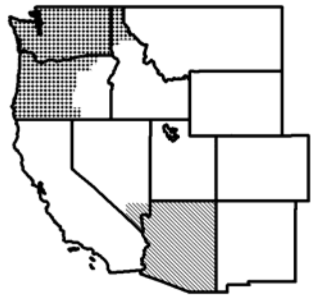
The Market Administrator's Report

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

James R. Daugherty
Market Administrator



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

April 2006

MARKET SUMMARIES FOR MARCH 2006

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

Pacific Northwest

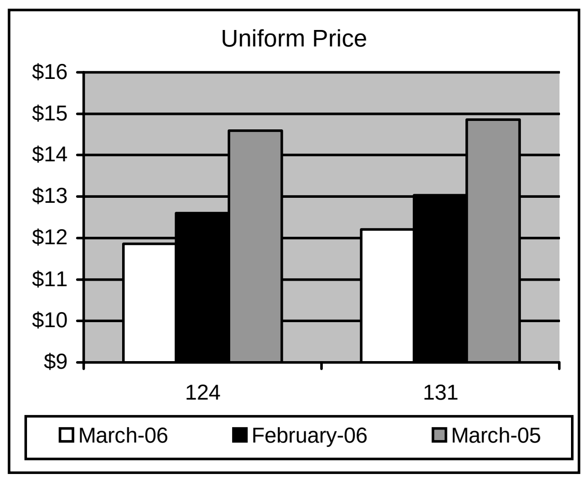
Producers delivered a total of 678.4 million pounds of milk to the market during March. Daily deliveries averaged 21.9 million pounds, up 1.2 percent from February. An estimated 835 producers delivered milk to the market during the month. Daily deliveries per producer averaged 26,209 pounds, up 1.2 percent from February.

Class I producer milk during March totaled 185.7 million pounds, 27.4 percent of total producer receipts. Daily usage averaged 6.0 million pounds, up 3.1 percent from February.

Arizona-Las Vegas

Producers delivered a total of 288.4 million pounds of milk to the market during March. Daily deliveries averaged 9.3 million pounds, up 2.8 percent from February. An estimated 86 producers delivered milk to the market during the month. Daily deliveries per producer averaged 108,191 pounds, up 2.8 percent from February.

Class I producer milk during March totaled 94.2 million pounds, 32.7 percent of total producer receipts. Daily usage averaged 3.0 million pounds, up 3.8 percent from February. ♦



Federal Order Producer Prices and Component Levels: March 2006

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	11.86	12.21	Butterfat	3.749	3.590
Butterfat 2/	1.2596	1.2858	Protein	3.054	N/A
Protein 2/	1.8836	N/A	Other Solids	5.739	N/A
Other Solids 2/	0.1874	N/A	Nonfat Solids	8.792	N/A
PPD 1/*	0.75	N/A			
Skim 1/	N/A	7.99			

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

MARCH 2006 CLASS PRICES

March 2006 non-advanced Class Prices were calculated using NASS commodity price surveys from March 4, 11, 18 and 25, 2006. Component prices for the month are $1.8836 per pound of protein, $1.2596 per pound of butterfat, $0.1874 per pound of other solids, and $0.7224 per pound of nonfat solids.

March 2006 Class III and IV prices at 3.5% butterfat are $11.11 and $10.68 per hundredweight, respectively. The March Class III price compared to February is down $1.09. The Class III price is $2.97 lower than March 2005. The Class III price at 3.67% butterfat is $1.41 above the support price of $9.90 at 3.67% butterfat.

Class II butterfat was announced at $1.2666 per pound. Class I skim and butterfat and Class II skim prices for March 2006 were announced on February 17, 2006. The Class II price at 3.5% butterfat is $11.69 for March 2006.

FINAL: NASS COMMODITY PRICES

	February	March	Change
Cheese*	$1.2637	$1.1612	-$0.1025
Butter	$1.2374	$1.1647	-$0.0727
Nonfat Dry Milk	$0.8833	$0.8697	-$0.0136
Whey	$0.3531	$0.3409	-$0.0122

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed a net increase in price received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net increase of 2.79 cents between the March 18 and the April 15 surveys, to $1.1684 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed an increase of 1.91 cents to $1.1454 per pound.

