APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

September 2009
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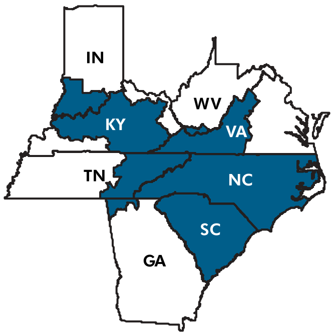
THE COURIER

Appalachian Marketing Area Monthly Newsletter



Harold H. Friedly, Jr.
Market Administrator

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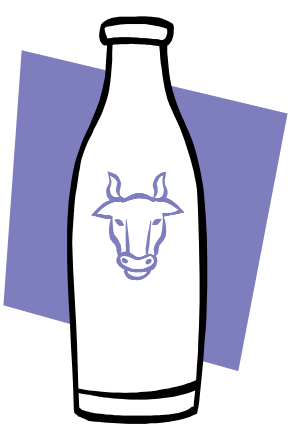

Secretary Vilsack Establishes Dairy Advisory Committee

On August 25, 2009, Agriculture Secretary Tom Vilsack announced that as part of USDA's continuing efforts to listen to and respond to the needs of producers in the dairy industry he is moving forward on establishing the Dairy Industry Advisory Committee and is requesting nominations.

"The Obama Administration is committed to working with all sectors of the dairy industry to develop changes to the dairy pricing system to avoid the boom and bust cycle behind the crisis facing many dairy farmers this year," said Vilsack. "The input provided by the members of this committee will play an important role in building a more stable market for dairy producers for years to come."

Earlier in August, Secretary Vilsack promised to move forward with establishment of a charter creating the committee for two years. Once appointed, the committee will review the issues of farm milk price volatility, and dairy farmer profitability. The committee will also offer suggestions and ideas on how USDA can best address these issues to meet the dairy industry's needs. USDA is establishing the committee under the authority of the Federal Advisory Committee Act of 1972.

The Secretary of Agriculture will appoint up to 15 representatives of the dairy industry to serve in an advisory capacity on the Committee. Representatives will include: producers and producer organizations, processors and processor organizations, handlers, consumers, academia, retailers, and state agencies involved in organic and non-organic dairy at the local, regional, national and international levels.

Written nominations must be received on or before September 28, and should be sent to Judith Lindsay, secretary to Brandon Willis, Deputy Administrator, Farm Service Agency, Farm Programs, USDA Room 3612-S, Stop 0501, Washington, D.C. 20250-0501; faxed to (202) 720-4726; or e- mailed to: judith.lindsay@wdc.usda.gov.

Advisory committee members will elect the chairperson and vice-chairperson who will each serve a two-year term. As Deputy Administrator of the FSA Farm Programs, Willis will serve as the committee's executive secretary.

Details was published in the August 28 Federal Register. More information on the committee is available at www.ams.usda.gov/AMSv1.0/DairyAdvisoryCommittee.
(Source: USDA News Release No. 0399.09)

Dairy Outlook

Milk production during the second quarter of 2009 was up one-tenth of 1 percent from the second quarter of 2008, even though herd size was 53,000 head smaller than the corresponding quarter last year. June milk production was down two-tenths of 1 percent from a year earlier. While the June reported herd size was 86,000 head less, production per cow was 13 pounds more than

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Appalachian Statistical Summary

	AUGUST 2009	JULY 2009	AUGUST 2008
PRICES: (Base Zone)			
Uniform Price	$12.86	$12.92	$20.72
Class I Price	13.44	13.66	21.87
Class II Price	10.86	10.87	17.45
Class III Price	11.20	9.97	17.32
Class IV Price	10.38	10.15	16.64
Uniform Skim Milk Price	$8.78	$8.78	$15.18
Class I Skim Milk Price	9.40	9.43	16.45
Class II Skim Milk Price	6.70	6.73	11.74
Class III Skim Milk Price	7.08	5.82	11.63
Class IV Skim Milk Price	6.23	6.01	10.93
Uniform Butterfat Price	$1.2521	$1.2699	$1.7342
Class I Butterfat Price	1.2489	1.3022	1.7144
Class II Butterfat Price	1.2561	1.2508	1.7483
Class III Butterfat Price	1.2491	1.2438	1.7413
Class IV Butterfat Price	1.2491	1.2438	1.7413
PRODUCER MILK:			
Class I	349,080,642	340,694,568	339,946,869
Class II	77,789,489	84,447,777	95,797,005
Class III	22,967,794	31,112,583	20,357,956
Class IV	35,412,978	31,751,062	33,186,373
Total Producer Milk	**485,250,903**	**488,005,990**	**489,288,203**
PERCENT PRODUCER MILK IN:			
Class I	71.94	69.81	69.48
Class II	16.03	17.30	19.58
Class III	4.73	6.38	4.16
Class IV	7.30	6.51	6.78

F.O. 5 STATS FOR AUGUST 2009:

➲ **The Uniform Price** for August 2009 was $12.86.

