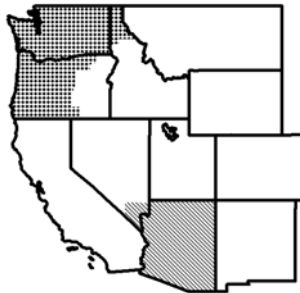


Pacific Northwest & Arizona-Las Vegas Marketing Areas



1930 – 220th Street SE, Suite 102
 Bothell, Washington 98021-8471
 Phone (425) 487-6009
 Fax (425) 487-2775
 Homepage: fmmaseattle.com
 E-mail: fmmaseattle@fmmaseattle.com



10050 N 25th Avenue, Suite 302
 Phoenix, Arizona 85021-1664
 Phone (602) 547-2909
 Fax (602) 547-2906
 E-mail: ma@fmma.net

James R. Daugherty
 Market Administrator

January 2005

MARKET SUMMARIES FOR DECEMBER 2004

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

Pacific Northwest

Producers delivered a total of 442.5 million pounds of milk to the market during December. Comparisons to the previous month are affected by eligible milk not pooled in November and December 2004. Daily deliveries averaged 14.3 million pounds, down 8.0 percent from November. An estimated 698 producers delivered milk to the market during the month. Daily deliveries per producer averaged 20,449 pounds, up 10.5 percent from November.

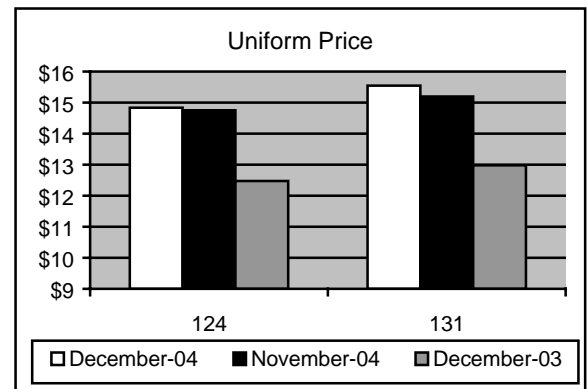
Class I producer milk during December totaled 190.4 million pounds, 43.0 percent of total producer receipts. Daily usage averaged 6.1 million pounds, down 5.1 percent from November.

Arizona-Las Vegas

Producers delivered a total of 246.9 million pounds of milk to the market during

December. Daily deliveries averaged 8.0 million pounds, up 4.8 percent from November. An estimated 90 producers delivered milk to the market during the month. Daily deliveries per producer averaged 88,510 pounds, up 4.8 percent from November.

Class I producer milk during December totaled 87.5 million pounds, 35.5 percent of total producer receipts. Daily usage averaged 2.8 million pounds, up 0.5 percent from November. ♦



Federal Order Producer Prices and Component Levels: December 2004

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	14.83	15.55	Butterfat	3.710	3.706
Butterfat 2/	2.0366	2.0132	Protein	3.094	N/A
Protein 2/	2.8486	N/A	Other Solids	5.668	N/A
Other Solids 2/	0.0858	N/A	Nonfat Solids	8.762	N/A
PPD 1/*	(1.31)	N/A			
Skim 1/	N/A	8.81			

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

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DECEMBER 2004 CLASS PRICES

December 2004 non-advanced Class Prices were calculated using NASS commodity price surveys from December 4, 11, 18, and 25, 2004. Component prices for the month are \$2.8486 per pound of protein, \$2.0366 per pound of butterfat, \$0.0858 per pound of other solids, and \$0.7240 per pound of nonfat solids.

December 2004 Class III and IV prices at 3.5% butterfat are \$16.14 and \$13.42 per hundredweight, respectively. The December Class III price compared to November is up \$1.25. The Class III price is \$4.27 higher than December 2003. The Class III price at 3.67% butterfat is \$6.57 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$2.0436 per pound. Class I skim and butterfat and Class II skim prices for December 2004 were announced on November 19, 2004. The Class II price at 3.5% butterfat is \$13.98 for December 2004 .

