

## Pacific Northwest & Arizona-Las Vegas Marketing Areas



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**James R. Daugherty**  
 Market Administrator

**March 2006**

### MARKET SUMMARIES FOR FEBRUARY 2006

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

#### Pacific Northwest

Producers delivered a total of 605.7 million pounds of milk to the market during February. Daily deliveries averaged 21.6 million pounds, up 7.0 percent from January. An estimated 838 producers delivered milk to the market during the month. Daily deliveries per producer averaged 25,815 pounds, up 6.6 percent from January.

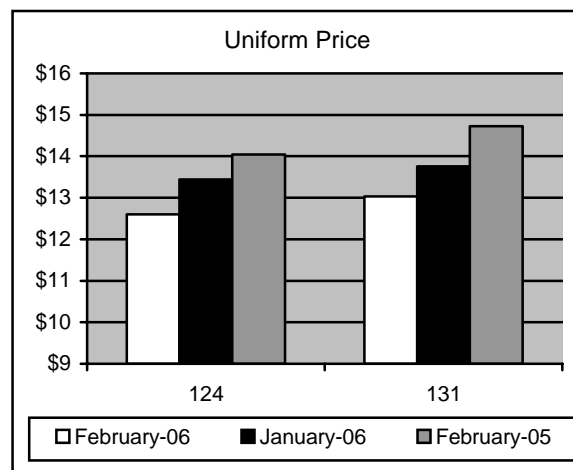
Class I producer milk during February totaled 162.7 million pounds, 26.9 percent of total producer receipts. Daily usage averaged 5.8 million pounds, down 3.4 percent from January.

#### Arizona-Las Vegas

Producers delivered a total of 253.4 million pounds of milk to the market during February. Daily deliveries averaged 9.1 million pounds, up 4.5 percent from January. An estimated 87 producers

delivered milk to the market during the month. Daily deliveries per producer averaged 104,029 pounds, up 4.5 percent from January.

Class I producer milk during February totaled 81.9 million pounds, 32.3 percent of total producer receipts. Daily usage averaged 2.9 million pounds, up 6.2 percent from January. ♦



### Federal Order Producer Prices and Component Levels: February 2006

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	12.60	13.03	Butterfat	3.770	3.596
Butterfat 2/	1.3469	1.3750	Protein	3.085	N/A
Protein 2/	2.1220	N/A	Other Solids	5.724	N/A
Other Solids 2/	0.1999	N/A	Nonfat Solids	8.809	N/A
PPD 1/*	0.40	N/A			
Skim 1/	N/A	8.52			

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

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**FEBRUARY 2006 CLASS PRICES**

February 2006 non-advanced Class Prices were calculated using NASS commodity price surveys from February 4, 11, 18 and 25, 2006. Component prices for the month are \$2.1220 per pound of protein, \$1.3469 per pound of butterfat, \$0.1999 per pound of other solids, and \$0.7359 per pound of nonfat solids.

February 2006 Class III and IV prices at 3.5% butterfat are \$12.20 and \$11.10 per hundredweight, respectively. The February Class III price compared to January is down \$1.19. The Class III price is \$2.50 lower than February 2005. The Class III price at 3.67% butterfat is \$2.52 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.3539 per pound. Class I skim and butterfat and Class II skim prices for February 2006 were announced on January 20, 2006. The Class II price at 3.5% butterfat is \$12.62 for February 2006.

**FINAL: NASS COMMODITY PRICES**

	<u>January</u>	<u>February</u>	<u>Change</u>
Cheese*	\$1.3895	\$1.2637	-\$0.1258
Butter	\$1.3387	\$1.2374	-\$0.1013
Nonfat Dry Milk	\$0.9614	\$0.8833	-\$0.0781
Whey	\$0.3416	\$0.3531	\$0.0115

\* 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 500-pound barrels. The survey of 40-pound blocks showed a decrease of 12.72 cents between the February 11 and the March 11 surveys, to \$1.1491 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a decrease of 10.47 cents to \$1.1331 per pound.