The NASS butter price showed a net decrease of 1.40 cents between the weeks ending March 18 and April 15 from $1.1524 per pound to $1.1384 per pound.

The NASS nonfat dry milk showed a net decrease of 1.91 cents since mid-March to $0.8391 per pound. The average price for NASS whey showed a decrease of 3.58 cents since mid-March to $0.3030 per pound. ♦

MAY'S CLASS I PRICE ANNOUNCEMENT

On April 21, the May 2006 Class I price was announced at $12.87 for the Pacific Northwest Order and $13.32 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of April 8 and 15.

The May Class III and IV advance skim prices are $6.90 and $6.24 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 3.84 cents from $1.2715 to $1.2331 per pound.

The May 2006 Class II skim and nonfat solids prices were also announced on April 21. The skim price is $6.94 per hundredweight, and the nonfat solids price is $0.7711 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	April	May	Change
Cheese*	$1.1686	$1.1698	$0.0012
Butter	$1.1746	$1.1426	-$0.0320
Nonfat Dry Milk	$0.8789	$0.8400	-$0.0389
Whey	$0.3478	$0.3056	-$0.0422

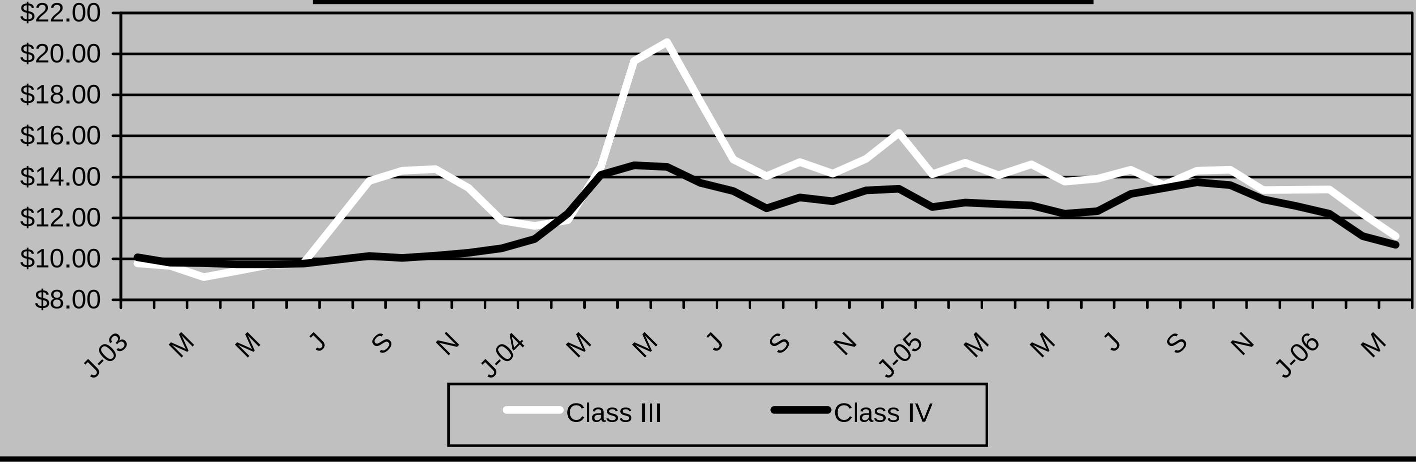
* The weighted average of barrels plus 3 cents and blocks.

