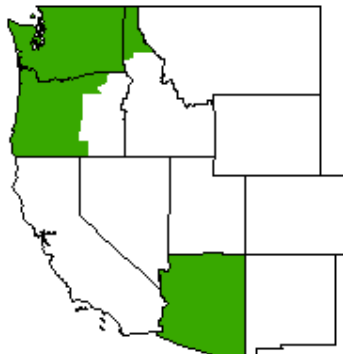


Pacific Northwest & Arizona Marketing Areas



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

Gary Jablonski & William Wise
 Acting Market Administrators

January 2011

MARKET SUMMARIES FOR DECEMBER 2010

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

Pacific Northwest

Producers delivered a total of 657.7 million pounds of milk to the market during December. Daily deliveries averaged 21.2 million pounds, down 0.2 percent from November. An estimated 647 producers delivered milk to the market during the month. Daily deliveries per producer averaged 32,790 pounds, down 0.2 percent from November.

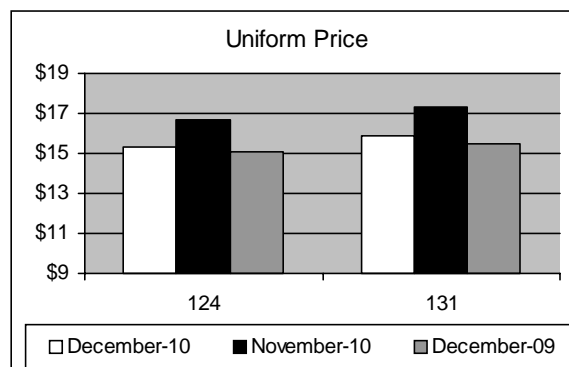
Class I producer milk during December totaled 193.7 million pounds, 29.5 percent of total producer receipts. Daily usage averaged 6.2 million pounds, down 4.1 percent from November.

Arizona

Producers delivered a total of 373.5 million pounds of milk to the market during December. Daily deliveries averaged 12.0 million pounds, up 4.1 percent from

November. An estimated 101 producers delivered milk to the market during the month. Daily deliveries per producer averaged 119,291 pounds, up 4.1 percent from November.

Class I producer milk during December totaled 116.9 million pounds, 31.3 percent of total producer receipts. Daily usage averaged 3.8 million pounds, down 6.3 percent from November. ♦



Federal Order Producer Prices and Component Levels: December 2010

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	15.32	15.88	Butterfat	3.937	3.696
Butterfat 2/	1.7952	1.8874	Protein	3.240	N/A
Protein 2/	2.1706	N/A	Other Solids	5.704	N/A
Other Solids 2/	0.1852	N/A	Nonfat Solids	8.944	N/A
PPD 1/*	1.49	N/A			
Skim 1/	N/A	9.61			

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

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

DECEMBER 2010 CLASS PRICES

December 2010 non-advanced Class Prices were calculated using NASS commodity price surveys from December 4, 11, 18 and 25, 2010. Component prices for the month are \$2.1706 per pound of protein, \$1.7952 per pound of butterfat, \$0.1852 per pound of other solids, and \$1.0068 per pound of nonfat solids.

December 2010 Class III and IV prices at 3.5% butterfat are \$13.83 and \$15.03 per hundredweight, respectively. The December Class III price compared to November is down \$1.61. The Class III price is \$1.15 lower than in December 2009.

Class II butterfat was announced at \$1.8022 per pound. Class I skim and butterfat and Class II skim prices for December 2010 were announced on November 19, 2010. The Class II price at 3.5% butterfat is \$15.77 for December 2010.

FINAL: NASS COMMODITY PRICES

	<u>November</u>	<u>December</u>	<u>Change</u>
Cheese*	\$1.6152	\$1.4606	-\$0.1546
Butter	\$2.0230	\$1.6539	-\$0.3691
Nonfat Dry Milk	\$1.1953	\$1.1848	-\$0.0105
Whey	\$0.3736	\$0.3789	\$0.0053

* 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 price received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 13.57 cents between the December 18 and the January 15 surveys, to \$1.3471 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a net decrease of 3.84 cents to \$1.3787 per pound.