The NASS butter price showed a decrease of 7.48 cents between the weeks ending February 11 and March 11 from \$1.2443 per pound to \$1.1695 per pound.

The NASS nonfat dry milk showed a net decrease of 1.69 cents since mid-February to \$0.8696 per pound. The average price for NASS whey showed a net decrease of 0.64 cent since mid-February to \$0.3447 per pound. ♦

**APRIL'S CLASS I PRICE ANNOUNCEMENT**

On March 17, the April 2006 Class I price was announced at \$13.12 for the Pacific Northwest Order and \$13.57 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of March 4 and 11.

The April Class III and IV advance skim prices are \$7.02 and \$6.58 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 10.53 cents from \$1.3768 to \$1.2715 per pound.

The April 2006 Class II skim and nonfat solids prices were also announced on March 17. The skim price is \$7.28 per hundredweight, and the nonfat solids price is \$0.8089 per pound for all Federal orders. ♦

**ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS**

	<u>March</u>	<u>April</u>	<u>Change</u>
Cheese*	\$1.2923	\$1.1686	-\$0.1237
Butter	\$1.2623	\$1.1746	-\$0.0877
Nonfat Dry Milk	\$0.9053	\$0.8789	-\$0.0264
Whey	\$0.3532	\$0.3478	-\$0.0054

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

**USDA ANNOUNCES FINAL RULE TO AMEND PACIFIC NORTHWEST AND ARIZONA-LAS VEGAS MILK ORDERS**

On February 23, 2006, the U. S. Department of Agriculture announced a final rule that implements amendments to the current provisions of the Pacific Northwest and Arizona-Las Vegas milk marketing orders. Producers in both milk markets approved these amendments.

This decision is based on testimony and evidence given at a public hearing held at Tempe, Arizona, beginning on September 23, 2003; reconvened and continuing at Seattle, Washington, on November 17, 2003; and reconvened at Alexandria, Virginia, on January 20, 2004 and concluded on January 22, 2004. Specifically, this final rule establishes a three million pound per month route disposition limit, which if exceeded, would subject a producer-handler to the pooling and pricing provisions of the Pacific Northwest and the Arizona-Las Vegas milk marketing orders.

The final rule was published in the February 24 Federal Register. The rule will become effective April 1, 2006.

For additional information about the decision contact:

Pacific Northwest and Arizona-Las Vegas:  
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USDA/AMS/Dairy Programs  
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**USDA ANNOUNCES RECOMMENDED  
DECISION TO AMEND MIDEAST MILK ORDER**

On February 21, 2006, the U. S. Department of Agriculture announced a recommended decision to adopt amendments to the pooling provisions of the Mideast milk marketing order. This decision is based on testimony and evidence given at a public hearing held in Wooster, Ohio, from March 7-10, 2005.

The amendments recommended for adoption would: 1) Establish a limit on the volume of milk a handler may pool during the months of April through February to 115 percent of the volume of milk pooled in the prior month; and 2) Establish a limit on the volume of milk a handler may pool during the month of March to 120 percent of the volume of milk pooled in the prior month.

The recommended decision was published in the February 22 Federal Register. Public comments are due April 24th.

For additional information about the decision contact:

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Brunswick, Ohio 44212  
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email: [dwalker@fmmaclev.com](mailto:dwalker@fmmaclev.com). ♦

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**USDA ANNOUNCES RECOMMENDED  
DECISION TO AMEND CENTRAL MILK ORDER**

On February 21, 2006, the U. S. Department of Agriculture announced a recommended decision to adopt amendments to the pooling provisions of the Central Milk Marketing Order. This decision is

based on testimony and evidence given at a public hearing held at Kansas City, Missouri, on December 6-8, 2004.

The amendments recommended for adoption would increase supply plant performance standards, amend features of the "touch-base" provision, amend certain features of the "split plant" provision and decrease the diversion limit standards of the order. The decision also recommends adoption of a proposal that would limit the volume of milk a handler can pool in a month to 125 percent of the total volume of milk pooled in the previous month.