MILK REGULATORY EQUITY ACT OF 2005

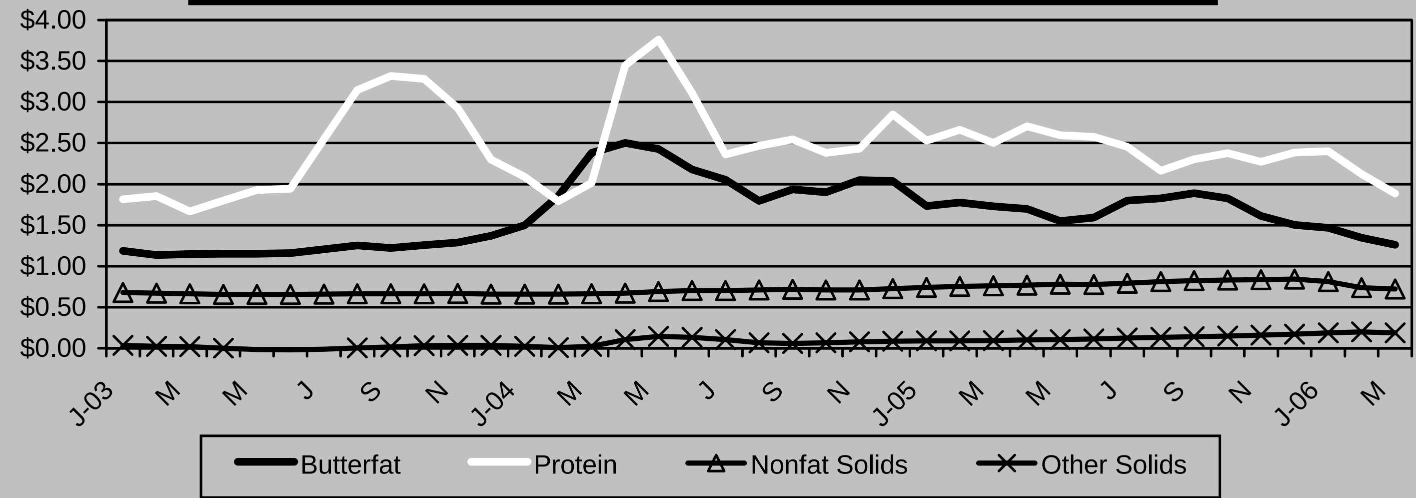
On April 11, 2006, President Bush signed into law the Milk Regulatory Equity Act of 2005 (S. 2120), that amends the Agricultural Marketing Agreement Act of 1937 (AMAA). In passing this amendment, the congressional intent is to "…ensure regulatory equity between and among all dairy farmers and handlers for sales of packaged fluid milk in federally regulated milk marketing areas and into certain non-federally regulated milk marketing areas from federally regulated areas, and for other purposes."

According to the Act, the effective date is "…on the first day of the first month beginning more than 15 days after the date of enactment of this Act." ♦

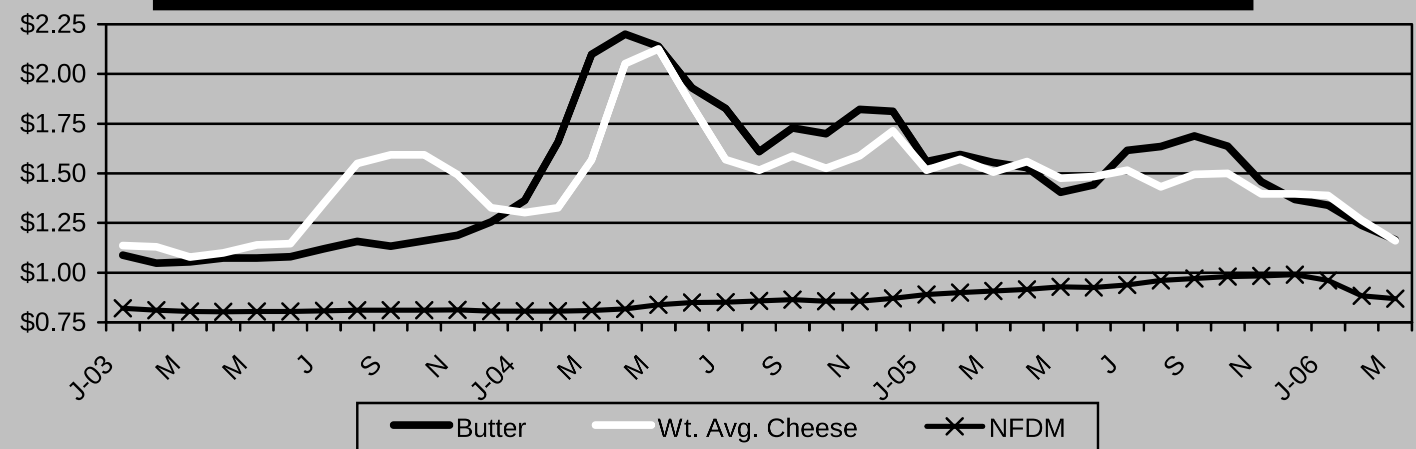
Federal Order Class III and IV Prices @ 3.5% Butterfat
January 2003 through March 2006



