Pacific Northwest & Arizona Marketing Areas

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> James R. Daugherty Market Administrator

MARKET SUMMARIES FOR DECEMBER 2008

Comparisons to a year ago can be found in the tables on pages 6 and 7.

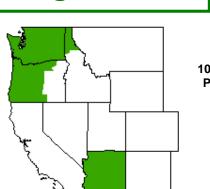
Pacific Northwest

Producers delivered a total of 472.7 million pounds of milk to the market during December. Daily deliveries averaged 15.2 million pounds, down 26.4 percent from November. An estimated 510 producers delivered milk to the market during the month. Comparisons to November 2008 are biased due to eligible milk not pooled. Daily deliveries per producer averaged 29,902 pounds, down 3.7 percent from November.

Class I producer milk during December totaled 203.7 million pounds, 43.1 percent of total producer receipts. Daily usage averaged 6.6 million pounds, up 7.9 percent from November.

Arizona

Producers delivered a total of 358.5 million pounds of milk to the market during December. Daily deliveries averaged 11.6 million pounds, up 3.3



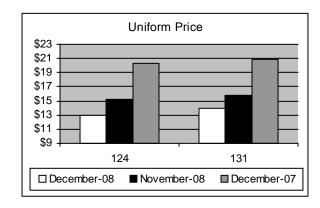




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percent from November. An estimated 102 producers delivered milk to the market during the month. Daily deliveries per producer averaged 113,383 pounds, up 3.3 percent from November.

Class I producer milk during December totaled 120.6 million pounds, 33.7 percent of total producer receipts. Daily usage averaged 3.9 million pounds, up 1.1 percent from November. •



Federal Order Producer Prices and Component Levels: December 2008									
Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131				
Uniform Price 1/*	13.00	13.97	Butterfat	3.780	3.611				
Butterfat 2/	1.2998	1.3961	Protein	3.179	N/A				
Protein 2/	3.6390	N/A	Other Solids	5.686	N/A				
Other Solids 2/	(0.0269)	N/A	Nonfat Solids	8.865	N/A				
PPD 1/*	(2.28)	N/A							
Skim 1/	N/A	9.41							

N/A = not applicable. * Subject to applicable location adjustments. 1/ \$ per cwt. 2/ \$ per pound.

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DECEMBER 2008 CLASS PRICES

December 2008 non-advanced Class Prices were calculated using NASS commodity price surveys from December 6, 13, 20, and 27, 2008. Component prices for the month are \$3.6390 per pound of protein, \$1.2998 per pound of butterfat, *negative* \$0.0269 per pound of other solids, and \$0.6680 per pound of nonfat solids.

December 2008 Class III and IV prices at 3.5% butterfat are \$15.28 and \$10.35 per hundredweight, respectively. The December Class III price compared to November is down \$0.23. The Class III price is \$5.32 lower than in December 2007.

Class II butterfat was announced at \$1.3068 per pound. Class I skim and butterfat and Class II skim prices for December 2008 were announced on November 21, 2008. The Class II price at 3.5% butterfat is \$11.21 for December 2008.

FINAL: NASS COMMODITY PRICES									
	November	December	Change						
Cheese*	\$1.7511	\$1.7544	\$0.0033						
Butter	\$1.6356	\$1.2448	-\$0.3908						
Nonfat Dry Milk	\$0.8701	\$0.8425	-\$0.0276						
Whey	\$0.1895	\$0.1730	-\$0.0165						

* The weighted average of barrels plus 3 cents and blocks.

Current Commodity Prices -- The NASS survey of cheddar cheese prices showed a decrease in price received for 40-pound blocks and a net decrease for 500-pound barrels. The survey of 40pound blocks showed a decrease of 53.25 cents between the December 20 and the January 17 surveys, to \$1.2230 per pound. The survey of 500pound barrels (**adjusted to 38% moisture**) showed a decrease of 44.33 cents to \$1.2630 per pound.

The NASS butter price showed a net decrease of 9.69 cents between the weeks ending December 20 and January 17 from \$1.1741 per pound to \$1.0772 per pound.

