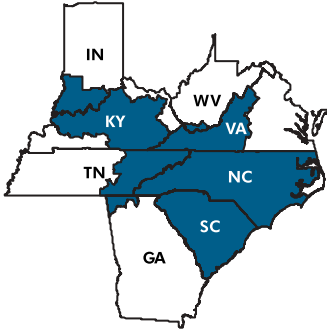




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator



Hearing Set on Proposed Amendments to All Orders

On April 7, 2009, the U. S. Department of Agriculture announced that it will hold a national public hearing to consider proposals seeking to amend or remove the producer-handler provisions and revise the exempt plant provisions applicable to all Federal milk marketing orders. The hearing will begin at 1 p.m. on May 4, 2009, at The Westin - Cincinnati, 21 East Fifth Street, Cincinnati, OH 45202.

USDA will also consider a proposal seeking to amend the orders to include provisions related to individual handler pools as an alternative to the producer-handler provisions. The National Milk Producers Federation and the International Dairy Foods Association submitted initial proposals. USDA requested additional proposals from the industry that would examine all features

of the producer-handler and exempt plant provisions. USDA received proposals from dairy farmers, producer-handlers, dairy farmer cooperatives, and fluid milk processors.

Anyone interested in participating in the hearing should notify a USDA official upon arrival. The hearing notice was published in the April 9 Federal Register. Copies of the hearing notice and additional information are available from USDA/AMS/Dairy Programs, STOP 0231 - Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231, from the AMS web site: at www.ams.usda.gov/dairy.

The hearing notice and additional information may also be obtained from this office by calling (502) 499-0040, or friedly@malouisville.com.

Proceedings Concluded to Amend Federal Orders 5 & 7

On March 13, 2009, the U.S. Department of Agriculture announced a rule that concludes the rulemaking proceeding to consider proposals to amend the producer-handler provisions of the Appalachian and Southeast milk marketing orders. The proposed amendments were considered at a public hearing held at Atlanta, GA, in February 2004.

The rule terminates the proceeding concerning proposed amendments that would: 1) Limit the exemption for producer-handlers to those dairy

farmers with less than 3 million pounds of fluid milk products sales; and 2) Allow dairy farmers to purchase supplemental supplies of milk from other sources while retaining their producer-handler status.

Other proposals considered as part of this proceeding were addressed in previously issued decisions.

The rule terminating the proceeding appeared in the March 13 Federal Register.

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February Milk Production Down 2.5%

Milk production in the 23 major states during February totaled 13.7 billion pounds, down 2.5 percent from February 2008. When accounting for the leap year in 2008, milk production in the

23 major states increased by 0.9 percent. January revised production at 14.9 billion pounds, was up 1.1 percent from January 2008. The January Milk Production, cont'd on page 2

Appalachian Statistical Summary

	MARCH 2009	FEBRUARY 2009	MARCH 2008
PRICES: (Base Zone)			
Uniform Price	\$12.29	\$12.98	\$18.63
Class I Price	12.83	14.12	19.80
Class II Price	10.36	10.25	15.63
Class III Price	10.44	9.31	18.00
Class IV Price	9.64	9.45	14.17
Uniform Skim Milk Price	\$8.56	\$9.41	\$14.38
Class I Skim Milk Price	9.21	10.47	15.64
Class II Skim Milk Price	6.51	6.63	11.24
Class III Skim Milk Price	6.61	5.68	13.72
Class IV Skim Milk Price	5.78	5.82	9.75
Uniform Butterfat Price	\$1.1500	\$1.1153	\$1.3574
Class I Butterfat Price	1.1258	1.1480	1.3448
Class II Butterfat Price	1.1664	1.1011	1.3674
Class III Butterfat Price	1.1594	1.0941	1.3604
Class IV Butterfat Price	1.1594	1.0941	1.3604