FINAL: NASS COMMODITY PRICES

	<u>November</u>	<u>December</u>	<u>Change</u>
Cheese*	\$1.5886	\$1.7146	\$0.1260
Butter	\$1.8224	\$1.8122	-\$0.0102
Nonfat Dry Milk	\$0.8570	\$0.8713	\$0.0143
Whey	\$0.2367	\$0.2423	\$0.0056

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed a net decrease in prices received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 29.90 cents between the December 18 and the January 15 surveys, to \$1.4789 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a net decrease of 21.80 cents to \$1.4542 per pound.

The NASS butter price showed a net decrease of 13.42 cents between the weeks ending December 18 and January 15 from \$1.7128 per pound to \$1.5786 per pound.

The NASS nonfat dry milk showed an increase of 1.82 cents since mid-December to \$0.8916 per pound. The average price for NASS whey showed a net increase of 0.54 cents since mid-December to \$0.2484 per pound. ♦

FEBRUARY'S CLASS I PRICE ANNOUNCEMENT

On January 21, the February 2005 Class I price was announced at \$15.69 for the Pacific Northwest Order, and \$16.14 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of January 8 and 15.

The February Class III and IV advance skim prices are \$7.97 and \$6.68 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 33.80 cents from \$2.0818 to \$1.7438 per pound.

The February 2005 Class II skim and nonfat solids prices were also announced on January 21. The skim price is \$7.38 per hundredweight, and the nonfat solids price is \$0.8200 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*	\$1.7648	\$1.4790	-\$0.2858
Butter	\$1.8498	\$1.5682	-\$0.2816
Nonfat Dry Milk	\$0.8698	\$0.8892	\$0.0194
Whey	\$0.2436	\$0.2481	\$0.0045

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

ANALYSIS OF HAULING CHARGES AND PRODUCER MILK BY LOCATION AND SIZE RANGE OF PRODUCTION 2004

Hauling charges were examined for 881 producers in May 2004. The milk represented in this study was producer milk (Grade A) pooled on or historically associated with the Pacific Northwest Order. Hauling charges, stop charges, and milk production were obtained from producer payrolls submitted by handlers to the Market Administrator's office. The terms "milk production" and "producer milk" in this study are synonymous. Hauling charges in this paper are given on a per hundredweight basis. The reference to a particular year refers to May of that year. Some comparisons to previous years are reported, but due to changes in Federal order boundaries and order provisions, these comparisons may be biased.

Major findings of this study include:

1. In May 2004, the weighted average hauling charges on the Pacific Northwest Order was 49.50 cents per hundredweight, up 6.74 cents from May 2003.

2. By state, Oregon had the lowest weighted average hauling charge, followed by Idaho, Washington, and California.

3. In general, hauling charges in the Northwest appear to be determined by the density of farms in a region; and their proximity to metropolitan areas or areas of intense milk processing. Hauling charges per hundredweight appear to have become somewhat less dependent on the volume of milk a producer delivers to the market. This may be due to the use of volume premiums paid to producers who deliver larger quantities of milk instead of lowering their hauling rates.

4. Based on producer milk pooled, the average monthly deliveries per producer for the Pacific Northwest Order was 628,800 pounds.

The complete study can be found on the internet at: <http://www.fmmaseattle.com>. ♦

EXPIRATION OF DAIRY FORWARD PRICING PILOT PROGRAM

The legislation authorizing the Dairy Forward Pricing Pilot Program, also known as "forward contracting," expired on December 31, 2004. Handlers with milk under forward contracts beyond December 31, 2004, will not be exempt from paying minimum Federal order prices to producers or cooperatives for producer milk received after that date.

If you have any questions concerning this notice, please contact John Mykrantz at 425-487-6009 or via e-mail at: jmykrantz@fmmaseattle.com. ♦

USDA ANNOUNCES FINAL DECISION TO AMEND THE PACIFIC NORTHWEST MILK MARKETING ORDER

On December 30, 2004, the U. S. Department of Agriculture announced a final decision that would adopt pooling provisions of the Pacific Northwest milk marketing order. These provisions were previously adopted on an interim basis. This decision is based on testimony and evidence given at a public hearing held April 16-19, 2002, in Salt Lake City, Utah.