The NASS butter price showed a net increase of 15.83 cents between the weeks ending December 18 and January 15 from \$1.6482 per pound to \$1.8065 per pound.

The NASS nonfat dry milk showed a net increase of 3.97 cents since mid-December to \$1.2560 per pound. The average price for NASS whey showed an increase of 1.76 cents since mid-December to \$0.3956 per pound. ♦

FEBRUARY'S CLASS I PRICE ANNOUNCEMENT

On January 21, the February 2011 Class I price was announced at \$17.79 for the Pacific Northwest Order and \$18.24 for the Arizona 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 \$6.71 and \$9.57 per hundredweight, respectively. The butterfat portion of the Class I mover increased 13.07 cents from \$1.7696 to \$1.9003 per pound.

The February 2011 Class II skim and nonfat solids prices were also announced on January 21. The skim price is \$10.27 per hundredweight, and the nonfat solids price is \$1.1411 pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	<u>January</u>	<u>February</u>	<u>Change</u>
Cheese*	\$1.4841	\$1.3757	-\$0.1084
Butter	\$1.6328	\$1.7407	\$0.1079
Nonfat Dry Milk	\$1.2148	\$1.2423	\$0.0275
Whey	\$0.3783	\$0.3915	\$0.0132

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

THE ROLE OF CONTRACTS IN THE ORGANIC SUPPLY CHAIN: 2004-2007

In December 2010, USDA's Economic Research Service (ERS) released an ERS Report entitled "The Role of Contracts in the Organic Supply Chain: 2004-2007." The report has been briefly summarized below; the full report is available on ERS's website: www.ers.usda.gov/publications/eib69.

What Is the Issue?

Contracts can be designed to provide suppliers with incentives to deliver products with attributes desired by buyers. Conditions in the organic sector suggest that organic handlers (i.e., processors, distributors, manufacturers, repackers), as well as their suppliers (i.e., producers or other handlers), may potentially benefit from contracts, given growth in demand for organic products, short supplies, and the need for certification. Previous research, however, has not investigated the use of contracts in the organic sector. Data from two Economic Research Service (ERS) surveys of certified organic handlers (or intermediaries) provide insight into the extent of contracting in the organic sector,

the rationale for using contracts, and reasons for contract termination.

What Did the Study Find?

In 2007, contracts were used chiefly to procure needed products, particularly those in short supply. The next factor leading to contract use is the desire to source products with specific quality attributes. Large firms were more likely to use contracts for procurement. Assistance offered by contractors to suppliers typically included transportation or technical advice on organic standards. Contractors rarely assisted suppliers with obtaining organic certification or with the transition to organic. ♦

Source: *ERS Report Summary: The Role of Contracts in the Organic Supply Chain: 2004-2007*. Dimitri, C., Oberholtzer, L., and Witterberger, M., December 2010, Economic Research Service, USDA.

PRODUCERS AND PRODUCER MILK BY ORDER, STATE, AND COUNTY: NOVEMBER 2010

During the month of November 2010, a total of 748 producers, on a combined basis, were associated with the Pacific Northwest and Arizona Orders. These producers delivered a total of 984.5 million pounds of milk to the markets during the month. The table on page 4 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 5 does not combine counties with fewer than three producers due to the use of size-ranges. ♦

RSS FEED NOW AVAILABLE FOR SELECTED MA ANNOUNCEMENTS AND PUBLICATIONS



The Market Administrator's website for the Pacific Northwest (FO 124) and Arizona (FO 131) Orders now features an RSS feed for the most recent price and other announcements to help disseminate and deliver timely market information to handlers, producers and other interested parties.

