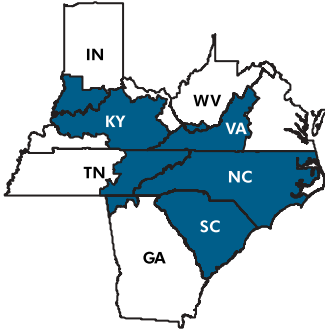




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator



National Fluid Milk Processor Promotion Board Members Appointed

On February 18, 2009, the U.S. Department of Agriculture announced the appointment of five incumbents and two new members to the National Fluid Milk Processor Promotion Board.

Re-appointed to serve a second term is: Edward L. Mullins, Carlinville, IL, (Region 9). Re-appointed to serve a first term after filling a vacancy lasting less than 18 months are: Jay S. Bryant, Reston, VA, (Region 3); Charles S. Mayfield, Jr., Athens, TN (Region 6); John R. Zuroweste, Dallas, TX (Region 12); and Janey K. Thornton, Ph.D., Elizabethtown, KY (At-Large Public). Newly appointed are: Timothy

Kelbel, Cincinnati, OH (Region 15); and Miriam E. Brown, Des Moines, IA (At-Large Processor).

Terms for these appointees begin July 1, 2009, and expire June 30, 2012. All appointees will be seated at the board meeting July 16-18, 2009.

The National Fluid Milk Processor Promotion Board is composed of 15 fluid milk processors from 15 geographic regions and five at-large members. At least three at-large members must be fluid milk processors and at least one must be from the general public. The Board was
Nat'l Fluid Milk Processor, cont'd on page 3

USDA Expands Market News Web Portal to Include Dairy

On February 25, 2009, the U.S. Department of Agriculture announced that its Market News Portal has been expanded to include Dairy Market News. The portal, operated by USDA's Agricultural Marketing Service (AMS), significantly enhances Market News web site services. The Market News web portal provides instant, real-time access to daily and historical reports on agricultural commodity markets. The system came on line in 2005, beginning with Fruits and Vegetables and Livestock and Grain. The portal can be accessed at <http://www.marketnews.usda.gov/>.

The expanded web portal will help more businesses make marketing decisions with instant access to Market News databases. The portal makes customized current and historical data available almost instantly.

Registered users can log into the portal, access information, download it in several user-defined formats, and establish electronic bookmarks to quickly locate specific data. Users can create their

own market summary charts to provide snapshots of commodity prices based on location and dates for many commodities. The portal also offers additional features, such as nationwide weather reports and metric and currency conversions. There is no cost to register.

USDA Market News reports provide timely, unbiased and reliable information to producers, shippers and handlers, manufacturers and processors, wholesale and retail marketers, market analysts and others. USDA and cooperating state agency market reporters gather information on supplies, demand, and prices of agricultural commodities.

Established in 1915, USDA Market News issues over 1000 daily reports on fruits and vegetables, livestock, dairy products, grain, poultry, and cotton. The service helps businesses make informed marketing decisions and is a primary data source for other uses – such as contract pricing, dispute resolution, and insurance settlements.

Inside This Issue:

- Appalachian Statistical Summary** 2
- January Milk Production Up 1.0%** 2
- U.S. Monthly Milk Production, 2005-2009** 2
- Dairy Herd Set for Slight Contraction in 2009; Production Declines Slightly as Prices Plunge** 3
- Nat'l Fluid Milk Processor Promotion Board (continued)** 3
- 2008 Milk Production Up 2.3%** 4
- FMMO Statistics - January 2009** 4

Appalachian Statistical Summary

FEBRUARY 2009 JANUARY 2009 FEBRUARY 2008

PRICES: (Base Zone)

Uniform Price	\$12.98	\$16.41	\$21.32
Class I Price	14.12	19.14	22.78
Class II Price	10.25	10.41	18.46
Class III Price	9.31	10.78	17.03
Class IV Price	9.45	9.59	14.67
Uniform Skim Milk Price	\$9.41	\$12.56	\$17.24
Class I Skim Milk Price	10.47	14.64	18.54
Class II Skim Milk Price	6.63	6.74	14.39
Class III Skim Milk Price	5.68	7.15	12.93
Class IV Skim Milk Price	5.82	5.92	10.48
Uniform Butterfat Price	\$1.1153	\$1.2269	\$1.3392
Class I Butterfat Price	1.1480	1.4323	1.3970
Class II Butterfat Price	1.1011	1.1154	1.3080
Class III Butterfat Price	1.0941	1.1084	1.3010
Class IV Butterfat Price	1.0941	1.1084	1.3010