➲ **Total Class I Milk** for August 2009 was 349,080,642 pounds, an increase of 9.1 million pounds, or 2.7 percent, compared to August 2008.

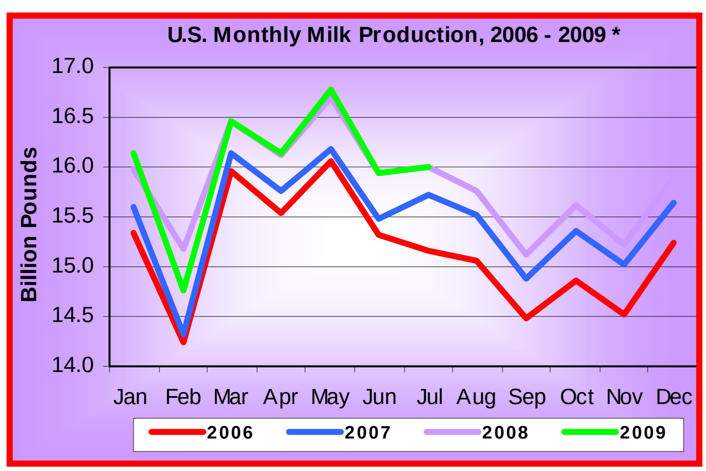
➲ **Class I Utilization** was 71.94 percent for August 2009, an increase of 2.1 percentage points from July 2009 and an increase of 2.5 percentage points from August 2008.

➲ **Total Producer Milk** for August 2009 was 485,250,903 pounds, down 4 million pounds, or 0.8 percent, compared to August 2008.

July Milk Production Up 0.1%

Milk production in the 23 major States during July totaled 14.9 billion pounds, up 0.1 percent from July 2008. June revised production at 14.8 billion pounds, was up 0.1 percent from June 2008. The June revision represented an increase of 34 million pounds or 0.2 percent from last month's preliminary production estimate. Production per cow in the 23 major States averaged 1,769 pounds for July, 25 pounds above July 2008.

The number of milk cows on farms in the 23 major States was 8.40 million head, 115,000 head less than July 2008, and 34,000 head less than June 2009.



* Based on entire U.S. production.

Dairy Outlook, continued from pg. 1

the corresponding month last year. USDA forecasts corn and soybean meal prices to be lower this crop year. The lower feed prices and cheaper alfalfa hay helped support additional feeding and milk production despite the overall contraction signals from the market. Coupled with relatively slow herd contraction, milk production is projected at 188.2 billion pounds for 2009, less than a 1-percent reduction from 2008.

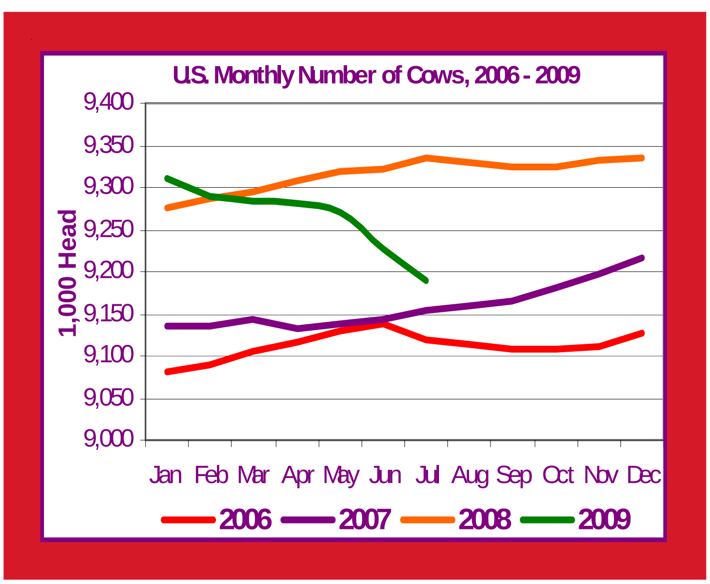
Prospects are for 2009/10 feed prices to decline slightly from 2008/09, helping boost the milk-feed ratio from this year's lows. The lower expected feed prices could provide modest relief to producers as milk prices strengthen over the course of the year, but hardly presage a turnaround in overall dairy market prospects for producers. The lower feed prices and continued herd contraction will likely continue to boost output per cow in 2010. However, next year, the forecast herd contraction to 8.9 million cows will outweigh the forecast 1.9-percent increase in output per cow and milk production will likely slip to 186.5 billion pounds.