The recommended decision was published in the February 22 Federal Register. Public comments are due by April 24th.

For additional information about the decision contact:

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**USDA ANNOUNCES RECOMMENDED  
DECISION TO AMEND UPPER MIDWEST MILK  
ORDER**

On February 21, 2006, the U.S. Department of Agriculture announced a recommended decision to adopt amendments to the pooling provisions of the Upper Midwest milk marketing order. This decision is based on testimony and evidence given at a public hearing held in Bloomington, Minnesota, on August 16 -19, 2004.

The amendments recommended for adoption would: 1) establish a limit on the volume of milk a handler may pool during the months of April through February to 125 percent of the volume of milk pooled in the prior month; 2) establish a limit on the volume of milk a handler may pool during the month of March to 135 percent of the volume of milk pooled in the prior month; and 3) allow the market administrator to increase the maximum administrative assessment rate up to 8 cents per hundredweight on all pooled milk if necessary to maintain the required fund reserves.

The recommended decision was published in the February 22 Federal Register.

Public comments are due April 24th.  
 For additional information about the decision contact:

Upper Midwest:  
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**2005 MILK PRODUCTION**

Milk production for 2005 was up 3.8 percent for the U.S. and up 4.2 percent for the top 23 states compared with 2004. U.S. milk production for 2005 equaled 177.0 billion pounds, 6.1 billion pounds more than the previous year. The table below shows data for 2005 for the selected states with comparisons to year-ago levels. The graph below shows milk production for the United States on a monthly basis for 2003 through 2005. ♦

**CME ESTABLISHES E-TRADING FOR CLASS III FUTURES MARKETS**

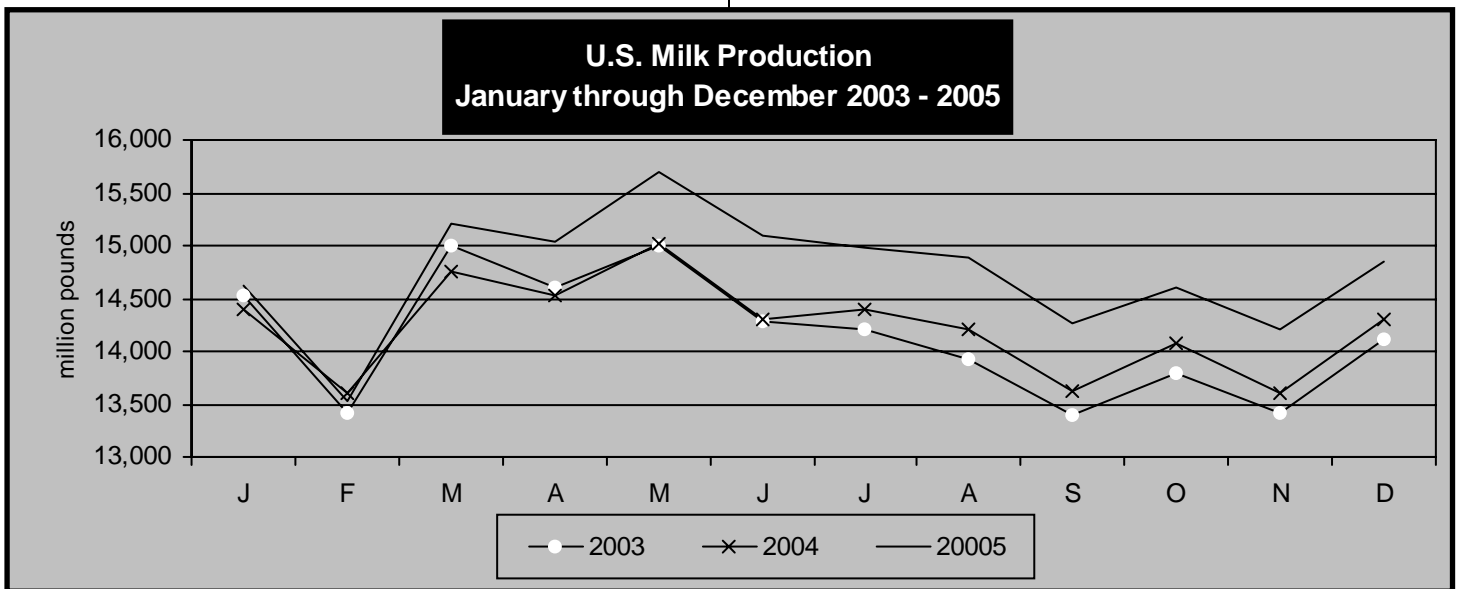
The Chicago Mercantile Exchange, also known as the CME, has begun to offer electronic trading for Class III futures.