The NASS nonfat dry milk showed a net decrease of 1.03 cents since mid-December to \$0.8312 per pound. The average price for NASS whey showed a net decrease of 0.73 cents since mid-December to \$0.1692 per pound. ◆

FEBRUARY'S CLASS I PRICE ANNOUNCEMENT

On January 23, the February 2009 Class I price was announced at \$12.62 for the Pacific Northwest Order and \$13.07 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of January 10 and 17.

The February Class III and IV advance skim prices are \$7.07 and \$5.93 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 28.43 cents from \$1.3983 to \$1.1140 per pound.

The February 2009 Class II skim and nonfat solids prices were also announced on January 23. The skim price is \$6.63 per hundredweight, and the nonfat solids price is \$0.7367 per pound for all Federal orders. ◆

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS								
	<u>January</u>	<u>February</u>	<u>Change</u>					
Cheese*	\$1.7989	\$1.2895	-\$0.5094					
Butter	\$1.3262	\$1.0914	-\$0.2348					
Nonfat Dry Milk	\$0.8460	\$0.8333	-\$0.0127					
Whey	\$0.1716	\$0.1701	-\$0.0015					
* The weighted avera	na of harrals n	lus 3 cents and	l blocks					

* The weighted average of barrels plus 3 cents and blocks.

NOMINATION OF TOM VILSACK AS THE NEXT SECRETARY OF AGRICULTURE

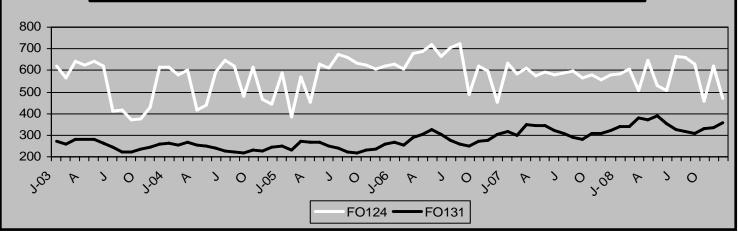
On December 17, 2008, U.S. Secretary of Agriculture Ed Schafer commended the nomination of former Iowa governor Tom Vilsack to be the 30th Secretary of Agriculture, citing the former governor's experience in agricultural issues and expressing confidence in Vilsack's ability to effectively continue USDA's success in expanding America's agricultural economy.

"USDA plays an integral role in supporting our agricultural economy and working on behalf of America's farmers and ranchers. I am confident that Tom Vilsack's background and experience will help him continue the progress we have made here."

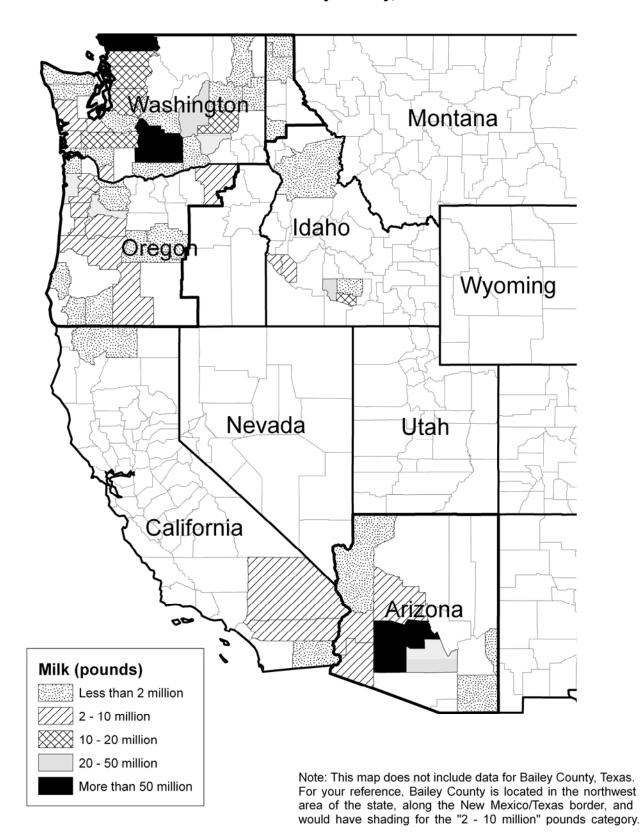
Schafer concluded his statement by wishing Governor Vilsack well and stating that he believes "he will succeed in continuing to move American agriculture forward."