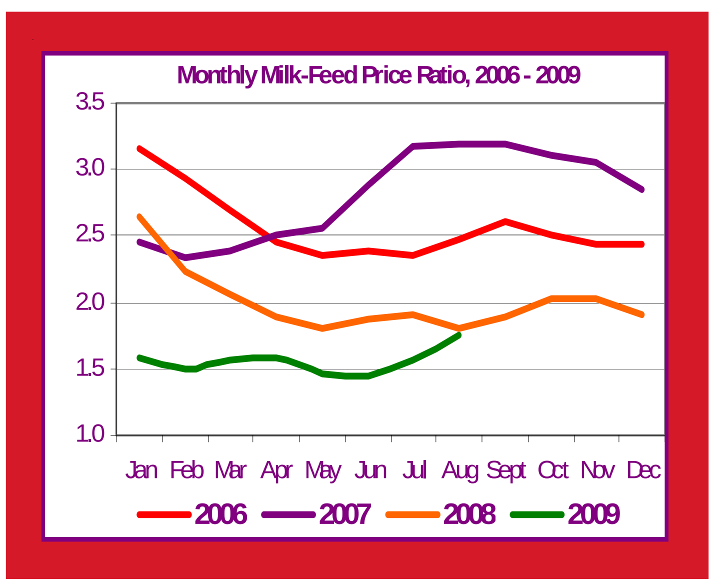
Although exports were up in June, for the rest of the year exports will be reduced in light of higher domestic prices and increased dairy product availability in world markets, which reduces the competitiveness of U.S. products. Continued accumulation of dry milk powder in the European Union will likely pressure world prices, further reducing U.S. export prospects. Overall, exports on a fats basis will remain at 3.8 billion pounds, virtually unchanged in 2010 compared with 2009. On a skims/solids basis, 2010 exports will be slightly higher at 21.2 billion pounds compared with 20.0 billion pounds expected for this year. These forecasts remain well below 2008 totals.

The current USDA forecast assumes that Commodity Credit Corporation net removals will become negative in 2010 as product purchased under the higher support prices moves back into the market. Cheese and nonfat dry milk (NDM) prices should strengthen in 2009, reflecting the increase in support prices for those products. Economic recovery in 2010 and slightly lower milk production should help boost prices for all products in 2010. The cheese price is projected to average $1.235 to $1.255 per pound this year and climb to $1.510 - $1.610 in 2010. Butter prices are expected to average $1.180 - $1.220 per pound in 2009 and strengthen to $1.435 - $1.565 in 2010. NDM prices are projected to average 85 to 87 cents per pound and rise to 94.5 cents - $1.015 per pound in 2010. Whey prices are projected at 24 to 26 cents per pound in 2009 and 28 to 31 cents per pound next year.

Milk prices should recover from 2009 lows next year but should remain well below the highs of 2007 and 2008. The Class III price is expected to average $10.70 - $10.90 per cwt in 2009 and rise to average $13.75 - $14.75 per cwt in 2010. The Class IV price is projected to average $10.15 - $10.45 per cwt this year and reaches $12.10 - $13.20 per cwt next year. The all milk price average is expected to be $12.10 - $12.30 per cwt and rise to $14.65 - $15.65 per cwt in 2010.

Source: *Livestock, Dairy, & Poultry Outlook*/LDP-M-182/ August 19, 2009, Economic Research Service, USDA





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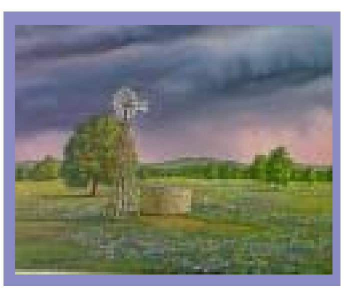

Federal Milk Marketing Order Statistics - July 2009

	Federal Order	Producer Deliveries Million	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,040	832	40.8	11.99
5	***Appalachian***	***488***	***341***	***69.8***	***12.92***
6	Florida	231	206	88.9	15.08
7	Southeast	571	382	66.9	13.07
30	Upper Midwest	2,918	360	12.3	10.30
32	Central	1,178	334	28.3	10.76
33	Mideast	1,460	553	37.9	11.07
124	Pacific Northwest	685	188	27.4	10.74
126	Southwest	948	335	35.3	11.77
131	Arizona	304	117	38.5	11.10
	All Orders 1	10,823	3,646	33.7	11.32