PRODUCER MILK:			
Class I	360,776,471	325,825,404	346,366,184
Class II	76,854,014	64,749,937	91,006,685
Class III	30,680,093	43,839,567	20,326,228
Class IV	50,040,235	37,778,618	52,402,519
Total Producer Milk	518,350,813	472,193,526	510,101,616

PERCENT PRODUCER MILK IN:			
Class I	69.60	69.00	67.90
Class II	14.83	13.71	17.84
Class III	5.92	9.29	3.99
Class IV	9.65	8.00	10.27

F.O. 5 STATS FOR MARCH 2009:

⇒ **The Uniform Price** for March 2009 was \$12.29.

⇒ **Total Class I Milk** for March 2009 was 360,776,471 pounds, 35.0 million pounds higher than February 2009 and 14.4 million pounds higher than March 2008.

⇒ **Class I Utilization** for March 2009 was 69.60 percent, an increase of 0.60 percentage points from February 2009 and an increase of 1.7 percentage points from March 2008.

⇒ **Total Producer Milk** for March 2009 was 518,350,813 pounds, up 8.2 million pounds, or a 1.6 percent increase, compared to March 2008.

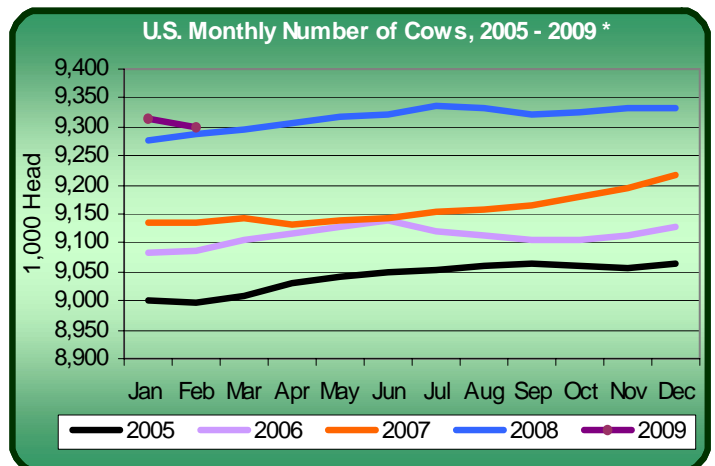
Milk Production, cont'd from page 1

revision represented an increase of 52 million pounds or 0.4 percent from last month's preliminary production estimate.

Production per cow in the 23 major states averaged 1,608 pounds for February, 48 pounds below February 2008. When accounting for the leap year in 2008, production per cow in the 23 major states increased by 0.6 percent.

The number of milk cows on farms in the 23 major states was 8.49 million head, 31,000 head more than February 2008, but 16,000 head less than January 2009.

Milk Production, cont'd on page 4



* Based on entire U.S. production.

Federal Order Class I Value

The method of pricing farm milk under the Federal milk marketing order (FMMO) is at the plant of first receipt. Class I prices paid by plants and the producer minimum uniform prices vary by the location of the plant. Each county in the United States is designated a Class I differential. The Federal order minimum Class I prices and the uniform prices are announced at the principal pricing point, or base zone, for each Federal order, e.g. \$3.40 per hundredweight (cwt.) for Mecklenburg County, NC (Charlotte) for the Appalachian Marketing Area. The effective Class I prices and the uniform prices for an order are adjusted based on the actual location of the receiving plant. A map of the Class I price structure is available at: <http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELPRDC5069806>.

Based on an Interim Final Rule effective May 1, 2008, the Class I differentials were adjusted in the Appalachian, Florida, and Southeast Marketing Areas. The principal pricing point (Mecklenburg County, NC) for the Appalachian Marketing Area was increased by \$0.30 per cwt. For the period May to December 2008, the adjusted Class I differentials added an estimated \$12 million to the Federal Order 5 pool value, an average of \$1.5 million per month. The weighted average Class I differential at location increased by \$0.44 per cwt., while the value to the total pool increased by \$0.31 per cwt. due to the adjusted Class I differentials.