Federal Order Butterfat, Protein, Nonfat Solids, and Other Solids Prices
January 2003 through March 2006



NASS Monthly Butter, Weighted Average Cheese, and Nonfat Dry Milk Prices
January 2003 through March 2006



USDA ANNOUNCES FINAL RULE TO PERMANENTLY AMEND THE MIDEAST MILK ORDER

On April 19, 2006, the U.S. Department of Agriculture announced a final rule that permanently adopts amendments to the pooling provisions of the Mideast milk marketing order that were previously implemented on an interim basis. This decision is based on testimony and evidence given at a public hearing held at Wooster, Ohio, on March 7 – 10, 2005.

The permanently adopted amendments: 1) Prohibit the ability to simultaneously pool the same milk on the Mideast Federal milk order and on a marketwide equalization pool administered by another government entity; 2) Lower the diversion limit standards; and 3) Increase the performance standards for supply plants.

Producers approved the amendments in a referendum conducted in response to the partial final decision, which was issued January 17, 2006.

The decision was published in the April 20 Federal Register. ♦

MARCH 2006 MILK PRODUCTION

U.S. milk production for March 2006 was 15.9 billion pounds, up 4.9 percent compared with March 2005. The table below shows data for March 2005 for the selected states with comparisons to year-ago levels. The table in the right column shows data for the first quarter 2006 with comparisons to 2005. ♦

Milk Production
March 2005 and 2006

	2005	2006	% Change 1/
	- - million pounds -		
Arizona	341	360	5.57%
California	3,226	3,427	6.23%
Colorado	196	212	8.16%
Idaho	829	893	7.72%
Minnesota	714	734	2.80%
New Mexico	576	663	15.10%
Oregon	198	195	-1.52%
Texas	571	656	14.89%
Washington	483	471	-2.48%
Wisconsin	1,923	2,010	4.52%
23 States	13,825	14,579	5.45%
U.S.	15,206	15,948	4.88%

Source: National Agricultural Statistics Service.

Milk Production
January - March 2005 and 2006

	2005	2006	% Change 1/
	- - million pounds -		
Arizona	969	1,016	4.85%
California	9,152	9,706	6.05%
Colorado	554	607	9.57%
Idaho	2,361	2,549	7.96%
Minnesota	2,048	2,110	3.03%
New Mexico	1,620	1,879	15.99%
Oregon	561	551	-1.78%
Texas	1,592	1,826	14.70%
Washington	1,372	1,353	-1.38%
Wisconsin	5,522	5,779	4.65%
23 States	39,413	41,615	5.59%
U.S.	43,350	45,521	5.01%

Source: National Agricultural Statistics Service.

JOHANNS NAMES MEMBERS TO NATIONAL FLUID MILK BOARD

On March 28, 2006, Secretary of Agriculture Mike Johanns announced the appointment of four incumbents and five new members to the National Fluid Milk Processor Promotion Board.

Re-appointed to serve second terms are: Michael F. Nosewicz, Cincinnati, Ohio (Region 3); William R. McCabe, Orrville, Ohio (Region 6); Paul W. Bikowitz, City of Industry, Calif. (Region 15); and Susan D. Meadows, Dallas, Texas (At-Large Processor).

Newly Appointed are: Charles L. Gaither, Jr., Asheville, N.C. (Region 4); Edward R. Mullins, Carlinville, Ill. (Region 9); Patrick R. Beaman, Dallas, Texas (Region 12); Teresa E. Webb, Wallington, N. J. (At-Large Processor); and Lisa M. Hillenbrand, Geneva, Switzerland (At-Large Public).

Terms for these appointees begin July 1, 2006, and expire June 30, 2009, except for Charles L. Gaither, Jr., and Teresa E. Webb. These two appointees are filling vacant positions with less than 18 months remaining, and their terms expire June 30, 2007. Charles L. Gaither, Jr. and Teresa E. Webb will be seated at the April 2006 board meeting. All other appointees will be seated at the July 2006 board meeting.