This final decision would adopt an amendment to the producer milk provision that would eliminate the ability to simultaneously pool milk on the Pacific Northwest milk order when the same milk is already pooled on a state-operated milk order that has marketwide pooling.

The final decision was published in the December 30, 2004, Federal Register. USDA will conduct a vote on the amended order to determine producer approval. If producers approve the order as amended by this final decision, a final rule will follow to implement these changes on a permanent basis. ♦

USDA ANNOUNCES TENTATIVE DECISION TO AMEND THE ARIZONA-LAS VEGAS MILK MARKETING ORDER

On December 30, 2005, the U. S. Department of Agriculture announced a tentative final decision that would amend the current pooling provisions of the Arizona-Las Vegas milk marketing order. This decision is based on testimony and evidence given at a public hearing held on September 23-25, 2003, in Tempe, Arizona; November 17-21, 2003, in Seattle, Washington; and, January 20-22, 2004, in Alexandria, Virginia.

This decision would adopt, on an interim and emergency basis, an amendment to the producer milk provision that would eliminate the ability to simultaneously pool milk on the Arizona-Las Vegas milk order when the same milk is already pooled on a state-operated milk order that has marketwide pooling. Interested persons have 60 days to file comments in response to the tentative decision.

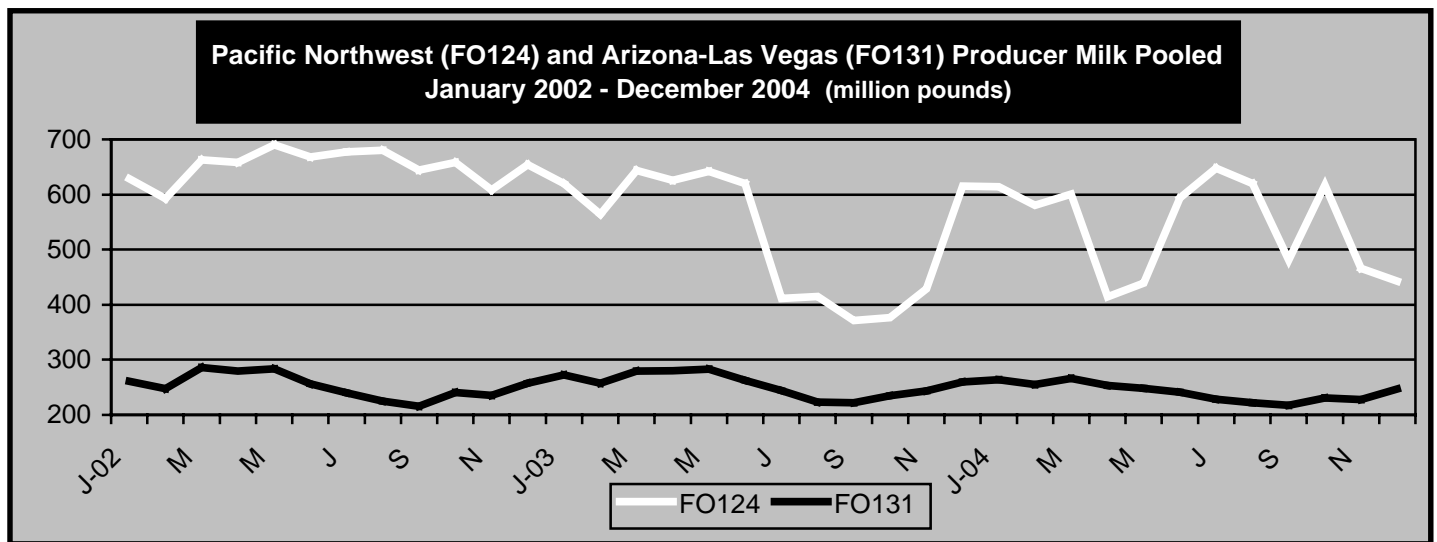
This decision appeared in the December 30, 2004, Federal Register and is subject to producer approval. If producers approve the order as amended, USDA will issue an amended order on an interim basis. ♦