RSS stands for Really Simple Syndication and is designed to provide users with a way to self-subscribe to and access frequently published items of interest to them through their internet browser. See **How to Subscribe** to the right. Common terms used to describe this software technology include

RSS feeds, web feeds, or channels. A good description of RSS can be found in the box titled "Syndication" at the Dairy Market News Information portal at www.marketnews.usda.gov/portal/da. While the Market Administrator's office has only one RSS feed, users can subscribe to any number of RSS feeds and are notified of new items in each feed as they become available. RSS helps deliver information on the availability and links to new items of interest to the user instead of their having to visit a website to check for availability or wait for a fax or an email or the mail.

The MA office has the following announcements and publications for the Pacific Northwest and Arizona Orders incorporated into its RSS Feed:

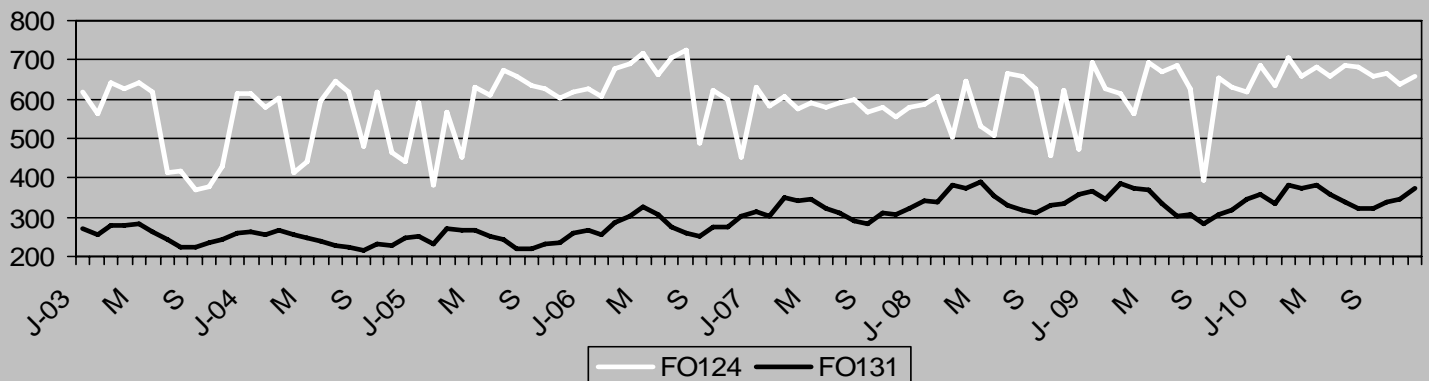
- **Advanced Class Price Announcement:** The minimum price for milk used in Class I/II [1124.50-53]. Announced on or before the 23rd of the month for the following month.
- **Class I Price Conversion Worksheet:** A conversion of the Class I price to selected butterfat tests and container sizes. Published on or before the 23rd of the month for the following month.
- **MA Report:** A monthly summary of market data and other information [1000.25(8) & 1000.86(a)]. Published by the end of the month, showing data for the previous month.
- **Final Class Price Announcement:** The minimum prices for milk used in Class II/III/IV [1124.50-53]. Announced on or before the 5th of the following month.
- **Uniform Price Announcement:** The minimum price payable to producers and cooperatives [1124.62/1131.62]. Announced on or before the 14th of the following month.

How to Subscribe: To subscribe to the MA's RSS feed, simply click on the link next to the orange RSS Feed icon at www.fmmaseattle.com and click "Subscribe to this feed." After subscribing and on the next price or publication announcement date, you need only to click on the Favorites icon in your internet browser and then the Feeds tab. Bolded items on the Feed list indicate new items are available. More information on what RSS represents can be found in the masthead of the subscription page. Once you have subscribed, Feed properties can be set under View Feed Properties on the right hand side of the Feed page. For further information on the MA's RSS feed, please contact John Mykrantz at (425) 487-6009 or fmmaseattle@fmmaseattle.com. ♦

