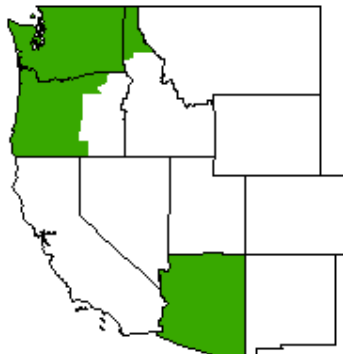


Pacific Northwest & Arizona Marketing Areas



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 2008

MARKET SUMMARIES FOR DECEMBER 2007

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

Pacific Northwest

Producers delivered a total of 578.7 million pounds of milk to the market during December. Daily deliveries averaged 18.7 million pounds, up 0.5 percent from November. An estimated 687 producers delivered milk to the market during the month. Daily deliveries per producer averaged 27,174 pounds, up 0.4 percent from November.

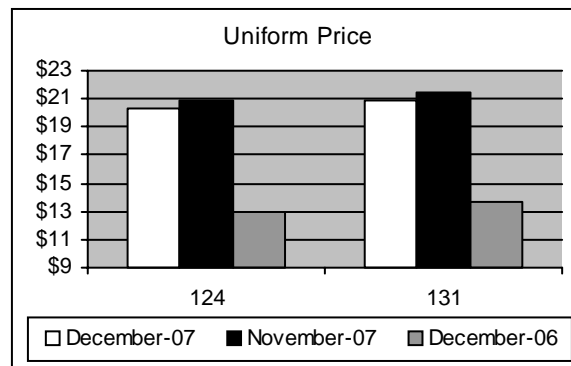
Class I producer milk during December totaled 190.5 million pounds, 32.9 percent of total producer receipts. Daily usage averaged 6.1 million pounds, down 6.9 percent from November.

Arizona

Producers delivered a total of 321.1 million pounds of milk to the market during December. Daily deliveries averaged 10.4 million pounds, up 0.8 percent from November. An estimated 94

producers delivered milk to the market during the month. Daily deliveries per producer averaged 110,196 pounds, up 0.8 percent from November.

Class I producer milk during December totaled 115.3 million pounds, 35.9 percent of total producer receipts. Daily usage averaged 3.7 million pounds, down 7.8 percent from November. ♦



Federal Order Producer Prices and Component Levels: December 2007

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	20.30	20.82	Butterfat	3.801	3.716
Butterfat 2/	1.4348	1.4365	Protein	3.166	N/A
Protein 2/	4.7061	N/A	Other Solids	5.722	N/A
Other Solids 2/	0.2637	N/A	Nonfat Solids	8.888	N/A
PPD 1/*	(0.30)	N/A			
Skim 1/	N/A	16.37			

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

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DECEMBER 2007 CLASS PRICES

December 2007 non-advanced Class Prices were calculated using NASS commodity price surveys from December 1, 8, 15, 22, and 29, 2007. Component prices for the month are \$4.7061 per pound of protein, \$1.4348 per pound of butterfat, \$0.2637 per pound of other solids, and \$1.6296 per pound of nonfat solids.

December 2007 Class III and IV prices at 3.5% butterfat are \$20.60 and \$19.18 per hundredweight, respectively. The December Class III price compared to November is up \$1.38. The Class III price is \$7.13 higher than in December 2006. The Class III price at 3.67% butterfat is \$10.91 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.4418 per pound. Class I skim and butterfat and Class II skim prices for December 2007 were announced on November 23, 2007. The Class II price at 3.5% butterfat is \$20.82 for December 2007.

FINAL: NASS COMMODITY PRICES

	<u>November</u>	<u>December</u>	<u>Change</u>
Cheese*	\$1.9652	\$2.0976	\$0.1324
Butter	\$1.2933	\$1.3159	\$0.0226
Nonfat Dry Milk	\$1.9562	\$1.8031	-\$0.1531
Whey	\$0.4345	\$0.4516	\$0.0171

* 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 40-pound blocks showed a decrease of 14.46 cents between the December 15 and the January 12 surveys, to \$1.9956 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a net decrease of 8.77 cents to \$2.0309 per pound.

The NASS butter price showed a net decrease of 7.49 cents between the weeks ending December 15 and January 12 from \$1.3162 per pound to \$1.2413 per pound.