(Continued From Page 8)

Producer Milk By State and Federal Order November 2003 and 2004					
FO 1/	State	2003		2004	
		Prod.	Lbs. 2/	Prod.	Lbs. 2/
124	CA	6	3.8	6	3.7
	ID	10	1.3	35	12.5
	OR	289	121.8	285	120.9
	WA	530	301.9	513	328.5
FO 124 Total 3/		835	428.8	839	465.5
131	AZ/CA	105	243.5	90	228.1
Total 3/		940	672.3	929	693.6

1/ Federal order number. Federal Order 124 is the Pacific Northwest Order. Federal Order 131 is the Arizona-Las Vegas Order. 2/ Million pounds. 3/ May not add due to rounding.

Number of Producers and Pounds of Milk: By Order, State, and County, November 2004			
State	County	Producers	Milk
Arizona-Las Vegas Order			
Arizona			
	Maricopa	79	194,195,213
	Pinal, Yavapai, (& Imperial County, CA)	11	33,874,982
Total Arizona		90	228,070,195
Pacific Northwest Order			
Idaho			
	Bonner & Boundary	5	612,847
	Idaho & Latah	5	617,229
	Southern Idaho	25	11,225,399
Total Idaho		35	12,455,475
Oregon			
	Benton & Lincoln	5	3,474,328
	Clackamas & Multnomah	10	1,188,195
	Clatsop	6	1,297,899
	Coos & Curry	20	2,900,757
	Deschutes & Crook	8	1,232,782
	Josephine	4	1,599,074
	Klamath & Jackson	10	8,860,036
	Lane	6	4,391,070
	Linn	10	5,678,015
	Malheur & Umatilla	8	1,685,057
	Marion	34	26,382,445
	Polk	4	7,521,481
	Tillamook	133	42,238,789
	Washington	20	5,442,374
	Yamhill	7	7,016,621
Total Oregon		285	120,908,923
Pacific Northwest Order (Continued)			
California			
	Del Norte & Siskiyou	6	3,702,692
Total California		6	3,702,692
Washington			
	Adams & Whitman	11	12,142,731
	Clallam	5	1,291,367
	Clark	10	7,189,542
	Cowlitz	3	1,023,897
	Franklin	8	15,495,616
	Grant & Kittitas	28	21,489,483
	Grays Harbor	13	4,632,614
	Island	3	1,951,830
	Jefferson	3	254,877
	King	35	16,403,836
	Klickitat & Benton	4	1,047,418
	Lewis	38	12,952,488
	Lincoln & Spokane	15	2,374,482
	Pacific	9	2,760,449
	Pierce	9	5,024,802
	Skagit	46	26,769,256
	Snohomish	38	21,220,364
	Stevens	14	1,668,321
	Thurston	12	9,160,859
	Wahkiakum	4	689,552
	Whatcom	178	97,480,928
	Yakima	27	65,452,548
Total Washington		513	328,477,260
Total Pacific Northwest Order		839	465,544,350
Total Arizona-Las Vegas Order		90	228,070,195
Total		929	693,614,545



MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST			WESTERN			ARIZONA-LAS VEGAS			
	Dec 2004	Nov 2004	Dec 2003	Dec 2004	Nov 2004	Dec 2003	Dec 2004	Nov 2004	Dec 2003	
Minimum Class Prices (3.5% B.F.)										
Class I Milk (\$/cwt.)	\$16.33	\$16.19	\$15.74	No data available. FO 135 was terminated effective April 1, 2004.		\$15.74	\$16.78	\$16.64	\$16.19	
Class II Milk (\$/cwt.)	13.98	14.09	11.30			11.30	13.98	14.09	11.30	
Class III Milk (\$/cwt.)	16.14	14.89	11.87			11.87	16.14	14.89	11.87	
Class IV Milk (\$/cwt.)	13.42	13.34	10.52			10.52	13.42	13.34	10.52	
Producer Prices										
Producer Price Differential (\$/cwt.)	\$(1.31)	\$(0.14)	\$ 0.60			\$ 0.78	+	+	+	
Butterfat (\$/pound)	2.0366	2.0489	1.3688			1.3688	+	+	+	
Protein (\$/pound)	2.8486	2.4297	2.2997			2.2997	+	+	+	
Other Solids (\$/pound)	0.0858	0.0800	0.0362			0.0362	+	+	+	
Uniform Skim Price (\$/cwt.) . . .	+	+	+			+	8.81	8.38	8.53	
Uniform Butterfat Price (\$/pound)	+	+	+		+	2.0132	2.0316	1.3579		
Statistical Uniform Price (\$/cwt.) . .	\$14.83	\$14.75	\$12.47		\$12.65	\$15.55	\$15.20	\$12.98		
Producer Data										
Number of Producers	698 *	839	891		731	90 *	90	104		
Avg. Daily Production (lbs.)	20,449 *	18,500	22,280		19,240	88,510 *	84,470	80,583		
Number of Handlers										
Pool Handlers	26	28	28		18	5	5	6		
Producer-Handlers	8 *	8	7		5	3 *	3	2		
Other Plants w/ Class I Use	25 *	25	20		21	32 *	32	34		
Producer Milk Ratios										
Class I	43.04%	41.68%	29.66%		22.12%	35.45%	36.95%	32.96%		
Class II	7.59%	8.24%	6.14%		5.53%	6.82%	8.32%	6.72%		
Class III	7.96%	16.84%	33.17%		64.57%	29.17%	31.43%	36.34%		
Class IV	41.41%	33.24%	31.03%		7.78%	28.56%	23.30%	23.98%		

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

	Nov 2004	Oct 2004	Nov 2003	Nov 2004	Oct 2004	Nov 2003	Nov 2004	Oct 2004	Nov 2003
	Producer-Handler Data								
Production	25,488,012	25,132,028	19,021,405	No data available. FO 135 was terminated effective April 1, 2004.		2,029,868	R	R	R
Class I Use	19,319,939	18,979,811	15,514,138			1,472,715	R	R	R
% Class I Use	75.80%	75.52%	81.56%			72.55%	R	R	R
Class I Route Disposition In Area									
By Pool Plants	171,023,377	164,089,513	162,395,024		70,661,604	80,655,062	77,821,884	75,144,329	
By Producer-Handlers	15,816,406	16,008,896	15,073,578		1,484,062	1/	1/	1/	
By Other Plants	3,775,668 *	3,133,784	2,540,576		3,461,141	28,934,526 *	27,297,595	32,067,826	
Total	190,615,451	183,232,193	180,009,178		75,606,807	109,589,588	105,119,479	107,212,155	

* Preliminary.

R = Restricted. Not included.

1/ Restricted. Included with other plants.