The National Fluid Milk Processor Promotion Board is composed of 15 fluid milk processors from 15 geographic regions and five at-large members. At least three at-large members must be fluid milk processors and at least one must be from the general public. The Board was established by the

Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the demand for fluid milk products.

The National Fluid Milk Program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages in the contiguous 48 states and the District of Columbia. Processors who commercially process and market 3,000,000 pounds or less per month, excluding those fluid milk products delivered to the residence of a consumer, are exempt from assessments.

The U.S. Department of Agriculture's Agricultural Marketing Service monitors the operations of the Board. It is USDA's policy that membership on industry-governed boards and committees accurately reflect the diversity of individuals served by the program. ♦

DAIRY OUTLOOK

Milk Production Increase - First-quarter milk production is forecast to increase just under 5 percent over 2005 – 2 percentage points over the 5-year average. The increase in production has been aided by an unusually mild winter, adequate forage/hay supplies, and relatively inexpensive feed ration inputs. Higher fat tests and unseasonably heavy milk per cow have also been observed in 2006. These data may suggest an uncharacteristic bunching in the calving cycle that could result in a proportionally larger number of cows at peak lactation, contributing to the relatively larger-higher first-quarter production, while the higher fat tests boost milkfat supplies. Following surprisingly weak fourth-quarter commercial use, processors are now faced with larger-than-usual milk supplies to handle in the first quarter.

On an annual basis, milk production is forecast to be slightly less than 3 percent over that of 2005. Producers appear to be maintaining their herd expansion push. Replacement prices have dropped into the low $1800's, down from recent record levels, but are still historically high. The recent years of positive returns and the need to operate larger more capital-intensive dairy facilities near capacity, are additional factors behind the herd expansion. Dairy product use is expected to absorb most of the production increase, but commercial stocks likely will be above last year.

Dairy Product Use Increasing but Growth May Lag Production Gains - Cream volumes have remained large and pushed stocks of butter and other fat-based products above 2005 levels. Butter prices have been below $1.20 per pound since the end of February with some firming indicated, but orders for Easter/Passover have been slow to develop as buyers likely seek more market direction. Commercial disappearance of fat based products is forecast in the first quarter to increase to 43.9 million pounds, or over 4 percent above 2005.

Skim-solid stocks are also expected to build as relatively robust growth in commercial use lags behind production growth. Nonfat dry milk (NDM) prices have fallen to the mid-80-cents-per-pound range. Large quantities of nonfat dry milk were exported in 2005, but so far in 2006, the pace of U.S. NDM exports has lagged behind last year as buyers hope for further price declines. Annual commercial disappearance is forecast to increase at just over 2 percent for the year, but around 100 million pounds of NDM may be offered to the Commodity Credit Corporation (CCC). Whey has been a bright spot, as strong domestic and export movement has supported prices.

Milk Prices Declining - With the momentum that is already built into milk supplies and the uncertainty surrounding demand at current price levels, it is expected that the all-milk price will average $12.75 to $13.35 per cwt, about $2 per cwt below 2005. Product prices are likely to decline as large supplies of milk are expected to pressure prices despite a continuation of relatively strong demand. Declines in butter and cheese prices may moderate toward mid-year as overhanging stocks are worked down and then begin to slowly move upward in the second half of the year. However, prices will average below 2005. Nonfat dry milk prices are likely to remain relatively weak through most of the year.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-141, March 17, 2006, Economic Research Service, USDA. For more information, contact George Wallace, (202) 694-5428.

Note: Jim Miller, long-term author of the "Dairy Outlook and Situation", retired in March after 33 years of federal service. ♦

MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST Mar 2006	Feb 2006	Mar 2005	Feb 2005	ARIZONA-LAS VEGAS Mar 2006	Feb 2006	Mar 2005	Feb 2005
Class I Milk ($/cwt.)	$14.39	$15.28	$17.33	$15.69	$14.84	$15.73	$17.78	$16.14
Class II Milk ($/cwt.)	11.69	12.62	13.25	13.36	11.69	12.62	13.25	13.36
Class III Milk ($/cwt.)	11.11	12.20	14.08	14.70	11.11	12.20	14.08	14.70
Class IV Milk ($/cwt.)	10.68	11.10	12.66	12.74	10.68	11.10	12.66	12.74
Producer Prices								
Producer Price Differential ($/cwt.)	$ 0.75	$ 0.40	$ 0.51	$(0.66)	+	+	+	+
Butterfat ($/pound)	1.2596	1.3469	1.7279	1.7754	+	+	+	+
Protein ($/pound)	1.8836	2.1220	2.5019	2.6613	+	+	+	+
Other Solids ($/pound)	0.1874	0.1999	0.0951	0.0915	+	+	+	+
Uniform Skim Price ($/cwt.) . . .	+	+	+	+	7.99	8.52	9.09	8.82
Uniform Butterfat Price ($/pound)	+	+	+	+	1.2858	1.3750	1.7396	1.7755
Statistical Uniform Price ($/cwt.) . .	$11.86	$12.60	$14.59	$14.04	$12.21	$13.03	$14.86	$14.73
Producer Data								
Number of Producers	835 *	835	717	665	86 *	86	91	89
Avg. Daily Production (lbs.) . . .	26,209 *	25,908	25,601	20,571	108,191 *	105,238	95,893	93,357
Number of Handlers								
Pool Handlers	27	27	26	26	5	5	5	6
Producer-Handlers	9 *	9	9	9	3 *	3	3	3
Other Plants w/ Class I Use . . .	23 *	23	23	21	26 *	26	32	29
Producer Milk Ratios								
Class I	27.38%	26.87%	32.96%	41.72%	32.66%	32.34%	31.28%	33.85%
Class II	5.21%	5.48%	7.17%	7.83%	8.62%	8.29%	10.34%	9.32%
Class III	31.96%	32.37%	24.33%	2.79%	32.18%	35.31%	38.63%	38.11%
Class IV	35.45%	35.28%	35.54%	47.66%	26.54%	24.06%	19.75%	18.72%

\+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Feb 2006	Jan 2006	Feb 2005	Jan 2005	Feb 2006	Jan 2006	Feb 2005	Jan 2005
Production	33,393,429	36,523,016	28,080,117	29,752,738	R	R	R	R
Class I Use	25,447,378	27,431,080	21,913,600	22,232,587	R	R	R	R
% Class I Use	76.20%	75.11%	78.04%	74.72%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	147,761,010	165,215,279	142,389,937	169,895,903	77,787,174	82,898,068	74,445,176	81,355,944
By Producer-Handlers	16,106,113	17,935,432	15,848,534	15,876,029	1/	1/	1/	1/
By Other Plants	3,881,867 *	4,032,854	2,633,177	3,128,200	26,560,495 *	28,889,713	24,985,204	27,799,794
Total	167,748,990	187,183,565	160,871,648	188,900,132	104,347,669	111,787,781	99,430,380	109,155,738