Number of Proc	lucers and Poun	ds of Milk: B	y Order, State, and County, November 2008				
State County	Producers	Milk	State	County	Producers	Milk	
Pacific Northwest Order			Pacific No	orthwest Order (Contin	ued)		
			Orego	•			
California			Be	enton	3	2,767,753	
Siskiyou	3	1,221,371	Cla	ackamas & Multnomah	9	1,049,731	
Total California	3	1,221,371	Cla	atsop	4	1,060,365	
			Co	oos & Curry	7	1,726,604	
Idaho				ook, Deschutes,			
Bonner & Boundary	4	504,884	J	ackson & Klamath	8	4,727,808	
Idaho & Latah	4	458,630	Jo	sephine	3	829,450	
Southern Idaho	11	63,623,538	La	ine	5	4,342,277	
Total Idaho	19	64,587,052	Lir	าท	6	4,600,537	
			Ma	arion	32	26,591,114	
Washington			Po	olk	5	9,030,469	
Adams	10	15,358,984	Til	lamook	117	39,924,465	
Clallam & Jefferson	3	856,951	Ur	natilla	3	3,342,791	
Clark & Cowlitz	9	7,222,489	W	ashington	14	4,780,726	
Franklin	8	25,985,234	Ya	amhill	7	8,333,363	
Grant & Kittitas	25	40,526,705	Total	Oregon	223	113,107,453	
Grays Harbor	8	3,594,524		-			
King	28	13,990,743	Arizona O	rder			
Klickitat & Benton	5	2,673,922	Arizor	na			
Lewis	31	10,104,313	Ma	aricopa	76	259,767,094	
Lincoln & Spokane	11	1,695,812	Co	ochise, Greenlee,			
Pacific	8	2,103,712	8	& Pinal, AZ & Bailey, TX	14	50,047,617	
Pierce	4	1,948,746	La	Paz, Mohave, Yavapai			
Skagit	27	19,738,288	8	& Yuma, AZ and			
Snohomish & Island	30	18,504,834	Im	perial, Riverside,			
Stevens	7	855,346	8	& San Bernardino, CA	12	26,217,905	
Thurston	8	7,190,849	Total /	Arizona	102	336,032,616	
Wahkiakum	4	604,875					
Whatcom	126	87,003,612	Total Paci	fic Northwest Order	667	614,936,119	
Yakima	70	176,060,304	Total Ariz	ona Order	102	336,032,616	
Total Washington	422	436,020,243	То	otal	769	950,968,735	





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Pounds of Producer Milk by County, November 2008

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USDA TERMINATES PROCEEDING ON PROPOSED AMENDMENTS TO ALL MILK ORDERS

On December 24, 2008, the U. S. Department of Agriculture (USDA) announced that it will terminate a proceeding on proposed amendments to modify the formulas used to determine Class I and Class II prices in all Federal milk marketing orders.

In response to a proposal by the National Milk Producers Federation to reconsider formulas for Class I and Class II milk, USDA held a hearing Dec. 11-15, 2006, in Pittsburgh, Pennsylvania. USDA is terminating the proceeding because the evidence presented at the hearing was neither compelling nor provided a basis to make a reasoned decision for recommending adoption or denial of the proposal.

The termination notice was published in the December 24 *Federal Register*. The termination notice and hearing record is available on the Agricultural Marketing Service Dairy Programs website at http://www.ams.usda.gov/dairy. Producers and processors with questions about the termination should contact their local milk market administrator's office listed below:

Pacific Northwest and Arizona: James R. Daugherty USDA/AMS/Dairy Programs 1930-220th St., SE., Suite 102 Bothell, WA 98021-8471 Tel. (425) 487-6009; email: jdaugherty@fmmaseattle.com •

ERS TOOLS AND PUBLICATIONS

The U.S. Department of Agriculture's Economic Research Service (ERS) publishes numerous reports and studies that relate to the economics of food, farming, natural resources and rural America.

