1.7483	1.5171
Class III Butterfat Price	1.8196	1.7413	1.5101
Class IV Butterfat Price	1.8196	1.7413	1.5101

PRODUCER MILK:

Class I	347,230,443	339,946,869	321,430,033
Class II	88,887,923	95,797,005	75,392,904
Class III	22,795,273	20,357,956	31,360,235
Class IV	20,944,224	33,186,373	30,507,001
Total Producer Milk	479,857,863	489,288,203	458,690,173

PERCENT PRODUCER MILK IN:

Class I	72.36	69.48	70.08
Class II	18.52	19.58	16.44
Class III	4.75	4.16	6.83
Class IV	4.37	6.78	6.65

APPALACHIAN MARKETING AREA STATS FOR SEPTEMBER 2008:

⇒ **The Uniform Price** for September 2008 was \$20.23.

⇒ **Total Class I Milk** for September 2008 was 347,230,443 pounds, up 7.3 million pounds from August, and up 25.8 million pounds from September 2007.

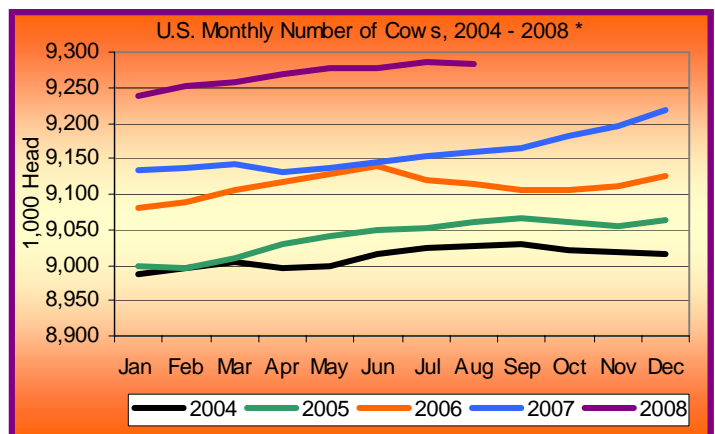
⇒ **Class I Utilization** for September 2008 was 72.36 percent, up 2.88 percent from last month, and up 2.28 percent from September 2007.

⇒ **Total Producer Milk** for September was 479,857,863 pounds, up 21.2 million pounds, or a 4.6% increase compared to last September.

August Milk Production Up 1.5 Percent

Milk production in the 23 major states during August totaled 14.5 billion pounds, up 1.5% from August 2007. July revised production at 14.8 billion pounds, was up 1.8% from July 2007. The July revision represented an increase of 12 million pounds or 0.1% from last month's preliminary production estimate. Production per cow in the 23 major states averaged 1,717 pounds for August, 2 pounds below August 2007.

The number of milk cows on farms in the 23 major states was 8.47 million head, 137,000 head more than August 2007, but 3,000 head less than July 2008.



* Based on entire U.S. production.

2009 Production, continued from page 1

both domestically and internationally contributes to lower prices for the balance of 2008 and into 2009 compared with 2007. The cheese price is forecast at \$1.905 to \$1.925 per pound this year and to decline to \$1.840 to \$1.940 per pound in 2009. Butter prices, which have been near record highs this year, are projected to average \$1.405 to \$1.445 per pound in 2008 and decline to \$1.350 to \$1.480 per pound next year. Slower exports take a toll on NDM prices both this year and next, as the annual price is expected to average \$1.375 to \$1.395 per pound in 2008 and \$1.455 to \$1.525 per pound in 2009. Whey prices, in the doldrums after 2007 highs, are expected to average 26.0 to 28.0 cents per pound this year and increase fractionally in 2009 at 26.0 to 29.0 cents per pound.



The Class III price is expected to average \$17.65 to \$17.85 per cwt. in 2008 and slide to \$16.75 to \$17.75 per cwt. in 2009. The Class IV price, in contrast, is forecast higher next year than this year. The price is expected to average \$15.80 to \$16.10 per cwt. in 2008 and rise to \$16.10 to \$17.20 per cwt. in 2009. These price projections apply the new make allowances. The new allowances went into effect on October 1. Slightly higher production is forecast to tip the all milk price lower into next year. The all milk price is projected at \$18.65 to \$18.85 per cwt. this year, declining to \$17.85 to \$18.85 per cwt. next year.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-171, September 19, 2008, Economic Research Service, USDA.



USDA Seeks Nominations, continued from page 1

the board's membership includes four at-large processor members and one member from the general public.

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 million 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 two at-large positions. Nominees for the five regional positions must be active owners or employees of a fluid milk processor. One at-large position may be either a fluid milk processor or from the general public. One at-large position must be from the general public. The geographic regions are: Region 3 (Delaware, District of Columbia, Maryland, Pennsylvania, and Virginia); Region 6 (Ohio and West Virginia); Region 9 (Alabama, Kentucky, Louisiana,

Mississippi, and Tennessee); Region 12 (Arizona, Colorado, New Mexico, Nevada, and Utah); and Region 15 (Southern California).

No fluid milk processor shall be represented on the board by more than three members.

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.

To nominate an individual, please submit a copy of the nomination form and a signed background form for each nominee by October 31, 2008, to: Whitney Rick, Chief, 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>.

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.



**APPALACHIAN MARKETING AREA
FEDERAL ORDER 5**

Milk Market Administrator
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Louisville, KY 40261-0030
ADDRESS SERVICE REQUESTED

Phone: 502-499-0040
Fax: 502-499-8749
E-mail: friedly@malouisville.com
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KRS 7-1-1



Federal Milk Marketing Order Statistics - August 2008



Federal Order		Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	\$/cwt
1	Northeast	1,982	835	42.1	19.50
5	Appalachian	489	340	69.5	20.72
6	Florida	249	211	84.9	23.01
7	Southeast	553	399	72.1	21.25
30	Upper Midwest	2,627	352	13.4	17.81
32	Central	1,035	348	33.6	18.32
33	Mideast	1,329	538	40.5	18.70
124	Pacific Northwest	659	185	28.1	18.03
126	Southwest	927	343	37.0	19.32
131	Arizona	319	117	36.7	18.50
All Orders ¹		10,169	3,669	36.1	18.94

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

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