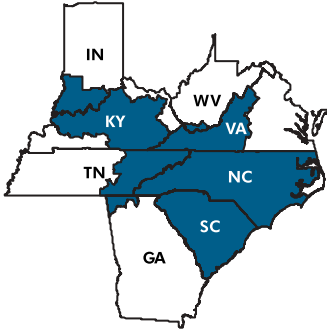




THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator

Inside This Issue:

- Appalachian Statistical Summary 2**
- March Milk Production Down 0.2% 2**
- U.S. Monthly Milk Per Cow, 2005-2009..... 2**
- Dairy Situation and Outlook (continued) 3**
- Jan. - Mar. Milk Production Down 0.6% 4**
- FMMO Statistics - March 2009 4**



Dairy Situation and Outlook

Dairy cow slaughter surged ahead of year-earlier levels for the third month in a row in February, aided in part by the sixth Cooperatives Working Together (CWT) buyout since 2003, which removed over 50,000 cows from the dairy herd, mostly in the first quarter of 2009. According to recent Livestock Slaughter reports, dairy cow slaughter had moved ahead of year-earlier levels for much of 2008. The liquidation has been especially notable in the mountain western states. For the country as a whole, slaughter was 17 percent above year-earlier levels in February, 19 percent in January, and 12 percent in December. However, by region, slaughter exceeded year-earlier levels by 46 percent in December and 118 percent in January for region six, which includes New Mexico, Oklahoma, and Texas. January and February slaughter exceeded year-earlier

levels by 83 and 49 percent, respectively, in region ten, which includes Idaho, Oregon, and Washington. Other regions also recorded double-digit increases in cow slaughter. Although the CWT program is expected to remove additional cows from the herd by this summer, these data suggest that herd liquidation is well underway. The liquidation appears to be strongest in those regions that expanded most rapidly in the last few years. USDA forecasts that the dairy herd will contract to an average 9.2 million cows in 2009, compared with 9.3 million in 2008. The contraction is expected to continue throughout the year; by the fourth quarter of 2009, the number of dairy cows will likely average about 300 thousand fewer than those on hand in the fourth quarter of 2008.

Dairy Situation and Outlook, cont'd on pg. 3

National Animal Identification System

On May 4, 2009, Agriculture Secretary Tom Vilsack announced that the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) will hold a series of listening sessions on the National Animal Identification System (NAIS). The meetings will take place this month in Alabama, Colorado, Connecticut, Kentucky, Pennsylvania, Texas, and Washington state.

"USDA needs to hear directly from our stakeholders as we work together to create an animal disease traceability program we can all support," said Secretary of Agriculture Tom Vilsack. "I encourage individuals and organizations to voice their concerns, ideas and potential solutions about animal identification, by either attending these listening sessions or submitting comments online."

APHIS seeks to gather not only producer comments and concerns, but also potential or feasible solutions to create a program producers can feel comfortable supporting. The listening sessions will include information about the current program, as well as providing an opportunity to give public testimony or ask program-related questions. Discussion sessions related to NAIS' cost, impact on small farmers, privacy and confidentiality, liability premises registration, animal identification and animal tracing will allow producers to provide their input on ways to make the program into something they all can support.

The listening sessions will be held throughout the county. A meeting will be held from 9 a.m. to 4 p.m. on May 22, 2009, in Louisville, Kentucky, with registration one hour prior to the meeting.

Additional information on the meetings can be found at: www.usda.gov/nais/feedback.

Appalachian Statistical Summary

	APRIL 2009	MARCH 2009	APRIL 2008
PRICES: (Base Zone)			
Uniform Price	\$12.97	\$12.29	\$20.21
Class I Price	13.76	12.83	21.71
Class II Price	10.49	10.36	15.29
Class III Price	10.78	10.44	16.76
Class IV Price	9.82	9.64	14.56
Uniform Skim Milk Price	\$9.09	\$8.56	\$15.71
Class I Skim Milk Price	9.96	9.21	17.49
Class II Skim Milk Price	6.47	6.51	10.47
Class III Skim Milk Price	6.80	6.61	12.02
Class IV Skim Milk Price	5.81	5.78	9.74
Uniform Butterfat Price	\$1.2003	\$1.1500	\$1.4418
Class I Butterfat Price	1.1840	1.1258	1.3793
Class II Butterfat Price	1.2119	1.1664	1.4818
Class III Butterfat Price	1.2049	1.1594	1.4748
Class IV Butterfat Price	1.2049	1.1594	1.4748

PRODUCER MILK:

Class I	341,904,196	360,776,471	346,687,291
Class II	76,876,393	76,854,014	82,120,838
Class III	28,728,368	30,680,093	19,760,173
Class IV	54,892,645	50,040,235	40,133,625
Total Producer Milk	502,401,602	518,350,813	488,701,927

PERCENT PRODUCER MILK IN:

Class I	68.05	69.60	70.94
Class II	15.30	14.83	16.80
Class III	5.72	5.92	4.05
Class IV	10.93	9.65	8.21

March Milk Production Down 0.2%

Milk production in the 23 major States during March totaled 15.2 billion pounds, down 0.2 percent from March 2008. February revised production at 13.6 billion pounds, was down 2.7 percent from February 2008. The February revision represented a decrease of 23 million pounds or 0.2 percent from last month's preliminary production estimate. Production per cow in the 23 major States averaged 1,788 pounds for March, 6 pounds below March 2008.

The number of milk cows on farms in the 23 major States was 8.48 million head, 15,000 head more than March 2008, but 4,000 head less than February 2009.

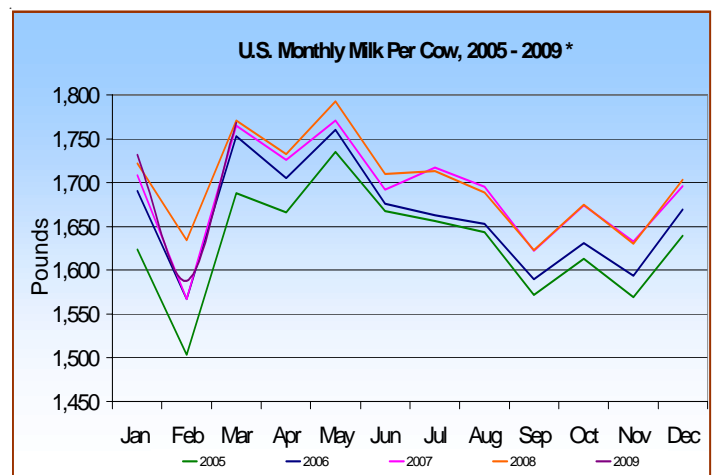
F.O. 5 STATS FOR APRIL 2009:

⇒ **The Uniform Price** for April 2009 was \$12.97, an increase of \$0.68 from March 2009.

⇒ **Total Class I Milk** for April 2009 was 341,904,196 pounds, a decrease of 4.8 million pounds from April 2008.

⇒ **Class I Utilization** was 68.05 percent for April 2009.

⇒ **Total Producer Milk** for April 2009 was 502,401,602 pounds, up 13.7 million pounds, or 2.8 percent, compared to April 2008.



* Based on entire U.S. production.

Dairy Situation and Outlook, Cont'd from pg. 1

Expected corn and soybean meal prices have been revised upward from earlier forecasts. Higher feed costs will likely continue to pressure producer profits. Milk per cow will climb only incrementally in response to poor producer returns. The yield increase is expected to be less than one-half of 1 percent this year, adjusting for leap-year, continuing the trend toward smaller year-over-year increases that began in 2006. The outcome from these adjustments is a decline in milk production in 2009 to 187.1 billion pounds from 190.0 billion pounds in 2008.

Cheese production rose slightly in February after adjusting for the extra day in February 2008. Production of cheddar and mozzarella showed declines even after adjustment. Overall production was higher because of increases in Hispanic cheeses, Italian types beside mozzarella, and other cheeses. February stocks of all cheeses were 11 percent above year-earlier levels. Commercial disappearance for all cheese was down only slightly in January compared with a year earlier, the last month for which figures are available. Market adjustments so far have led to cheese prices increasing from the lows observed earlier in 2009. The decline in milk production is expected to cause further declines in cheese production. Declining retail cheese prices that have lagged falling wholesale prices are finally beginning to boost consumption. Lower prices compared with last year will likely continue to boost consumption. Lower milk production and somewhat higher domestic use will likely raise prices toward the end of 2009. For the year, prices are expected to average \$1.270 to \$1.320 per pound.

