

## United States Department of Agriculture

Agricultural Marketing Service  
Dairy Program

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### Market Administrator

Federal Order No. 5 – Appalachian Marketing Area  
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Federal Order No. 7 – Southeast Marketing Area

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January 28, 2026

To: Pool Handlers, Appalachian Marketing Area

From: Market Administrator, Louisville, Kentucky

Subject: Transportation Credit Balancing Fund

The Market Administrator received a request to extend the payment of transportation credits from the Transportation Credit Balancing Fund for the month of February 2026 in the Appalachian Marketing Area. The authority for the Market Administrator to make such a determination is contained in §1005.82(b).

Handlers were notified by the Market Administrator's office on January 16, 2026, of the request made by the Maryland and Virginia Milk Producers Cooperative (MDVA) and were invited to file comments in accordance with §1005.82(b) on the request through January 23, 2026. The request made by MDVA cited strong Class I demand in the first two weeks of 2026, and that is expected to continue into February. MDVA contends dairy farmers in the region continue to face higher input costs and low milk prices which are constricting growth in production. To help offset the lack of adequate local supply, supplemental supplies from outside the market are necessary to meet in-area demand. MDVA expects the supply and demand imbalance to improve during February but argues the need for supplemental milk will persist. Due to the imbalance, MDVA views it as critical for payments from the TCBF to be extended through February to provide cooperative suppliers with the opportunity to offset the cost of transporting supplemental supplies to the FO 5 marketing area.

The Market Administrator's office received comments from Select Milk Producers (Select) and Lone Star Milk Producers (Lone Star) in support of the request to extend payments from the Transportation Credit Balancing Fund to February 2026. Select stated they have seen a significant demand surge for raw milk in the Appalachian Marketing Order for the first few weeks of January compared to prior years and they agree with MDVA that payments from the TCBF will remain critical during the month of February 2026 to assist with supplying milk to the region. Lone Star concurs with MDVA's assessment that supplemental milk will continue to be needed in the Appalachian Order Marketing Area during the month of February 2026 and states conditions in February will be no different than January, a month when payments from the TCBF are required. Lone Star also highlighted the high cost of hauling milk, especially for long distance hauls, and indicated the cost of delivering supplemental milk to the Appalachian Order is not uniformly performed, and the TCBF is designed to mitigate that kind of market disorder. Additionally, Lone Star concurred with MDVA's comments that Class I sales in the first weeks of 2026 have been

particularly strong. Lone Star provided analysis of Class I use in the Appalachian Order and found notable increases in the last four months of 2025 compared to 2024. Additionally, Lone Star stated the conditions existing in January and February in the previous two years mirror the conditions in September through December, and the daily average Class I Milk use in the combined months of January and February exceeds the average of September through December.

No comments were filed with the Market Administrator in opposition to extending the payment of transportation credits for the month of February 2026 in the Appalachian Marketing Area.


Based on the data, views, and arguments that were received regarding the request and the analysis of this office, the Market Administrator has made a determination to extend the payment of transportation credits for the month of February 2026 for the Appalachian Marketing Area.

The Class I demand for pool distributing plants during the month of February has remained relatively consistent since 2021, while milk production within the marketing area has declined slightly. Therefore, the demand for fluid milk from outside the marketing area has increased.

There are considerable costs related to the hauling of supplemental milk into the Appalachian Marketing Area. The Final Rule effective March 1, 2024, updated the variable mileage rate factor used to determine the payments from the Transportation Credit Balancing Fund. The mileage rate factor is adjusted monthly based on changes in the cost of diesel fuel as reported by the Energy Information Administration (EIA). The mileage rate factor was announced at 0.77 cents per cwt. per mile for the month of February 2026 and has remained between 0.77 and 0.78 cents for the last 18 months.

The Transportation Credit Balancing Fund was originally established to partially offset the cost of transporting supplemental milk supplies into the Appalachian Marketing Area to meet fluid milk demands.

It is reasonable to conclude that the Appalachian Marketing Area continues to be a deficit market and the cost of transporting supplemental milk into the marketing area continues to result in higher costs to handlers of supplemental milk. The need for supplemental milk supplies to meet the expected Class I demands at pool distributing plants warrants the month of February 2026 as a payment month for transportation credits in the Appalachian Order.

  
Richard J. Holt, Jr.  
Acting Market Administrator