A few recent topics may be of interest to dairy farmers: the 2008 Farm Income Forecast; the 2007 State Fact Sheets; and a report on Million-Dollar Farms in the New Century.

The 2008 Farm Income Forecast indicates that net farm income is estimated at \$86.9 billion in 2008 which is 42 percent above the 10-year average of \$61.1 billion. ERS views the "story of 2008" as "twofold," where large increases in the values of crops are offset by rising production costs. The average farm operator household income is forecast to be \$86,798 for 2008; however, only \$5,900 of that income is from farm receipts with the remainder generated from off-farm income.

ERS' State Fact Sheets include current data on demographics and income, including earnings for farm and farm-related jobs, farm characteristics, farm financial characteristics, top agricultural commodities, top export commodities, and the top counties in agricultural sales. ERS has updated their data base up through 2007.

According to an ERS report, million-dollar farms (those with annual sales of at least \$1million) accounted for about half of the U.S. farm sales in 2002 and by 2006 dominated U.S. production of high-value crops, milk, hogs, poultry, and beef. The report found that most million-dollar farms are family farms, meaning that the farm operator and relatives of the operator own the business.

More details on these and other ERS reports can be found on their website: <u>www.ers.usda.gov</u>.

REQUEST FOR COMMENTS REGARDING PACIFIC NORTHWEST ORDER POOL AND PERFORMANCE STANDARDS

Written comments are invited on a requested investigation of current pooling provisions relating to milk originating outside the Pacific Northwest Marketing Area.

The proposed investigation was requested by means of a letter sent to northwest dairy farmers and interested parties by the Washington State Dairy Federation, a voluntary membership organization representing the state's dairy farmers. The petition requests that the Market Administrator investigate the need for tightening pool and performance standards under the Pacific Northwest Order (FO 124). There were 167 signatures associated with the petition.

Full details of the provisions under consideration will be mailed to handlers, qualified cooperative associations, dairy farmers that are not members of a cooperative, and interested parties and will also be available on the Market Administrator's website:

www.fmmaseattle.com/currentnews.htm.

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MONTHLY SELECTED STATISTICS

		PACIFIC NO	RTHWEST			ARIZON	IA 2/	
Minimum Class Prices (3.5% B.F.)	Dec 2008	<u>Nov 2008</u>	Dec 2007	Nov 2007	Dec 2008	<u>Nov 2008</u>	Dec 2007	<u>Nov 2007</u>
Class I Milk (\$/cwt.)	\$17.33	\$19.23	\$21.94	\$23.35	\$17.78	\$19.68	\$22.39	\$23.80
Class II Milk (\$/cwt.)	11.21	14.45	20.82	22.07	11.21	14.45	20.82	22.07
Class III Milk (\$/cwt.)	15.28	15.51	20.60	19.22	15.28	15.51	20.60	19.22
Class IV Milk (\$/cwt.)	10.35	12.25	19.18	20.40	10.35	12.25	19.18	20.40
Producer Prices								
Producer Price Differential (\$/cwt.)	\$(2.28)	\$(0.22)	\$(0.30)	\$ 1.60	+	+	+	+
Butterfat (\$/pound)	1.2998	1.7730	1.4348	1.4077	+	+	+	+
Protein (\$/pound)	3.6390	3.1301	4.7061	4.3081	+	+	+	+
Other Solids (\$/pound)	(0.0269)	(0.0099)	0.2637	0.2461	+	+	+	+
Uniform Skim Price (\$/cwt.)	+	+	+	+	9.41	9.91	16.37	17.12
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.3961	1.7913	1.4365	1.4199
Statistical Uniform Price (\$/cwt.)	\$13.00	\$15.29	\$20.30	\$20.82	\$13.97	\$15.83	\$20.82	\$21.49
Producer Data								
Number of Producers	510 *	667	683	686	102 *	102	92	94
Avg. Daily Production (lbs.)	29,902 *	31,045	27,334	27,075	113,383 *	109,815	112,592	109,347
Number of Handlers								
Pool Handlers	27	27	27	26	7	7	7	7
Producer-Handlers	6 *	6	5	5	1 *	1	1	1
Other Plants w/ Class I Use	22 *	22	26	28	25 *	25	23	24
Producer Milk Ratios								
Class I	43.09%	29.41%	32.91%	35.52%	33.65%	34.37%	35.91%	39.27%
Class II	7.39%	6.05%	5.98%	6.48%	7.12%	6.62%	7.38%	6.95%
Class III	8.85%	32.47%	31.27%	31.14%	27.01%	28.20%	25.20%	31.00%
Class IV	40.67%	32.07%	29.84%	26.86%	32.22%	30.81%	31.51%	22.78%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