The year-over-year decline in butter production was 0.9 percent. Butter stocks declined in February compared with a year earlier. According to Dairy Market News, international demand for butter is weak. Since the first of the year, the Commodity Credit Cooperation (CCC) has contracted to buy 4.6 million pounds of butter, but higher prices are expected to preclude

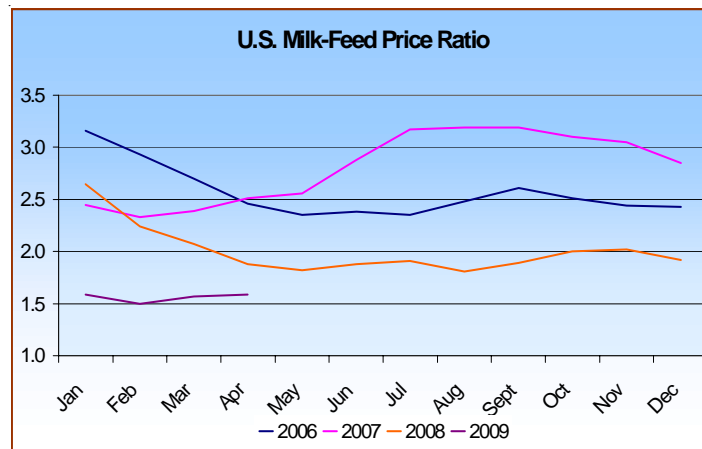
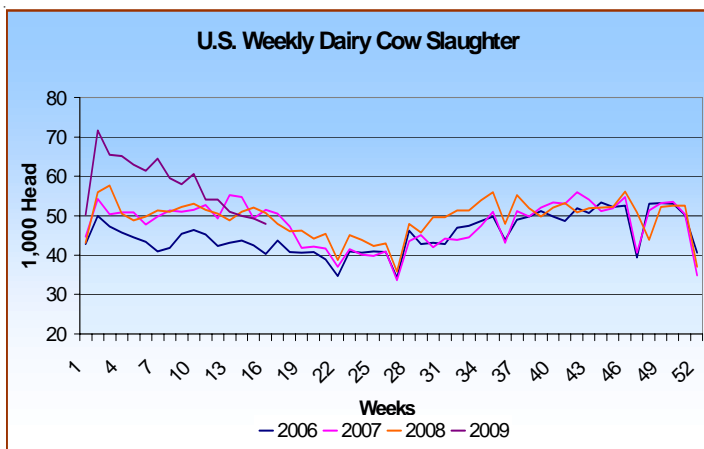
additional butter purchases this year. The domestic demand outlook for butter is similar to that for cheese except that Government purchases have helped ease commercial stocks of the former somewhat. The price scenario for butter is similar to that for cheese, as reduced milk production could boost prices toward the end of 2009. The butter price is expected to average \$1.155 to 1.235 per pound for the year.

With nonfat dry milk (NDM) prices near support levels, domestic use appears to be strengthening. However, since the first of the year, about 100 million pounds of NDM have moved into CCC inventories, but the pace of removals has slowed. There is some increased foreign demand because production from Oceania, although improved over recent drought years, did not reach expectations. However, a weaker world economy may limit demand. Prices for NDM are forecast to remain above support, averaging 83.0 cents to 87.0 cents per pound in 2009.

Whey production for human consumption continues to lag year-ago levels. Output in February was down 3.7 percent from a year ago (adjusting for leap-year in 2008). Whey production has been below year-earlier levels for over a year. Whey prices are still below those of recent years, but reduced supplies and improving export demand have led to a slightly higher price forecast than earlier in the year. Whey prices are expected to average 17.0 cents to 20.0 cents per pound for the year.

As a result of slightly higher than expected product prices, the prices for Class III and Class IV milk have been raised slightly to \$10.65 to \$11.15 per cwt and \$9.95 to \$10.55 per cwt, respectively, for 2009. The all milk price is expected to average \$11.85 to \$12.35 per cwt in 2009.

Source: Livestock, Dairy, & Poultry Outlook/LDP-M-178/April 16, 2009 Economic Research Service, USDA



**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



**January - March Milk
Production Down 0.6%**

Milk production in the U.S. during the January - March quarter totaled 47.3 billion pounds, down 0.6 percent from the January - March quarter last year. The average number of milk cows in the U.S. during the quarter was 9.30 million head, 11,000 head more than the same period last year.

Federal Milk Marketing Order Statistics - March 2009

Federal Order		Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	\$/cwt
1	Northeast	2,062	889	43.1	11.56
5	<i>Appalachian</i>	518	361	69.6	12.29
6	Florida	278	234	83.9	14.19
7	Southeast	678	411	60.7	12.47
30	Upper Midwest	2,675	376	14.1	10.57
32	Central	1,043	366	35.1	10.44
33	Mideast	1,407	574	40.1	10.73
124	Pacific Northwest	615	191	31.1	10.48
126	Southwest	688	369	53.6	11.45
131	Arizona	387	124	32.0	10.63
All Orders¹		10,351	3,895	37.6	11.14

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.