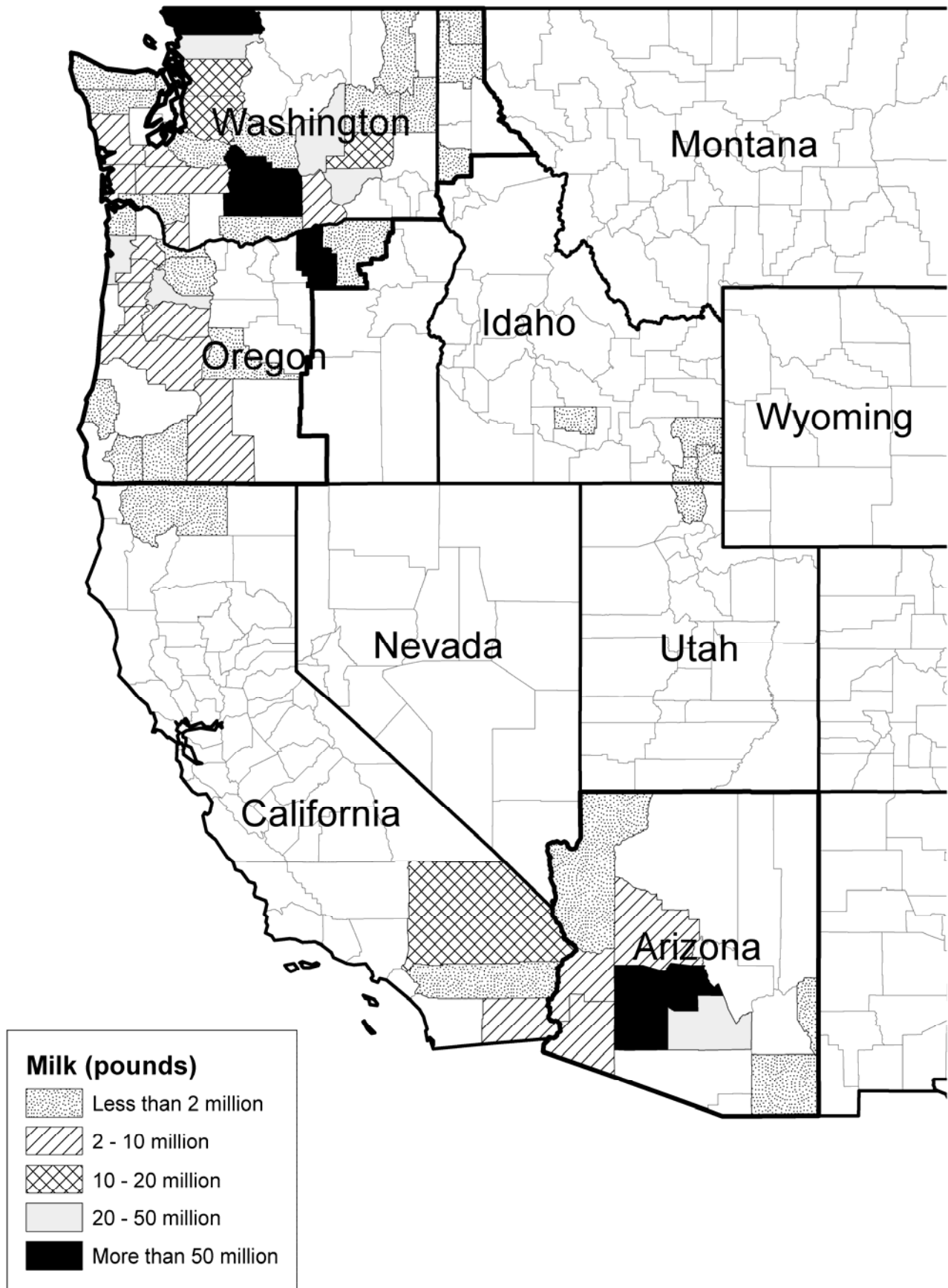
Number of Producers and Pounds of Milk: By Order, State, and County, November 2010