The NASS nonfat dry milk showed a net decrease of 17.85 cents since mid-December to \$1.6452 per pound. The average price for NASS whey showed a decrease of 2.25 cents since mid-December to \$0.4359 per pound. ♦

FEBRUARY'S CLASS I PRICE ANNOUNCEMENT

On January 18, the February 2008 Class I price was announced at \$21.58 for the Pacific Northwest Order and \$22.03 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of January 5 and 12.

The February Class III and IV advance skim prices are \$15.44 and \$13.69 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 6.73 cents from \$1.4333 to \$1.3660 per pound.

The February 2008 Class II skim and nonfat solids prices were also announced on January 18. The skim price is \$14.39 per hundredweight, and the nonfat solids price is \$1.5989 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*	\$2.1328	\$2.0126	-\$0.1202
Butter	\$1.3146	\$1.2585	-\$0.0561
Nonfat Dry Milk	\$1.8304	\$1.6931	-\$0.1373
Whey	\$0.4568	\$0.4380	-\$0.0188

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

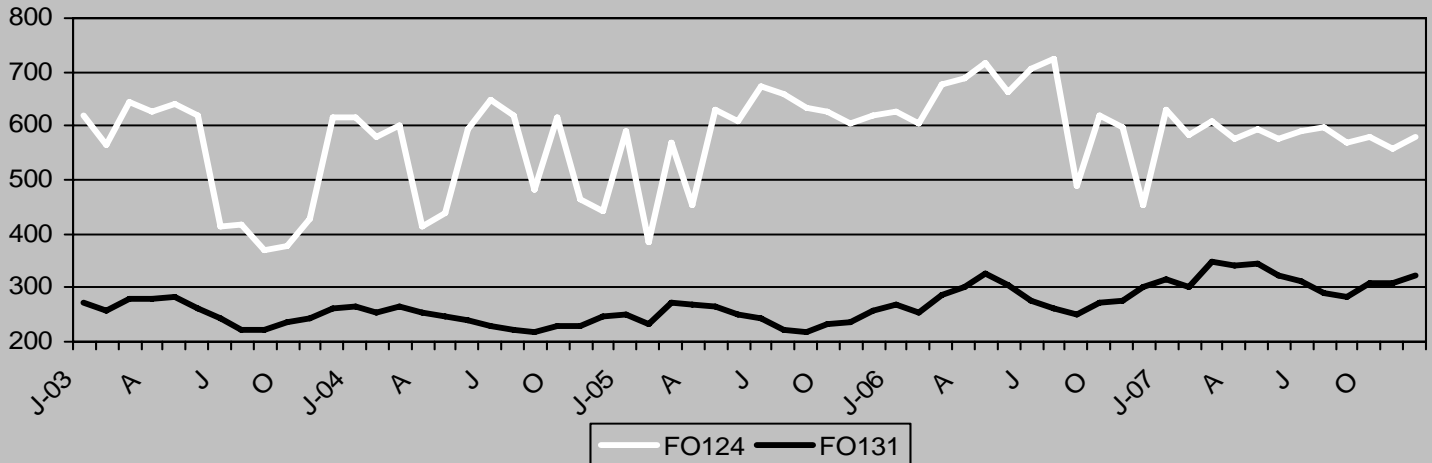
PRODUCERS AND PRODUCER MILK BY ORDER, STATE, AND COUNTY, NOVEMBER 2007

During the month of November 2007, a total of 780 producers, on a combined basis, were associated with the Pacific Northwest and Arizona Orders. These producers delivered a total of 865.3 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. ♦

Number of Producers and Pounds of Milk: By Order, State, and County, November 2007