The electronic trading, which began February 27, is on Globex and will feature market makers to help ensure continuous, transparent and competitive markets by providing liquidity, CME officials say. Trading hours and contract specifications are identical to the current pit-traded futures. Pit trading will continue side-by-side with the new electronic format.

Phil Plourd, vice president of research for the Cottage Grove, Wisconsin-based Blimling and Associates, says electronic trading should generate additional interest from existing participants as well as new participants to the market. More information can be viewed online at <http://www.cme.com>. ♦

Milk Production 2004-05			
	2004	2005	% Change 1/
- - million pounds -			
Arizona	3,646	3,742	2.91%
California	36,465	37,564	3.30%
Colorado	2,184	2,348	7.80%
Idaho	9,093	10,161	12.05%
Michigan	6,330	6,735	6.69%
Minnesota	8,102	8,195	1.42%
Montana 2/	348	372	7.19%
Nevada 2/	509	542	6.78%
New Mexico	6,737	6,951	3.46%
New York	11,650	12,078	3.96%
Oregon	2,270	2,284	0.89%
Pennsylvania	10,062	10,503	4.67%
Texas	6,009	6,442	7.50%
Washington	5,416	5,608	3.83%
Wisconsin	22,085	22,866	3.82%
23 States	155,528	161,582	4.18%
U.S.	170,934	176,989	3.83%

Source: National Agricultural Statistics Service.  
 1/ Percent change adjusted for leap year.  
 2/ Montana and Nevada are not part of the 23-States total.



**INCOME AND EXPENSE STATEMENT**

For Year Ending December 31, 2005

	<u>Administrative Fund</u>	<u>Marketing Service Fund</u>
<b>Income</b>		
Assessments or Deductions	\$ 3,584,107.00	\$ 207,714.93
Interest Earned and Late Payment Charges	137,255.97	-
Miscellaneous Income	-	-
<b>Total Income</b>	<u>\$ 3,721,362.97</u>	<u>\$ 207,714.93</u>
<b>Expenses</b>		
Salaries and Services	\$ 1,959,444.51	\$ 74,722.35
Travel and Communications	185,198.52	16,435.93
Employer Payroll Contributions	501,198.09	16,403.73
Rent-Buildings and Equipment	245,352.52	10,181.29
Repairs and Maintenance	6,039.85	4,077.35
Supplies and Insurance	45,435.69	33,288.25
Testing and Weighing	62,290.49	43,705.14
Utilities	12,939.88	494.31
Depreciation of Fixed Assets	117,025.83	15,505.25
Conferences and Meetings	8,401.46	281.19
Research and Training	35,012.79	2,419.92
Uncollectible Accounts	-	-
Miscellaneous	2,059.59	84.36
<b>Total Expenses</b>	<u>\$ 3,180,399.22</u>	<u>\$ 217,599.07</u>
<b>NET INCOME</b>	<u>\$ 540,963.75</u>	<u>\$ (9,884.14)</u>