State	County	Producers	Milk	State	County	Producers	Milk
Pacific Northwest Order				Pacific Northwest Order (Continued)			
California				Oregon			
	Siskiyou	3	1,337,076		Benton	3	2,711,906
Total California		3	1,337,076		Clackamas & Multnomah	8	1,023,859
Idaho					Clatsop	4	1,029,590
	Northern Idaho	3	355,400		Coos	7	1,844,248
	Southern Idaho	11	1,092,275		Deschutes, Jackson & Klamath	8	4,776,499
Total Idaho		14	1,447,675		Josephine	3	843,323
Utah					Lane	4	4,476,461
	Cache	4	533,568		Linn	6	4,012,050
Total Idaho		4	533,568		Marion	30	26,243,215
Washington					Morrow & Umatilla	8	60,738,018
	Adams	9	15,649,694		Polk	5	9,725,782
	Clark & Cowlitz	10	6,975,390		Tillamook	107	41,549,637
	Franklin	10	33,374,498		Washington	12	4,735,640
	Grant & Kittitas	25	45,173,351		Yamhill	7	8,479,019
	Grays Harbor, Jefferson & Clallam	11	4,570,694	Total Oregon		212	172,189,247
	King	25	12,682,302	Arizona Order			
	Klickitat & Benton	6	7,161,282	Arizona			
	Lewis	30	9,855,193		Maricopa	72	269,616,073
	Lincoln & Spokane	7	1,419,612		Cochise, Greenlee, & Pinal, AZ	13	39,997,333
	Pacific	9	2,139,489		La Paz, Mohave, Yavapai & Yuma, AZ and Imperial, Riverside, & San Bernardino, CA	16	37,388,732
	Skagit	30	21,126,536	Total Arizona		101	347,002,138
	Snohomish & Island	27	17,451,598	Total Pacific Northwest Order			
	Stevens	8	1,188,596			647	637,462,074
	Thurston & Pierce	11	9,271,709	Total Arizona Order			
	Wahkiakum	4	564,362			101	347,002,138
	Whatcom	119	80,690,085	Total			
	Yakima	73	192,660,117			748	984,464,212
Total Washington		414	461,954,508				

**Pacific Northwest (FO124) and Arizona (FO131) Producer Milk Pooled
January 2003 - December 2010 (million pounds)**



Pounds of Producer Milk by County, November 2010



MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST				ARIZONA			
	Dec 2010	Nov 2010	Dec 2009	Nov 2009	Dec 2010	Nov 2010	Dec 2009	Nov 2009
Minimum Class Prices (3.5% B.F.)								
Class I Milk (\$/cwt.)	\$18.86	\$19.14	\$15.89	\$14.76	\$19.31	\$19.59	\$16.34	\$15.21
Class II Milk (\$/cwt.)	15.77	17.21	14.25	13.24	15.77	17.21	14.25	13.24
Class III Milk (\$/cwt.)	13.83	15.44	14.98	14.08	13.83	15.44	14.98	14.08
Class IV Milk (\$/cwt.)	15.03	16.68	15.01	13.25	15.03	16.68	15.01	13.25
Producer Prices								
Producer Price Differential (\$/cwt.)	\$ 1.49	\$ 1.27	\$ 0.07	\$(0.16)	+	+	+	+
Butterfat (\$/pound)	1.7952	2.2422	1.5433	1.4656	+	+	+	+
Protein (\$/pound)	2.1706	2.1981	2.8751	2.6991	+	+	+	+
Other Solids (\$/pound)	0.1852	0.1797	0.1727	0.1524	+	+	+	+
Uniform Skim Price (\$/cwt.)	+	+	+	+	9.61	9.64	10.52	9.71
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.8874	2.2858	1.5280	1.4327
Statistical Uniform Price (\$/cwt.)	\$15.32	\$16.71	\$15.05	\$13.92	\$15.88	\$17.30	\$15.50	\$14.38
Producer Data								
Number of Producers	647 *	647	624	637	101 *	101	94	95
Avg. Daily Production (lbs.)	32,790 *	32,842	31,981	33,059	119,291 *	114,589	118,658	111,851
Producer Milk Ratios								
Class I	29.45%	30.67%	32.44%	29.80%	31.30%	34.78%	35.68%	38.58%
Class II	5.98%	7.18%	6.47%	6.80%	8.29%	9.88%	7.95%	8.64%
Class III	39.43%	41.05%	33.94%	39.41%	22.98%	26.84%	27.83%	28.74%
Class IV	25.14%	21.10%	27.15%	23.99%	37.43%	28.50%	28.54%	24.04%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