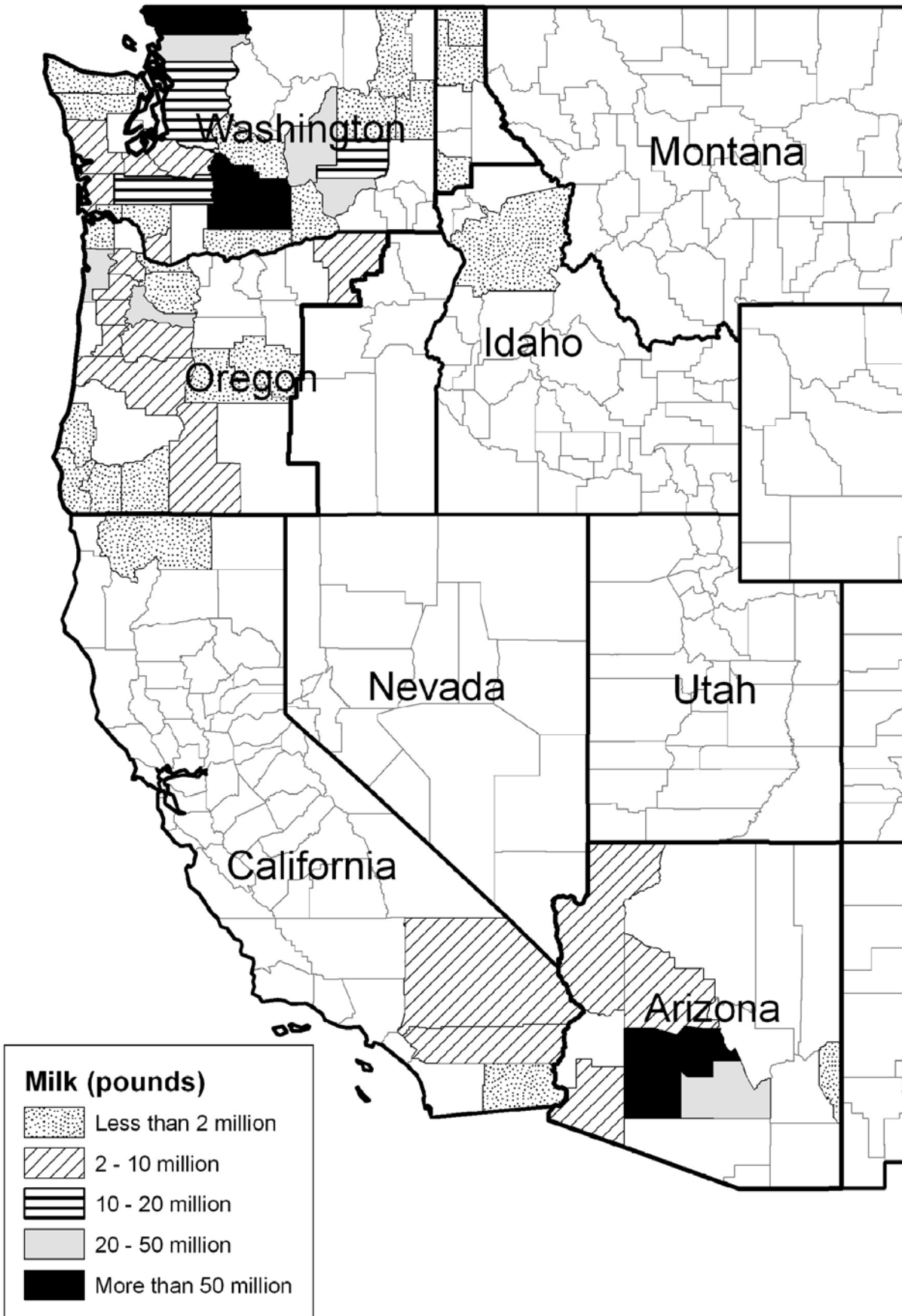
State	County	Producers	Milk	State	County	Producers	Milk
Arizona Order *				Pacific Northwest Order (Continued)			
Arizona				Idaho			
	Maricopa	70	241,488,044		Bonner & Boundary	3	387,780
	Cochise, Greenlee, & Pinal	13	42,048,318		Idaho & Latah	5	560,818
	Mohave, Yavapai & Yuma, AZ (and Imperial, Riverside & San Bernardino, CA)	11	24,823,517	Total Idaho		8	948,598
Total Arizona		94	308,359,879	California			
				Siskiyou		3	1,175,761
Pacific Northwest Order				Total California		3	1,175,761
Washington				Oregon			
	Adams	11	15,266,434	Baker & Umatilla		3	3,399,516
	Clallam & Jefferson	3	931,346	Benton & Lincoln		3	2,694,219
	Clark & Cowlitz	9	7,419,065	Clackamas & Multnomah		9	1,143,999
	Franklin	8	22,539,878	Clatsop		4	1,038,594
	Grant & Kittitas	25	39,526,649	Coos, Curry & Josephine		11	2,355,610
	Grays Harbor	8	2,569,397	Crook, Deschutes, Jackson & Klamath		9	4,715,995
	King	31	15,257,253	Lane		6	4,637,122
	Klickitat & Benton	5	2,716,164	Linn		6	4,589,713
	Lewis	34	10,020,383	Marion		30	23,975,932
	Lincoln & Spokane	11	1,841,471	Polk		5	8,661,072
	Pacific	9	2,341,799	Tillamook		119	41,134,822
	Pierce	5	2,154,977	Washington		16	5,333,682
	Skagit	29	22,153,203	Yamhill		7	8,359,928
	Snohomish & Island	31	18,433,879	Total Oregon		228	112,040,204
	Stevens	8	1,140,304				
	Thurston	8	6,973,331	Total Pacific Northwest Order		686	556,938,912
	Wahkiakum	4	631,699	Total Arizona Order *		94	308,359,879
	Whatcom	135	90,511,372	Total		780	865,298,791
	Yakima	73	180,345,745				
Total Washington		447	442,774,349				

