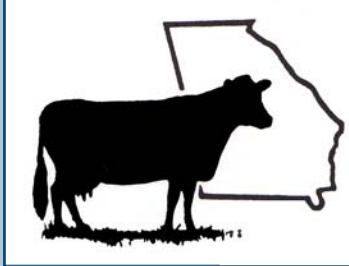


GEORGIA MILK REVIEW

January 2009



MILC PAYMENTS SET TO BEGIN IN FEBRUARY

The MILC program was renewed in the recent 2008 Farm Bill, with a provision that raises the MILC target price when dairy feed prices are high. The table below shows National Milk Producers Federation's projections for MILC targets for the Boston Class I price, the Boston Class I price, and the MILC payment rate. The graph shows the targets and projections for the Class I base price. All are based on futures prices for milk, corn, and soybeans.

Under the renewed program, payments can be available for up to nearly 3 million pounds per year. The payment rate calculation was also returned to 45% of the difference between the Boston Class I price and the MILC target.

There has been quite a bit of confusion among the USDA Farm Service Agency's field offices about the rules for the MILC program. In an effort to avoid producers missing payments based on incorrect information from these offices, National Milk is passing along these key points:

1). For at least the current fiscal year, producers can choose the month they sign up as their payment start date. That is, if a producer signs up for the program in March, they can choose March as their start date. Some state and county FSA offices are telling producers they must sign up by January 21st or by February 14th for February payments.

2). Although the MILC eligibility is subject to a \$500,000 limit on *non-farm Adjusted Gross Income* (AGI), there is no eligibility limit on total or farm-based AGI. Some offices are saying that total limits apply to MILC eligibility.

NMPF has sent a letter to Teresa Lasseter, FSA's Administrator, urging her to communicate these points to FSA field staff and to producers. It also urges the Agency to work harder to facilitate producers' timely applications, in response to reports of some offices' unnecessarily rigid enforcement of paperwork requirements. There may be MILC contract submissions that were made contrary to the producers' interests that may have been on the advice of FSA staff. We urge FSA to allow such submissions to be corrected without penalty.

However, NMPF urges producers to make sure they have the necessary paperwork prepared when they submit their MILC contracts to avoid bureaucratic snafus in their county offices that could cause them to miss the real deadlines. This may include documentation of compliance with conservation requirements, as under previous years' MILC programs, and documentation of their income, which is a new requirement for the MILC program.

*Estimates based on futures as of 1/14/09
For up-to-date estimates go to www.gamilk.org*

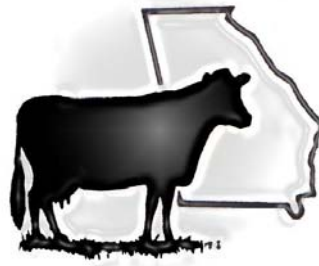
Month	Target Price	Boston Class I	MILC Estimate
Jan 09'	\$17.75	\$18.99	N/A
Feb 09'	\$17.21	\$14.36	\$1.28
March 09'	\$16.94	\$13.35	\$1.61
April 09'	\$17.66	\$13.33	\$1.95
May 09'	\$17.76	\$13.82	\$1.77
June 09'	\$17.83	\$14.40	\$1.54
July 09'	\$17.90	\$14.79	\$1.40
Aug 09'	\$17.91	\$15.17	\$1.23
Sept. 09'	\$18.07	\$16.12	\$0.87
Oct. 09'	\$18.04	\$16.62	\$0.64
Nov. 09'	\$18.02	\$16.76	\$0.57
Dec. 09'	\$18.26	\$16.86	\$0.63

DAIRY CLASSIFIEDS

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Georgia 2009 Conf

Monday, February 2, 2009

- 10 a.m.** **GA Milk Board of Directors Meeting**
Lanier Ballroom
- 1 p.m.** **Registration & Exhibitor Visitation**
Lanier Ballroom
- 2:00** **Georgia Dairy Industry Update**
Lanier Ballroom
- Welcome - Bob Holden, President**
- Georgia Milk Producers Report**
Farrah Newberry, Executive Director
- Mobile Dairy Classroom Update**
Nicole Roberts, Instructor
- Forging New Roads for Dairy Sales**
Cheryl Hayn, General Manager, SUDIA
- 3:00 - 3:30** **Community Outreach: Telling your story**
Amanda Trice, SUDIA
- 3:30 - 4:00** **Exhibit Break & Door Prize Drawing**
- 4:00 - 4:20** **Federal Order 7 Milk Market Report**
Sue Mosley, FMMA, USDA
- 4:20 - 4:45** **CWT Program Report**
Jim Tillison, CEO of Cooperatives Working Together (CWT)
- 4:45 - 5:00** **Speaker Q & A Session**
- 5:00 - 6:00** **Exhibitor Break**
- 6:30 p.m.** **Evening Banquet**
Cream of the Crop Awards
Jerry Carroll, Entertainment