	Nov 2010	Oct 2010	Nov 2009	Oct 2009	Nov 2010	Oct 2010	Nov 2009	Oct 2009
	Number of Handlers							
Pool Handlers	26	26	28	28	7	7	7	7
<i>Distributing Plants</i>	14	14	15	15	5	5	5	5
<i>Supply Plants 1/</i>	7	7	8	8	1	1	1	1
<i>Cooperatives</i>	5	5	5	5	1	1	1	1
Producer-Handlers	5	5	5	5	0	0	0	0
Other Plants w/ Class I Use	22	21	24	25	24	25	26	26
Class I Route Disposition In Area								
By Pool Plants	176,492,078	174,268,498	174,481,311	183,924,546	97,654,925	95,551,941	98,419,709	99,970,885
By Producer-Handlers	8,697,198	8,486,219	6,984,345	7,043,908	0	0	0	0
By Other Plants	8,410,880 *	8,074,776	7,581,557	8,069,974	6,971,132 *	6,137,029	5,373,912	5,386,904
Total	193,600,156	190,829,493	189,047,213	199,038,428	104,626,057	101,688,970	103,793,621	105,357,789
Producer-Handler Data								
% Class I Use	63.77%	59.94%	88.42%	85.91%	0.00%	0.00%	0.00%	0.00%
% of Total In-Area Route Dispositions	4.49%	4.45%	3.69%	3.54%	0.00%	0.00%	0.00%	0.00%