**Pacific Northwest (FO124) and Arizona* (FO131) Producer Milk Pooled
January 2003 - December 2007 (million pounds)**



* 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.

Pounds of Producer Milk by County, November 2007



(Continued from Page 8)

Computer Use: Not Much Change

The 2007 survey found computer access, ownership, Internet access and computer use for farm business had changed little from a similar survey in 2005.

Overall, about 59 percent of the nation's farming operations now own or lease computers. About 55 percent have Internet access, and 35 percent of farms use computers for farm business.

The numbers were substantially higher for farms with sales and government payments of \$250,000 or more per year: 78 percent own or lease a computer, 75 percent have Internet access; and 66 percent are using a computer for farm business. Numbers were comparable for both crop and livestock operations.

Dairy Details

About 59 percent of U.S. dairy operations have computer access, 56 percent own or lease a computer, 44 percent use computers for farm business, and 52 percent have internet access. While on par with producers in most other commodity categories, the 2007 estimates indicate computer use on dairies has leveled off.

While overall dairy computer use may have plateaued - a fact many dairy advisers and consultants dispute - one thing that is undisputable is that dairy producers are seeking faster Internet connections.

While dial-up remains the most common method of accessing the Internet, at 53 percent of U.S. dairies (see table to the right), that's down substantially from the 76 percent just two years ago. The 2007 survey showed 24 percent now use a direct subscriber line (DSL), up from 11 percent in 2005; 6 percent use cable, up from 4 percent, 4 percent use a satellite connection, up from 2 percent; 7 percent of connections are now wireless, compared to just 1 percent in 2005; while 6 percent of Internet connections were listed as "unknown/other," unchanged from 2005.

NAHMS: dairy records

A separate report, included in "Dairy 2007," of the National Animal Health Monitoring System report, further details dairy record-keeping practices. About 2,500 dairy producers completed the survey, which included record systems based on type and herd size.

Dairy record-keeping systems are most commonly used to track milk production,

reproduction and the health of cows. The use of hand-written records decreased as herd size increased, while the used of on-farm computer records increased as herd sized increased. The highest percentage of small and medium operations (77.9 percent and 67.2 percent, respectively) used hand-written records, while the highest percentage of large operations (82.7 percent) used on-farm computer records. Almost all operations (95.1 percent) had some form of record-keeping system to track individual animals. Operations could have used more than one system. The majority of operations (73.5 percent) used hand-written records to track animals, while almost half (45.9 percent) used the Dairy Herd Improvement Association (DHIA) record-keeping system. Although only 19.4 percent of operations used on-farm computer record-keeping systems, 56.9 percent of cows were on these operations.

For operations using on- or off- farm computer data record systems, 34.9 percent used Dairy Comp 305 as their primary system, accounting for 60.3 percent of cows. "Other" computer programs were used on 30.8 percent of operations but accounted for only 13.6 percent of cows. Dairy Quest and Dairy Plan were the most common other computer programs.

INTERNET ACCESS¹: DAIRY OPERATIONS, BY ECONOMIC CLASS²

Dairy operations with Internet connection via	All dairy operations	\$1,000-\$249,999	\$250,000+
Dial-Up	53	57	47
DSL*	24	23	26
Cable	6	4	7
Satellite	4	4	5
Wireless	7	6	9
Unknown/Other	6	6	6

1/ Primary method of Internet access for those operators who have access to the Internet.

2/ Economic class refers to sales and government payments received during the previous year.

* Direct subscriber line

Source: USDA

Source: Natzke, D., *Western Dairy Business*, December 2007, pp 12-13.