**BALANCE SHEET**

As of December 31, 2004

<b>ASSETS</b>	<u>Administrative Fund</u>	<u>Marketing Service Fund</u>
<b><u>Current Assets</u></b>		
Cash and Investments	\$ 2,847,935.47	\$ (103,240.89)
Accounts Receivable:		
Handlers and Other	533,802.31	16,826.74
Allowance for Uncollectible Accounts	-	-
Accrued Interest Receivable	16,385.74	-
<b><u>Other Assets</u></b>		
Prepaid Expenses and Deposits	9,658.20	469.25
<b><u>Fixed Assets</u></b>		
Furniture and Equipment	789,847.07	152,598.35
Accumulated Depreciation	(708,305.36)	(76,035.49)
Laboratory Equipment	160,627.00	126,176.07
Accumulated Depreciation	(24,094.08)	(86,843.42)
Leasehold Improvements	191,122.27	7,963.43
Accumulated Depreciation	(188,589.53)	(7,857.91)
<b>TOTAL ASSETS</b>	<u>\$ 3,628,389.09</u>	<u>\$ 30,056.13</u>

**LIABILITIES AND OPERATING BALANCE**

<b><u>Current Liabilities</u></b>		
Accounts Payable:		
Trade Creditors and Others	\$ 5,819.40	\$ 5,549.93
Accrued Employee Salaries Payable and Annual Leave	177,436.13	5,927.45
Payroll Contributions and Withholdings	10,142.84	-
<b><u>Operating Balance</u></b>	<u>3,434,990.72</u>	<u>18,578.75</u>
<b>TOTAL LIABILITIES AND OPERATING BALANCE</b>	<u>\$ 3,628,389.09</u>	<u>\$ 30,056.13</u>

# MONTHLY SELECTED STATISTICS

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Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST				ARIZONA-LAS VEGAS			
	Feb 2006	Jan 2006	Feb 2005	Jan 2005	Feb 2006	Jan 2006	Feb 2005	Jan 2005
Class I Milk (\$/cwt.) . . . . .	\$15.28	\$15.28	\$15.69	\$18.55	\$15.73	\$15.73	\$16.14	\$19.00
Class II Milk (\$/cwt.) . . . . .	12.62	13.25	13.36	13.04	12.62	13.25	13.36	13.04
Class III Milk (\$/cwt.) . . . . .	12.20	13.39	14.70	14.14	12.20	13.39	14.70	14.14
Class IV Milk (\$/cwt.) . . . . .	11.10	12.20	12.74	12.52	11.10	12.20	12.74	12.52
<b>Producer Prices</b>								
Producer Price Differential (\$/cwt.)	\$ 0.40	\$ 0.05	\$(0.66)	\$ 0.59	+	+	+	+
Butterfat (\$/pound) . . . . .	1.3469	1.4684	1.7754	1.7330	+	+	+	+
Protein (\$/pound) . . . . .	2.1220	2.3994	2.6613	2.5300	+	+	+	+
Other Solids (\$/pound) . . . . .	0.1999	0.1881	0.0915	0.0899	+	+	+	+
Uniform Skim Price (\$/cwt.) . . . .	+	+	+	+	8.52	8.89	8.82	9.12
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.3750	1.4792	1.7755	1.7977
Statistical Uniform Price (\$/cwt.) . .	\$12.60	\$13.44	\$14.04	\$14.73	\$13.03	\$13.76	\$14.73	\$15.09
<b>Producer Data</b>								
Number of Producers . . . . .	838 *	835	665	865	87 *	87	89	89
Avg. Daily Production (lbs.) . . . .	25,815 *	24,213	20,571	21,967	104,029 *	99,597	93,357	91,238
<b>Number of Handlers</b>								
Pool Handlers . . . . .	27	26	26	28	5	5	6	5
Producer-Handlers . . . . .	9 *	9	9	9	3 *	3	3	3
Other Plants w/ Class I Use . . . .	23 *	23	21	22	26 *	26	29	30
<b>Producer Milk Ratios</b>								
Class I . . . . .	26.87%	29.76%	41.72%	32.43%	32.34%	31.79%	33.85%	33.16%
Class II . . . . .	5.48%	5.07%	7.83%	5.97%	8.29%	7.71%	9.32%	10.73%
Class III . . . . .	32.37%	27.50%	2.79%	29.57%	35.31%	29.88%	38.11%	33.42%
Class IV . . . . .	35.28%	37.67%	47.66%	32.03%	24.06%	30.62%	18.72%	22.69%

+ Not Applicable. \* Preliminary.

## MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Jan 2006	Dec 2005	Jan 2005	Dec 2004	Jan 2006	Dec 2005	Jan 2005	Dec 2004
Production . . . . .	36,523,016	35,243,799	29,752,738	26,760,627	R	R	R	R
Class I Use . . . . .	27,431,080	27,969,742	22,232,587	21,995,660	R	R	R	R
% Class I Use . . . . .	75.11%	79.36%	74.72%	82.19%	R	R	R	R
<b>Class I Route Disposition In Area</b>								
By Pool Plants . . . . .	165,215,279	166,392,711	169,895,903	167,632,833	82,898,068	81,578,775	81,355,944	80,038,585
By Producer-Handlers . . . . .	17,935,432	17,780,706	15,876,029	16,551,683	1/	1/	1/	1/
By Other Plants . . . . .	4,005,462 *	2,466,818	3,128,200	3,939,427	28,889,713 *	28,664,754	27,799,794	27,641,945
Total	187,156,173	186,640,235	188,900,132	188,123,943	111,787,781	110,243,529	109,155,738	107,680,530

\* 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				ARIZONA-LAS VEGAS			
	Feb 2006	Jan 2006	Feb 2005	Jan 2005	Feb 2006	Jan 2006	Feb 2005	Jan 2005
TOTAL PRODUCER MILK	605,729,389	626,743,003	383,028,283	589,053,951	253,413,919	268,612,054	232,646,647	251,726,128
RECEIPTS FROM OTHER SOURCES	18,949,517	18,239,680	25,507,864	31,103,109	53,837,624	37,402,640	20,702,143	21,809,651
OPENING INVENTORY . . . . .	32,048,500	31,255,391	31,274,238	32,318,691	16,864,667	19,794,214	16,935,444	16,735,461
<b>TOTAL TO BE ACCOUNTED FOR</b>	<b>656,727,406</b>	<b>676,238,074</b>	<b>439,810,385</b>	<b>652,475,751</b>	<b>324,116,210</b>	<b>325,808,908</b>	<b>270,284,234</b>	<b>290,271,240</b>
<b>UTILIZATION OF RECEIPTS</b>								
Whole milk . . . . .	29,197,156	32,325,487	26,936,923	31,776,414	19,852,806	21,224,632	18,168,109	19,646,367
Flavored milk & milk drinks . . . . .	11,044,592	11,848,934	10,524,625	11,723,355	6,226,923	6,139,667	5,635,007	6,418,211
2% milk . . . . .	57,616,531	66,321,425	57,972,732	69,965,742	28,873,442	31,355,194	29,086,293	31,961,769
1% milk . . . . .	23,454,401	26,090,888	22,098,262	26,947,572	11,272,953	11,887,999	10,467,821	11,311,856
Skim milk . . . . .	25,287,964	27,383,519	23,653,187	28,245,431	11,082,859	11,775,919	10,575,058	11,452,947
Buttermilk . . . . .	1,160,366	1,245,026	1,204,208	1,237,389	478,191	514,657	512,888	564,794
CLASS I ROUTE DISP. IN AREA. . . . .	147,761,010	165,215,279	142,389,937	169,895,903	77,787,174	82,898,068	74,445,176	81,355,944
Class I dispositions out of area . . . . .	14,321,670	14,951,292	12,185,048	13,012,267	4,300,619	4,909,340	3,989,726	4,713,797
Other Class I usage . . . . .	19,206,826	23,048,083	24,442,298	25,305,928	7,614,126	7,467,515	7,770,377	7,595,634
<b>TOTAL CLASS I USE. . . . .</b>	<b>181,289,506</b>	<b>203,214,654</b>	<b>179,017,283</b>	<b>208,214,098</b>	<b>89,701,919</b>	<b>95,274,923</b>	<b>86,205,279</b>	<b>93,665,375</b>
TOTAL CLASS II USE . . . . .	38,616,175	39,606,938	38,953,128	42,066,767	21,716,555	21,489,594	22,396,503	27,779,272
TOTAL CLASS III USE . . . . .	200,826,713	172,550,755	10,993,453	180,492,761	90,046,746	80,259,960	88,651,494	84,118,096