* Preliminary. 1/ Includes Cooperative Pool Manufacturing Plants

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST				ARIZONA			
	Dec 2010	Nov 2010	Dec 2009	Nov 2009	Dec 2010	Nov 2010	Dec 2009	Nov 2009
TOTAL PRODUCER MILK	657,677,439	637,461,894	618,633,627	631,764,987	373,499,231	347,205,558	345,769,430	318,774,111
RECEIPTS FROM OTHER SOURCES	10,121,214	8,698,452	12,412,915	15,040,375	2,560,445	3,830,928	4,229,982	2,642,993
OPENING INVENTORY	37,146,297	39,136,466	33,627,409	33,169,534	22,736,621	23,287,596	23,529,441	23,866,131
TOTAL TO BE ACCOUNTED FOR	704,944,950	685,296,812	664,673,951	679,974,896	398,796,297	374,324,082	373,528,853	345,283,235
UTILIZATION OF RECEIPTS								
Whole milk	32,905,570	32,223,965	33,687,258	31,774,647	24,510,018	24,099,547	25,578,160	24,891,733
Flavored milk & milk drinks	14,598,554	16,774,024	15,350,868	16,949,412	6,653,570	7,793,480	6,975,600	7,537,355
2% milk	71,459,560	70,809,784	73,986,800	69,690,930	35,694,174	35,481,736	37,838,380	36,774,475
1% milk	26,892,513	26,896,718	27,528,630	26,623,017	16,079,782	16,751,241	15,254,585	15,616,454
Skim milk	27,691,652	28,350,888	28,994,253	28,050,146	12,704,068	13,071,745	13,056,142	13,176,188
Buttermilk	1,319,924	1,436,699	1,364,435	1,393,159	456,104	457,176	454,541	423,504
CLASS I ROUTE DISP. IN AREA. . .	174,867,773	176,492,078	180,912,244	174,481,311	96,097,716	97,654,925	99,157,408	98,419,709
Class I dispositions out of area . . .	15,147,016	14,684,412	18,612,881	14,725,385	23,301,881	23,790,520	24,295,231	23,706,262
Other Class I usage	19,103,111	17,428,384	18,928,077	17,820,223	10,932,635	13,274,043	14,038,474	14,074,963
TOTAL CLASS I USE.	209,117,900	208,604,874	218,453,202	207,026,919	130,332,232	134,719,488	137,491,113	136,200,934
TOTAL CLASS II USE	45,444,318	51,453,214	49,788,813	52,661,679	31,543,559	34,907,164	29,222,587	28,502,061
TOTAL CLASS III USE	262,748,242	263,409,623	212,024,875	251,412,241	86,432,457	94,398,398	96,773,552	92,194,817
TOTAL CLASS IV USE	187,634,490	161,829,101	184,407,061	168,874,057	150,488,049	110,299,032	110,041,601	88,385,423
TOTAL ACCOUNTED FOR	704,944,950	685,296,812	664,673,951	679,974,896	398,796,297	374,324,082	373,528,853	345,283,235
CLASSIFICATION OF RECEIPTS								
Producer milk:								
Class I	193,661,660	195,510,263	200,656,896	188,242,075	116,892,755	120,770,798	123,367,848	122,987,352
Class II	39,350,301	45,754,033	40,031,701	42,957,227	30,945,465	34,301,652	27,498,369	27,550,680
Class III	259,323,797	261,696,692	209,987,356	248,969,997	85,843,310	93,203,981	96,235,223	91,620,950
Class IV	165,341,681	134,500,906	167,957,674	151,595,688	139,817,701	98,929,127	98,667,990	76,615,129
Other receipts:								
Class I	15,456,240	13,094,611	17,796,306	18,784,844	13,439,477	13,948,690	14,123,265	13,213,582
Class II	6,094,017	5,699,181	9,757,112	9,704,452	2/	2/	2/	2/
Class III	3,424,445	1,712,931	2,037,519	2,442,244	2/	2/	2/	2/
Class IV	22,292,809	27,328,195	16,449,387	17,278,369	11,857,589	13,169,834	13,636,158	13,295,542
Avg. daily producer receipts	21,215,401	21,248,730	19,955,923	21,058,833	12,048,362	11,573,519	11,153,853	10,625,804
Change From Previous Year . . .	6.31%	0.90%	30.86%	1.70%	8.02%	8.92%	-3.56%	-5.14%
Avg. daily Class I use	6,745,739	6,953,496	7,046,877	6,900,897	4,204,266	4,490,650	4,435,197	4,540,031
Change From Previous Year . . .	-4.27%	0.76%	0.39%	2.11%	-5.21%	-1.09%	2.99%	4.56%

1/ Restricted - Included with Class I.
 2/ Restricted - Included with Class IV.
 3/ Restricted - Included with Flavored milk & milk drinks.

HIGHLIGHTS THIS ISSUE:

- **Market Summaries for December 2010**
- **December 2010 Class Prices**
- **Class I Price for February 2011**
- **The Role of Contracts in the Organic Supply Chain**
- **Producer and Producer Milk by Order, State, and County: November 2010**
- **RSS Feed Now Available for Selected MA Announcements and Publications**
- **Market Administrator Retires**

MARKET ADMINISTRATOR RETIRES

On December 31, 2010, James R. Daugherty retired from the position of Market Administrator, Pacific Northwest and Arizona Milk Marketing Orders.

Mr. Daugherty began his 30-year career with the Federal Milk Marketing Order Program in September 1980 as a marketing specialist/programmer in the Portland, Oregon, market administrator's office. He transferred to the Seattle market administrator's office in November 1986. In June of 1987, he was appointed as Assistant Market Administrator for the Pacific Northwest and the Southwestern Idaho-Eastern Oregon orders. Mr. Daugherty was appointed Market Administrator in February 1994 following the retirement of Jerry Colburn.

Effective January 1, 2011, Gary Jablonski and William Wise are designated to serve, on a rotational basis, as Acting Market Administrator, Pacific Northwest and Arizona Milk Market Orders, until a permanent appointment has been made. ♦