To view the entire USDA "Farm Computer Usage and Ownership" report, visit <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1062>

To view the "Dairy 2007" report from the National Animal Health Monitoring System, visit <http://www.aphis.usda.gov/vs/ceah/ncahs/nahms/dairy/>

MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST				ARIZONA 2/			
	Dec 2007	Nov 2007	Dec 2006	Nov 2006	Dec 2007	Nov 2007	Dec 2006	Nov 2006
Class I Milk (\$/cwt.)	\$21.94	\$23.35	\$14.33	\$14.30	\$22.39	\$23.80	\$14.78	\$14.75
Class II Milk (\$/cwt.)	20.82	22.07	12.55	11.98	20.82	22.07	12.55	11.98
Class III Milk (\$/cwt.)	20.60	19.22	13.47	12.84	20.60	19.22	13.47	12.84
Class IV Milk (\$/cwt.)	19.18	20.40	12.30	12.11	19.18	20.40	12.30	12.11
Producer Prices								
Producer Price Differential (\$/cwt.)	\$(0.30)	\$ 1.60	\$(0.48)	\$ 0.01	+	+	+	+
Butterfat (\$/pound)	1.4348	1.4077	1.3481	1.3852	+	+	+	+
Protein (\$/pound)	4.7061	4.3081	2.4388	2.2383	+	+	+	+
Other Solids (\$/pound)	0.2637	0.2461	0.2564	0.2276	+	+	+	+
Uniform Skim Price (\$/cwt.)	+	+	+	+	16.37	17.12	9.27	8.91
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.4365	1.4199	1.3613	1.3963
Statistical Uniform Price (\$/cwt.) . .	\$20.30	\$20.82	\$12.99	\$12.85	\$20.82	\$21.49	\$13.71	\$13.49
Producer Data								
Number of Producers	687 *	686	564	761	94 *	94	91	93
Avg. Daily Production (lbs.)	27,174 *	27,075	25,976	26,146	110,196 *	109,347	107,164	99,239
Number of Handlers								
Pool Handlers	27	26	26	29	7	7	7	7
Producer-Handlers	5 *	5	6	6	1 *	1	1	1
Other Plants w/ Class I Use	27 *	28	26	26	24 *	24	25	25
Producer Milk Ratios								
Class I	32.91%	35.52%	43.16%	33.20%	35.91%	39.27%	39.12%	42.39%
Class II	5.98%	6.48%	7.48%	8.01%	7.38%	6.95%	8.05%	10.85%
Class III	31.27%	31.14%	5.08%	28.25%	25.20%	31.00%	35.77%	35.99%
Class IV	29.84%	26.86%	44.28%	30.54%	31.51%	22.78%	17.06%	10.77%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Nov 2007	Oct 2007	Nov 2006	Oct 2006	Nov 2007	Oct 2007	Nov 2006	Oct 2006
Production	25,792,798	26,094,030	23,162,467	23,000,416	R	R	R	R
Class I Use	21,807,708	21,676,157	20,173,798	20,853,119	R	R	R	R
% Class I Use	84.55%	83.07%	87.10%	90.66%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	172,375,290	174,346,329	176,701,441	174,764,558	98,730,746	101,782,555	101,353,392	102,223,482
By Producer-Handlers	5,894,443	6,514,755	8,313,589	8,555,039	1/	1/	1/	1/
By Other Plants	4,866,482 *	5,236,554	5,039,293	4,346,396	3,750,254 *	5,135,969	5,421,632	5,230,282
Total	183,136,215	186,097,638	190,054,323	187,665,993	102,481,000	106,918,524	106,775,024	107,453,764

* 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.