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST			WESTERN			ARIZONA-LAS VEGAS					
	Dec 2004	Nov 2004	Dec 2003	Dec 2004	Nov 2004	Dec 2003	Dec 2004	Nov 2004	Dec 2003			
TOTAL PRODUCER MILK	442,476,841	465,654,495	615,390,840	No data available. FO 135 was terminated April 1, 2004.			435,987,373	246,942,157	228,070,195	259,799,247		
RECEIPTS FROM OTHER SOURCES	22,437,767	103,244,307	10,616,289				11,237,503	29,851,430	21,195,726	21,124,600		
OPENING INVENTORY	31,003,384	32,219,319	40,794,927				18,046,497	14,553,048	14,751,338	14,587,153		
TOTAL TO BE ACCOUNTED FOR	495,917,992	601,118,121	666,802,056				465,271,373	291,346,635	264,017,259	295,511,000		
UTILIZATION OF RECEIPTS												
Whole milk	31,582,369	31,183,376	31,265,669				13,965,305	21,149,217	20,772,249	24,437,299		
Flavored milk & milk drinks	15,019,678	16,606,048	14,533,701				7,261,745	6,977,290	7,631,323	7,280,937		
2% milk	68,814,749	69,180,632	69,448,319				30,366,485	30,974,027	30,299,615	29,050,903		
1% milk	24,617,934	25,643,476	23,612,492				14,570,128	10,173,730	10,769,321	9,163,482		
Skim milk	26,277,126	26,949,181	25,643,371				9,564,134	10,192,115	10,562,037	9,615,243		
Buttermilk	1,320,977	1,460,664	1,315,386	640,401	572,206	620,517	609,522					
CLASS I ROUTE DISP. IN AREA	167,632,833	171,023,377	165,818,938	76,368,198	80,038,585	80,655,062	80,157,386					
Class I dispositions out of area	13,795,947	13,169,227	13,235,238	21,725,335	5,269,716	4,615,493	4,559,284					
Other Class I usage	26,102,041	24,288,342	21,262,653	14,348,739	10,132,342	7,827,057	8,664,886					
TOTAL CLASS I USE	207,530,821	208,480,946	200,316,829	112,442,272	95,440,643	93,097,612	93,381,556					
TOTAL CLASS II USE	41,420,394	45,814,394	45,880,517	30,030,504	17,512,422	19,596,259	17,924,365					
TOTAL CLASS III USE	35,426,009	169,309,750	204,890,868	281,892,007	72,038,270	71,678,701	94,423,289					
TOTAL CLASS IV USE	211,540,768	177,513,031	215,713,842	40,906,590	106,355,300	79,644,687	89,781,790					
TOTAL ACCOUNTED FOR	495,917,992	601,118,121	666,802,056	465,271,373	291,346,635	264,017,259	295,511,000					
CLASSIFICATION OF RECEIPTS												
Producer milk: Class I	190,432,216	194,094,002	182,491,832	96,447,914	87,523,093	84,279,814	85,613,906					
Class II	33,597,257	38,372,805	37,806,625	24,109,618	16,851,841	18,970,667	17,458,833					
Class III	35,226,574	78,410,078	204,114,260	281,521,382	72,038,270	71,678,701	94,423,289					
Class IV	183,220,794	154,777,610	190,978,123	33,908,459	70,528,953	53,141,013	62,303,219					
Other receipts: Class I	17,098,605	14,386,944	17,824,997	15,994,358	44,404,478	35,947,064	35,711,753					
Class II	7,823,137	7,441,589	8,073,892	5,920,886	1/	1/	1/					
Class III	199,435	90,899,672	776,608	370,625	1/	1/	1/					
Class IV	28,319,974	22,735,421	24,735,719	6,998,131	1/	1/	1/					
Avg. daily producer receipts	14,273,446	15,521,817	19,851,317	14,064,109	7,965,876	7,602,340	8,380,621					
Change From Previous Year	-28.10%	8.58%	-5.90%	-2.74%	-4.95%	-6.32%	0.96%					
Avg. daily Class I use	6,694,543	6,949,365	6,461,833	3,627,170	3,078,730	3,103,254	3,012,308					
Change From Previous Year	3.60%	6.55%	2.57%	-1.38%	2.21%	6.56%	2.18%					

1/ Restricted - Included with Class I.

HIGHLIGHTS THIS ISSUE:

- Market Summaries for December 2004
- December 2004 Class Prices
- Class I Price for February 2005
- Analysis of Hauling Charges and Producer Milk by Location and Size Range of Production 2004
- Expiration of Dairy Forward Pricing Pilot Program
- USDA Announces Final Decision to Amend the Pacific Northwest Milk Marketing Order
- USDA Announces Tentative Decision to Amend the Arizona-Las Vegas Milk Marketing Order
- Producers and Producer Milk by Order, State, and County, November 2004

PRODUCERS AND PRODUCER MILK BY ORDER, STATE, AND COUNTY, NOVEMBER 2004

During the month of November 2004, a total of 929 producers, on a combined basis, were associated with the Pacific Northwest and Arizona-Las Vegas Orders. These producers delivered a total of 693.6 million pounds of milk to the markets during the month. In November 2004, there were eligible producers and producer milk not pooled on the Pacific Northwest Order. The tables on page 3 and 4 contain 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 5 does not combine counties with fewer than three producers due to the use of size-ranges.

In November 2003 and 2004, eligible producers and producer milk were not pooled. Comparison to previous years/months may be biased.

(Continued on Page 3)