TOTAL CLASS IV USE . . . . .	235,995,012	260,865,727	210,846,521	221,702,125	122,650,990	128,784,431	73,030,958	84,708,497
<b>TOTAL ACCOUNTED FOR . . . . .</b>	<b>656,727,406</b>	<b>676,238,074</b>	<b>439,810,385</b>	<b>652,475,751</b>	<b>324,116,210</b>	<b>325,808,908</b>	<b>270,284,234</b>	<b>290,271,240</b>
<b>CLASSIFICATION OF RECEIPTS</b>								
Producer milk: Class I . . . . .	162,748,594	186,503,045	159,823,142	191,023,194	81,948,865	85,400,187	78,760,655	83,478,863
Class II . . . . .	33,190,373	31,788,266	29,986,949	35,142,740	21,012,307	20,708,114	21,678,850	27,001,891
Class III . . . . .	196,068,019	172,327,986	10,683,480	174,207,269	89,477,298	80,259,960	88,651,494	84,118,096
Class IV . . . . .	213,722,403	236,123,706	182,534,712	188,680,748	60,975,449	82,243,793	43,555,648	57,127,278
Other receipts: Class I . . . . .	18,540,912	16,711,609	19,194,141	17,190,904	70,702,291	57,196,854	37,637,587	38,545,112
Class II . . . . .	5,425,802	7,818,672	8,966,179	6,924,027	1/	1/	1/	1/
Class III . . . . .	4,758,694	222,769	309,973	6,285,492	1/	1/	1/	1/
Class IV . . . . .	22,272,609	24,742,021	28,311,809	33,021,377	1/	1/	1/	1/
Avg. daily producer receipts . . . . .	21,633,192	20,217,516	13,679,582	19,001,740	9,050,497	8,664,905	8,308,809	8,120,198
Change From Previous Year . . . . .	58.14%	6.40%	-31.69%	-4.09%	8.93%	6.71%	-5.58%	-4.47%
Avg. daily Class I use . . . . .	6,474,625	6,555,311	6,393,474	6,716,584	3,203,640	3,073,385	3,078,760	3,021,464
Change From Previous Year . . . . .	1.27%	-2.40%	1.24%	2.37%	4.06%	1.72%	0.12%	0.42%

1/ Restricted - Included with Class I.

**HIGHLIGHTS THIS ISSUE:**

- Market Summaries for February 2006
- February 2006 Class Prices
- Class I Price for April 2006
- USDA Announces Final Rule to Amend Pacific Northwest and Arizona-Las Vegas Milk Orders
- USDA Announces Recommended Decision to Amend Mideast Milk Order
- USDA Announces Recommended Decision to Amend Central Milk Order
- USDA Announces Recommended Decision to Amend Upper Midwest Milk Order
- CME Establishes E-Trading for Class III Futures Markets
- 2005 Milk Production
- 2005 Year End Financial Statements of the Market Administrator's Office

**2005 YEAR END FINANCIAL STATEMENTS OF THE MARKET ADMINISTRATOR'S OFFICE**

The financial statements for the Administrative and Marketing Services Funds of the Pacific Northwest and Arizona-Las Vegas Federal milk market orders for the calendar year ending December 31, 2005, can be found on page 5. The two orders require that the market administrator conduct a marketing service program for producers who are not members of a qualified cooperative association which performs comparable services. The primary functions of the marketing service programs involve the sampling and testing of milk, and providing marketing information to producers. The principal source of income for these programs is the marketing service deduction which is applicable to all producers for whom the services are provided. ♦