PRODUCER MILK:

Class I	325,825,404	364,890,319	332,730,566
Class II	64,749,937	75,476,606	73,810,128
Class III	43,839,567	32,225,645	15,420,046
Class IV	37,778,618	46,493,266	38,505,866
Total Producer Milk	472,193,526	519,085,836	460,466,606

PERCENT PRODUCER MILK IN:

Class I	69.00	70.29	72.26
Class II	13.71	14.54	16.03
Class III	9.29	6.21	3.35
Class IV	8.00	8.96	8.36

F.O. 5 STATS FOR FEBRUARY 2009:

⇒ **The Uniform Price** for February 2009 was \$12.98.

⇒ **Total Class I Milk** for February 2009 was 325,825,404 pounds.

⇒ **Class I Utilization** for February 2009 was 69.00 percent.

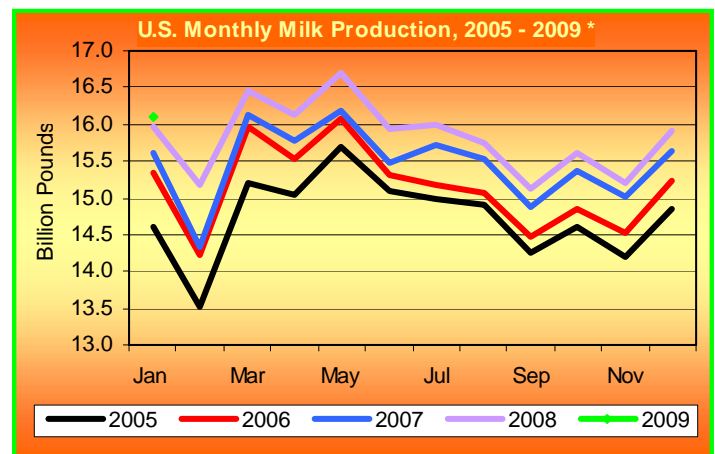
⇒ **Total Producer Milk** for February was 472,193,526 pounds, up 11.7 million pounds, or a 2.5 percent increase compared to February 2008.



January Milk Production Up 1.0%

Milk production in the 23 major states during January totaled 14.9 billion pounds, up 1.0 percent from January 2008. December revised production at 14.7 billion pounds, was up 1.8 percent from December 2007. The December revision represented an increase of 44 million pounds or 0.3 percent from last month's preliminary production estimate. Production per cow in the 23 major states averaged 1,746 pounds for January, 5 pounds above January 2008.

The number of milk cows on farms in the 23 major states was 8.51 million head, 58,000 head more than January 2008, and 12,000 head less than December 2008.



* Based on entire U.S. production.

Dairy Herd Set for Slight Contraction in 2009; Production Declines Slightly as Prices Plunge

Demand for dairy products weakened in fourth-quarter 2008 as production inched ahead. In 2008, cow numbers rose 1.2 percent while yield per cow rose by less than 1-percent. Last year was the first in many years that milk production rose primarily on increased herd size rather than yield per cow. In 2009, milk production is forecast to retreat to 189.1 billion pounds. Herd size is forecast to decline slightly to an average of 9.17 million cows with increased dairy cow slaughter later in the year. At present, the forecast assumes no additional herd buyouts through CWT (Cooperatives Working Together). Hence, the contraction is expected to be sharpest in the second half of the year as poor returns early in 2009 force a sharper response from producers. Output per cow is expected to continue to rise, but by less than 1-percent. The assumption is that liquidation would remove lower producing cows, raising the average yield of the remaining herd. Complicating this assumption is that the number of replacement heifers, while slightly lower than last year, remains relatively high. The milk-feed price ratio could decline further in 2009 as falling milk prices trump any declines in feed prices.