Many Thanks to

ADM Alliance
Ag Georgia
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Georgia
Haymaster
Masters Choic
Maryland - Virgin
Mid-GA Fa
Neotek Devel
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Tuesday, February 3, 2009

- 7 a.m. **ADA of GA Breakfast Board Meeting**
The Retreat
- 8 a.m. **Registration & Exhibitor Visitation**
Lanier Ballroom
- 8:30 **Importance of Record Keeping for
Nutrient Management Plans**
*Meloney Wilson,
Animal Waste Specialist, UGA*
- 9:00 **A Review of the New CAFO Regulations**
*Dr. John Worley, Extension Engineer
University of Georgia*
- 9:30 **Making Your Fertilizer Investment
Less Risky and More Efficient**
*Dr. Dennis Hancock, Forage
Extension Specialist, UGA*
- 10:30 **Exhibit Break & Door Prize Drawing**
- 11:00 **Estate Planning Through Gifts**
*Michael Thigpen, CPA
Christian, Kelly, Thigpen & Co.*
- 11:30 **Immigration Issues Facing the
Dairy Industry**
*Glen Wasserstein, Esq.
Immigration Law Group, P.C.,
Washington, D.C.*
- 12:00 **Speaker Q & A Session**
- 12:15 **Luncheon**

(Dairy producers who completed the Certified Waste Operator training are required to have four hours of continuing education credits every two years. This program will count for two hours of continuing education credits)

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2009 DAIRY MARKET OUTLOOK

KEN BAILEY, PROFESSOR, PENN STATE UNIVERSITY

In his January 2009 Dairy Outlook, Ken Bailey, a professor at Penn State University, reports that the current economic crisis is taking its toll on dairy markets. Cash market prices for cheese, butter and nonfat dry milk are now all down to support levels. According to Allan Levitt of the CME Group, three loads of butter were sold to the government at \$1.05 per pound under the price support program on January 7, 2009. This was the first time butter was sold to the government since Spring 2003. And, as of December 31, 2008, about 114.6 million pounds of nonfat dry milk were sold to the Government.

When looking at 2009, Bailey reports that two things are evident from the current market. First, there is going to be significant reductions in cow numbers as early as the first quarter due to the massive reduction in gross earnings for dairy producers. Bailey believes that this will force a swift realignment of supply and demand.

Second, once this adjustment occurs, the market by the third and fourth quarters will find itself short of milk. Add a little summer heat and look for the markets to react the other way and for market prices to suddenly boom. So, for dairy commodity buyers, Bailey suggests they lock in as much product as they can. For dairy producers, be very cautious to lock in milk prices, particularly for the second half of the year. "Remember, we are at the bottom of a bad market. Focus more on feed prices" said, Bailey.

USDA FORECASTS LOWER MILK PRODUCTION IN '09



The Agriculture Department lowered its 2008 milk production estimate in its latest World Agricultural Supply and Demand Estimates report on January 12, 2009. Based on production data through November higher expected cow numbers are more than offset by lower expected milk per cow. 2008 output is now projected at 189.6 billion pounds, down 100 million pounds from last month's estimate.

Forecasts for 2009 were also reduced from last month's report as "poor returns are expected to manifest themselves in a more rapid decline in cow numbers and slower growth in milk per cow." 2009 output is now projected at 190.5 billion pounds, down from the 191.4 billion projected a month ago.

UPCOMING EVENTS

Feb. 2-3, 2009
2009 Georgia Dairy Conference at King and Prince Beach Resort at St. Simons Island, GA.

Feb. 5, 2009
Charles Bell Memorial Dairy Show, Morgan Co. Ag Ctr Madison, GA.

Feb. 7, 2009
UGA Dairy Science Club Invitational Commercial Dairy Heifer Show, UGA Arena, Athens, GA

Feb. 20-21
GA Jr. National Commercial Dairy Heifer Show, GNF Agricenter Perry, GA

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