				_	_			
Producer-Handler Data	<u>Nov 2008</u>	Oct 2008	<u>Nov 2007</u>	Oct 2007	<u>Nov 2008</u>	Oct 2008	Nov 2007	Oct 2007
Production	26,825,468	27,174,814	25,792,798	26,094,030	R	R	R	R
Class I Use	22,118,470	24,177,104	21,807,708	21,676,157	R	R	R	R
% Class I Use	82.45%	88.97%	84.55%	83.07%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	170,038,934	179,554,866	172,375,290	174,346,329	95,814,514	98,937,514	98,730,746	101,782,555
By Producer-Handlers	6,743,293	7,216,641	5,894,443	6,514,755	1/	1/	1/	1/
By Other Plants	6,452,929 *	7,031,767	4,866,482	5,236,554	4,573,238 *	4,739,729	3,750,254	5,135,969
Total	183,235,156	193,803,274	183,136,215	186,097,638	100,387,752	103,677,243	102,481,000	106,918,524
				-	-			

* Preliminary. R = Restricted. Not included. 1/ Restricted. Included with other plants. 2/ Due to the implementation of the Milk Regulatory Equity Act of 2005, the name of Federal Order 131 changed from the "Arizona-Las Vegas Order" to the "Arizona Order" and Clark County, Nevada, was removed from the marketing area effective May 1, 2006. January 2009