For products, the central problem is that domestic demand is not sufficient to absorb the available supplies. As a result, prices have declined sharply and are expected to remain well below 2008 levels throughout the year. U.S. commercial dairy exports softened in fourth-quarter 2008, and total milk equivalent exports on a fats equivalent basis are forecast to reach only 5.1 billion pounds in 2009. The same forecast on a skims solids basis is for 19.0 billion pounds of milk equivalent to be exported. Such totals are a sizable retrenchment from 2008's exports of 8.7 billion pounds (fats basis) and 26.0 billion pounds (skims/solids basis). While global recession has reduced demand, slow sales may be compounded by the recent decision by the European Union to subsidize exports of nonfat dry milk (NDM), whole milk powder (WMP), cheese, and butterfat.

Total domestic commercial use in 2009, on a fats basis, is forecast at 185.6 billion pounds, less than a 1-percent increase from that of 2008. Dairy production expanded over 4 percent on a milk equivalent basis in December, and butter production was 10 percent higher, but total cheese production increased by only 1 percent. NDM production was substantially higher in December, year-over-year. Lactose and whey protein concentrate production partially compensated for the 6.5-percent decline in dry whey production for human consumption. Increased availability of milk and weak demand are leading to inventory building in some products, notably cheese and NDM. The increase in dairy products production will keep prices low but are also expected to prompt sales, even in a weak economy. Lower production in 2009 should ultimately ease the supply-demand imbalance, and prices could firm later in the year.

Butter is moving to the Commodity Credit Corporation. The Government has been purchasing NDM since last fall. Removals are expected to be heaviest in the first half of the year, dropping off as reduced production firms prices in the second half.

Cheese prices are forecast much lower in 2009 at \$1.180-\$1.250 per pound. Likewise, butter prices will be lower in 2009, averaging \$1.080-\$1.180 per pound. Prices for dry products will also decline this year but not as drastically because prices for those products slid considerably in 2008. NDM prices are forecast at 80-86 cents per pound and whey at 16-19 cents per pound in 2009. Based on product price forecasts, milk prices will plunge in 2009 from those of 2008. The Class IV price is expected to be \$9.35-\$10.15 per cwt., and the Class III price is projected at \$9.70-\$10.40 per cwt. The all milk price is expected to be \$10.95-\$11.65 per cwt. in 2009. *Source: Livestock, Dairy, & Poultry Outlook/LDP-M-176/February 17, 2009, Economic Research Service, USDA*



National Fluid Milk Processor Promotion Board, continued from page 1

established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the demand for fluid milk products.

The National Fluid Milk Program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages in the contiguous 48 states and the District of

Columbia. Processors who commercially process and market 3 million pounds or less per month, excluding those fluid milk products delivered to the residence of a consumer, are exempt from assessments.

USDA's Agricultural Marketing Service monitors the operations of the board. It is USDA's policy that membership on industry-governed boards and committees accurately reflect the diversity of individuals served by the program.

**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



2008 Milk Production Up 2.3%

The annual production of milk for the U.S. during 2008 was 190 billion pounds, 2.3 percent above 2007. Revisions to 2007 production increased the annual total 52 million pounds. Revised 2008 production was up 293 million pounds from last month's publication. Production per cow in the U.S. averaged 20,396 pounds for 2008, 192 pounds above 2007. The average annual rate of milk production per cow has increased 14.8 percent from 1999. The average number of milk cows on farms in the U.S. during 2008 was 9.32 million head, up 1.4 percent from 2007. The average number of milk cows was revised up 44,000 head for 2008.

Federal Milk Marketing Order Statistics - January 2009

Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	2,018	891	44.2	14.14
5	Appalachian	519	365	70.3	16.41
6	Florida	286	234	81.6	18.92
7	Southeast	607	414	68.1	16.62
30	Upper Midwest	2,751	386	14.1	11.60
32	Central	1,075	373	34.7	12.49
33	Mideast	1,392	591	42.5	13.22
124	Pacific Northwest	692	195	28.2	12.12
126	Southwest	1,089	379	34.8	13.50
131	Arizona	367	116	31.6	12.49
All Orders ¹		10,796	3,944	36.5	13.34

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.