The Class I differential recognizes that it is more costly to produce and market milk for fluid use than for milk that is used for manufacturing such products as butter, cheese and nonfat dry milk. A reason the cost difference exists is because milk in fluid form, which is perishable in nature, usually must be transported relatively long distances from production areas to market centers.

The orders provide that producers be paid a uniform or average price. The uniform price is calculated by combining and averaging class values for all handlers through market-wide pooling provisions. The Federal milk order program has two systems for paying producers, the component pricing system and the skim milk/

butterfat pricing system. The component pricing system is used in six orders (Federal Orders 1, 30, 32, 33, 124, and 126). Under this system, producer prices are based on the value of components, butterfat, protein, and other solids, in the milk they market and the value of the producer price differential. The skim milk/butterfat pricing system is used in four orders (Federal Orders 5, 6, 7, and 131). Under this system, the producer prices are based on the uniform skim milk price and the uniform butterfat price. The value of Class I differentials are weighted in the order uniform prices based on the portion of Class I milk to total producer milk pooled on the order. For example, the Class I differential value contributed \$2.17 per hundredweight, on average, to the Federal Order 5 uniform price in 2008.

Federal orders establish minimum class prices that regulated handlers pay for raw milk. The sellers of raw milk, dairy farmers or their cooperative representatives, can bargain with regulated handlers to sell milk at prices higher than the FMMO minimums. These higher than minimum prices are called over-order prices and the difference between the prices are called over-order charges or over-order payments. These premiums are not regulated by the order and therefore are not included in any announced minimum order prices.

For the period May to December 2008, the adjusted Class I differentials added an estimated \$12 million to the Federal Order 5 pool value, an average of \$1.5 million per month.

Value of Class I Differentials at Location - Federal Order 5			
2008	Class I Differential Value	Weighted Average Class I Differential	Class I Differential Value of Producer Milk
per cwt.			
January	\$10,429,503.67	\$2.80	\$2.03
February	\$9,317,603.13	\$2.80	\$2.02
March	\$9,679,740.21	\$2.79	\$1.90
April	\$9,743,403.23	\$2.81	\$1.99
May	\$11,161,700.71	\$3.24	\$2.28
June	\$10,115,371.18	\$3.24	\$2.17
July	\$10,748,947.39	\$3.25	\$2.26
August	\$11,027,596.61	\$3.24	\$2.25
September	\$11,284,841.39	\$3.25	\$2.35
October	\$11,910,548.64	\$3.25	\$2.39
November	\$10,781,601.97	\$3.24	\$2.21
December	\$11,693,469.57	\$3.23	\$2.24
Annual	\$127,894,327.70	\$3.09	\$2.17

**APPALACHIAN MARKETING AREA
FEDERAL ORDER 5**

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Milk Production, cont'd from pg. 2

Special Note: NASS added Utah to the monthly estimating program and removed Kentucky beginning with the February report. Historic estimates have been created for Utah for 2008 and January 2009 for comparison purposes. The inclusion of Utah and exclusion of Kentucky accounted for 43 of the 52 million pound revision to the 23-State milk production total for January 2009. The remaining 9 million pounds was a result of the normal revision process.

Federal Milk Marketing Order Statistics - February 2009

Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	1,843	792	43.0	11.75
5	Appalachian	472	326	69.0	12.98
6	Florida	268	218	81.4	15.02
7	Southeast	546	371	67.9	13.22
30	Upper Midwest	2,488	356	14.3	9.82
32	Central	1,063	339	31.9	10.38
33	Mideast	1,278	542	42.4	10.83
124	Pacific Northwest	627	179	28.6	10.31
126	Southwest	990	340	34.4	11.31
131	Arizona	345	115	33.2	10.69
All Orders ¹		9,921	3,578	36.1	11.06

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

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