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST				ARIZONA 2/				
	Dec 2007	Nov 2007	Dec 2006	Nov 2006	Dec 2007	Nov 2007	Dec 2006	Nov 2006	
TOTAL PRODUCER MILK	578,733,166	557,201,549	454,157,075	596,911,994	321,111,301	308,359,879	302,310,158	276,876,746	
RECEIPTS FROM OTHER SOURCES	30,270,193	22,838,628	23,156,136	17,771,230	32,274,467	38,387,028	14,657,832	4,883,202	
OPENING INVENTORY	32,216,543	36,665,308	29,696,311	32,917,294	18,883,995	18,360,751	17,358,604	15,989,601	
TOTAL TO BE ACCOUNTED FOR	641,219,902	616,705,485	507,009,522	647,600,518	372,269,763	365,107,658	334,326,594	297,749,549	
UTILIZATION OF RECEIPTS									
Whole milk	31,947,873	30,585,173	36,271,956	35,303,735	25,917,942	25,889,786	31,771,776	29,688,336	
Flavored milk & milk drinks	14,359,508	15,980,591	15,142,961	17,112,131	6,760,418	7,773,571	7,491,357	8,211,320	
2% milk	70,877,069	69,173,480	68,217,548	68,129,741	37,116,807	37,813,749	37,446,605	36,437,413	
1% milk	27,353,150	27,658,416	26,075,765	27,017,183	12,647,205	13,762,162	12,736,058	13,369,017	
Skim milk	27,725,605	27,511,703	27,775,270	27,715,182	12,438,329	12,960,073	13,070,416	13,122,909	
Buttermilk	1,417,813	1,465,927	1,411,906	1,423,469	504,242	531,405	507,425	524,397	
CLASS I ROUTE DISP. IN AREA.	173,681,018	172,375,290	174,895,406	176,701,441	95,384,943	98,730,746	103,023,637	101,353,392	
Class I dispositions out of area	17,605,141	18,909,553	18,223,871	18,110,127	21,273,846	20,262,523	15,157,866	14,793,324	
Other Class I usage	18,726,624	24,485,082	18,771,570	19,828,571	10,989,524	13,037,723	11,226,936	11,156,974	
TOTAL CLASS I USE.	210,012,783	215,769,925	211,890,847	214,640,139	127,648,313	132,030,992	129,408,439	127,303,690	
TOTAL CLASS II USE	39,460,631	42,934,046	39,138,676	56,301,209	24,435,728	22,202,314	24,984,471	30,832,695	
TOTAL CLASS III USE	182,597,334	180,795,960	23,078,735	168,795,902	80,920,853	95,931,605	108,359,739	100,046,083	
TOTAL CLASS IV USE	209,149,154	177,205,554	232,901,264	207,863,268	139,264,869	114,942,747	71,573,945	39,567,081	
TOTAL ACCOUNTED FOR	641,219,902	616,705,485	507,009,522	647,600,518	372,269,763	365,107,658	334,326,594	297,749,549	
CLASSIFICATION OF RECEIPTS									
Producer milk:	Class I	190,489,190	197,961,046	196,036,867	198,127,832	115,309,350	121,079,709	118,253,216	117,375,634
	Class II	34,595,995	36,102,010	33,949,299	47,825,831	23,713,122	21,421,037	24,329,533	30,041,705
	Class III	180,972,215	173,494,313	23,078,735	168,636,383	80,920,853	95,606,806	108,142,274	99,647,572
	Class IV	172,675,766	149,644,180	201,092,174	182,321,948	101,167,976	70,252,327	51,585,135	29,811,835
Other receipts:	Class I	19,523,593	17,808,879	15,853,980	16,512,307	51,158,462	56,747,779	32,016,436	20,872,803
	Class II	4,864,636	6,832,036	5,189,377	8,475,378	1/	1/	1/	1/
	Class III	1,625,119	7,301,647	0	159,519	1/	1/	1/	1/
	Class IV	36,473,388	27,561,374	31,809,090	25,541,320	1/	1/	1/	1/
Avg. daily producer receipts		18,668,812	18,573,385	14,650,228	19,897,066	10,358,429	10,278,663	9,751,941	9,229,225
Change From Previous Year		27.43%	-6.65%	-26.59%	-1.21%	6.22%	11.37%	17.49%	16.78%
Avg. daily Class I use		6,774,606	7,192,331	6,835,189	7,154,671	4,117,688	4,401,033	4,174,466	4,243,456
Change From Previous Year		-0.89%	0.53%	5.99%	7.51%	-1.36%	3.71%	34.41%	30.97%

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.

HIGHLIGHTS THIS ISSUE:

- Market Summaries for December 2007
- December 2007 Class Prices
- Class I Price for February 2008
- Producers And Producer Milk By Order, State, And County, November 2007
- Dairy Computer Use Unchanged, But Internet Access Speeding Up

DAIRY COMPUTER USE UNCHANGED, BUT INTERNET ACCESS SPEEDING UP

Computers are a valuable tool for many dairy producers, but there's an increasing need for speed.

While the percentage of dairy operations using computers hasn't changed much in two years, more dairy producers are opting for higher-speed Internet connections, according to a new USDA survey.

The 2007 computer usage estimates are based on responses from more than 31,400 agricultural operations and represent all sizes and types of farms. The computer survey was conducted during USDA's annual June survey on farm numbers and land in farms, crop acres planted, grain in storage, livestock inventories and land values. USDA defines a farm as "any place from which \$1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the year."

(Continued on Page 5)