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

	RECEIPTS, UTILIZATION AND PACIFIC NORTHWEST					ARIZONA 2/			
CLASSIFICATION OF MILK	Dec 2008		-	Nov 2007	Dec 2008			Nov 2007	
CLASSIFICATION OF MILK	<u>Dec 2008</u>	<u>Nov 2008</u>	<u>Dec 2007</u>	<u>1NOV 2007</u>	Dec 2008	<u>Nov 2008</u>	<u>Dec 2007</u>	<u>Nov 2007</u>	
TOTAL PRODUCER MILK	472,744,942	621,205,625	578,733,166	557,201,549	358,518,117	336,032,616	321,111,301	308,359,879	
RECEIPTS FROM OTHER SOURCES	18,765,518	26,763,102	30,270,193	22,838,628	3,848,556	8,459,198	32,274,467	38,387,028	
OPENING INVENTORY	30,838,390	29,518,196	32,216,543	36,665,308	22,958,414	21,451,591	18,883,995	18,360,751	
TOTAL TO BE ACCOUNTED FOR	522,348,850	677,486,923	641,219,902	616,705,485	385,325,087	365,943,405	372,269,763	365,107,658	
UTILIZATION OF RECEIPTS									
Whole milk	34,136,632	31,576,382	31,947,873	30,585,173	25,681,582	24,259,603	25,917,942	25,889,786	
Flavored milk & milk drinks	14,466,725	15,936,935	14,359,508	15,980,591	7,052,342	7,049,208	6,760,418	7,773,571	
2% milk	74,153,408	67,834,267	70,877,069	69,173,480	38,121,059	37,010,747	37,116,807	37,813,749	
1% milk	27,573,891	25,998,352	27,353,150	27,658,416	13,460,929	13,776,111	12,647,205	13,762,162	
Skim milk	28,898,986	27,353,647	27,725,605	27,511,703	13,200,757	13,235,285	12,438,329	12,960,073	
Buttermilk	1,364,083	1,339,351	1,417,813	1,465,927	529,387	483,560	504,242	531,405	
CLASS I ROUTE DISP. IN AREA.	180,593,725	170,038,934	173,681,018	172,375,290	98,046,056	95,814,514	95,384,943	98,730,746	
Class I dispositions out of area	18,680,039	16,872,338	17,605,141	18,909,553	22,538,290	21,680,976	21,273,846	20,262,523	
Other Class I usage	18,322,518	15,844,496	18,726,624	24,485,082	12,920,090	12,770,632	10,989,524	13,037,723	
TOTAL CLASS I USE.	217,596,282	202,755,768	210,012,783	215,769,925	133,504,436	130,266,122	127,648,313	132,030,992	
TOTAL CLASS II USE	41,335,195	41,804,249	39,460,631	42,934,046	26,207,570	22,809,292	24,435,728	22,202,314	
TOTAL CLASS III USE	41,839,068	211,109,957	182,597,334	180,795,960	96,855,902	94,751,947	80,920,853	95,931,605	
TOTAL CLASS IV USE	221,578,305	221,816,949	209,149,154	177,205,554	128,757,179	118,116,044	139,264,869	114,942,747	
TOTAL ACCOUNTED FOR	522,348,850	677,486,923	641,219,902	616,705,485	385,325,087	365,943,405	372,269,763	365,107,658	
<u></u>	022,010,000	011,100,020	011,210,002	010,100,100	000,020,001	000,010,100			
CLASSIFICATION OF RECEIPTS									
Producer milk: Class I	203,708,667	182,730,222	190,489,190	197,961,046	120,643,586	115,520,980	115,309,350	121,079,709	
Class II	34,945,279	37,553,495	34,595,995	36,102,010	25,509,092	22,230,285	23,713,122	21,421,037	
Class III	41,823,070	201,702,368	180,972,215	173,494,313	96,842,191	94,751,947	80,920,853	95,606,806	
Class IV .	192,267,926	199,219,540	172,675,766	149,644,180	115,523,248	103,529,404	101,167,976	70,252,327	
Other receipts: Class I .	13,887,615	20,025,546	19,523,593	17,808,879	26,806,970	29,910,789	51,158,462	56,747,779	
Class II	6,389,916	4,250,754	4,864,636	6,832,036	1/	1/	1/	1/	
Class III	15,998	9,407,589	1,625,119	7,301,647	1/	1/	1/	1/	
Class IV .	29,310,379	22,597,409	36,473,388	27,561,374	1/	1/	1/	1/	
Avg. daily producer receipts	15,249,837	20,706,854	18,668,812	18,573,385	11,565,101	11,201,087	10,358,429	10,278,663	
Change From Previous Year	-18.31%	11.49%	27.43%	-6.65%	11.65%	8.97%	6.22%	11.37%	
Avg. daily Class I use	7,019,235	6,758,526	6,774,606	7,192,331	4,306,595	4,342,204	4,117,688	4,401,033	
Change From Previous Year	3.61%	-6.03%	-0.89%	0.53%	4.59%	-1.34%	-1.36%	3.71%	

1/ Restricted - Included with Class I. 2/ Due to the implementation of the Milk Regulatory Equity Act of 2005, the name of Federal Order 131 changed from the "Arizona-Las Vegas Order" to the "Arizona Order" and Clark County, Nevada, was removed from the marketing area effective May 1, 2006.

Market Administrator's Report

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HIGHLIGHTS THIS ISSUE:

- Market Summaries for December 2008
- December 2008 Class Prices
- Class I Price for February 2009
- Nomination of Tom Vilsack as the Next Secretary of Agriculture
- USDA Terminates Proceeding on Proposed Amendments to All Milk Orders
- ERS Tools and Publications
- Request for Comments Regarding Pacific Northwest Order Pool and Performance Standards
- Producers and Producer Milk by Order, State, and County, November 2008

PRODUCERS AND PRODUCER MILK BY ORDER, STATE, AND COUNTY, NOVEMBER 2008

During the month of November 2008, a total of 769 producers, on a combined basis, were associated with the Pacific Northwest and Arizona Orders. These producers delivered a total of 951.0 million pounds of milk to the markets during the month. The table on page 3 contains the number of producers and milk pooled on the orders. Counties and states with fewer than three producers were combined with adjacent counties. The map on page 4 does not combine counties with fewer than three producers due to the use of size-ranges. •