* 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			
	Mar 2006	Feb 2006	Mar 2005	Feb 2005	Mar 2006	Feb 2006	Mar 2005	Feb 2005
TOTAL PRODUCER MILK	678,410,919	605,729,389	569,031,817	383,028,283	288,436,958	253,413,919	270,514,950	232,646,647
RECEIPTS FROM OTHER SOURCES	25,122,500	18,949,517	16,299,839	25,507,864	42,446,543	53,837,624	36,074,885	20,702,143
OPENING INVENTORY	31,458,383	32,048,500	32,151,488	31,274,238	17,338,085	16,864,667	15,338,289	16,935,444
TOTAL TO BE ACCOUNTED FOR	734,991,802	656,727,406	617,483,144	439,810,385	348,221,586	324,116,210	321,928,124	270,284,234
UTILIZATION OF RECEIPTS								
Whole milk	32,710,683	29,197,156	30,567,841	26,936,923	22,910,981	19,852,806	19,640,324	18,168,109
Flavored milk & milk drinks	11,841,658	11,044,592	12,320,786	10,524,625	6,639,374	6,226,923	5,716,886	5,635,007
2% milk	66,065,296	57,616,531	67,111,076	57,972,732	32,585,362	28,873,442	31,012,725	29,086,293
1% milk	25,725,177	23,454,401	25,266,318	22,098,262	11,946,395	11,272,953	11,307,510	10,467,821
Skim milk	27,342,636	25,287,964	27,199,612	23,653,187	12,422,389	11,082,859	11,530,280	10,575,058
Buttermilk	1,327,957	1,160,366	1,388,284	1,204,208	548,065	478,191	535,352	512,888
CLASS I ROUTE DISP. IN AREA. .	165,013,407	147,761,010	163,853,917	142,389,937	87,052,566	77,787,174	79,743,077	74,445,176
Class I dispositions out of area . . .	17,208,593	14,321,670	16,143,571	12,185,048	5,125,024	4,300,619	4,826,090	3,989,726
Other Class I usage	20,443,562	19,206,826	23,967,227	24,442,298	9,936,956	7,614,126	8,236,613	7,770,377
TOTAL CLASS I USE.	202,665,562	181,289,506	203,964,715	179,017,283	102,114,546	89,701,919	92,805,780	86,205,279
TOTAL CLASS II USE	43,389,398	38,616,175	51,091,004	38,953,128	25,863,770	21,716,555	29,093,406	22,396,503
TOTAL CLASS III USE	221,228,048	200,826,713	138,426,567	10,993,453	93,270,124	90,046,746	104,540,938	88,651,494
TOTAL CLASS IV USE	267,708,794	235,995,012	224,000,858	210,846,521	126,973,146	122,650,990	95,488,000	73,030,958
TOTAL ACCOUNTED FOR	734,991,802	656,727,406	617,483,144	439,810,385	348,221,586	324,116,210	321,928,124	270,284,234
CLASSIFICATION OF RECEIPTS								
Producer milk: Class I . .	185,730,288	162,748,594	187,620,241	159,823,142	94,202,508	81,948,865	84,591,110	78,760,655
Class II .	35,374,444	33,190,373	40,778,966	29,986,949	24,868,254	21,012,307	27,979,370	21,678,850
Class III .	216,788,998	196,068,019	138,423,329	10,683,480	92,813,984	89,477,298	104,507,077	88,651,494
Class IV .	240,517,189	213,722,403	202,209,281	182,534,712	76,552,212	60,975,449	53,437,393	43,555,648
Other receipts: Class I .	16,935,274	18,540,912	16,344,474	19,194,141	59,784,628	70,702,291	51,413,174	37,637,587
Class II .	8,014,954	5,425,802	10,312,038	8,966,179	1/	1/	1/	1/
Class III .	4,439,050	4,758,694	3,238	309,973	1/	1/	1/	1/
Class IV .	27,191,605	22,272,609	21,791,577	28,311,809	1/	1/	1/	1/
Avg. daily producer receipts	21,884,223	21,633,192	18,355,865	13,679,582	9,304,418	9,050,497	8,726,289	8,308,809
Change From Previous Year . .	19.22%	58.14%	-5.29%	-31.69%	6.63%	8.93%	1.59%	-5.58%
Avg. daily Class I use	6,537,599	6,474,625	6,579,507	6,393,474	3,294,018	3,203,640	2,993,735	3,078,760
Change From Previous Year . .	-0.64%	1.27%	-0.80%	1.24%	10.03%	4.06%	-0.90%	0.12%

1/ Restricted - Included with Class I.

HIGHLIGHTS THIS ISSUE:

- Market Summaries for March 2006
- March 2006 Class Prices
- Class I Price for May 2006
- Milk Regulatory Equity Act of 2005
- March 2006 Milk Production
- USDA Announces Final Rule to Permanently Amend the Mideast Milk Order
- Johanns Names Members to National Fluid Milk Board
- Dairy Outlook
- USDA Publishes Notice of Proposed Rulemaking on Role of Pasture in Organic Dairy Production

USDA PUBLISHES NOTICE OF PROPOSED RULEMAKING ON ROLE OF PASTURE IN ORGANIC DAIRY PRODUCTION

On April 14, 2006, the U.S. Department of Agriculture's National Organic Program (NOP) published an Advanced Notice of Proposed Rulemaking (ANPR) in the Federal Register April 13, exploring the role of pasture in organic management of ruminant animals—particularly dairy animals.

The ANPR gives a history of the pasture issue as it relates to the development of the NOP standards and the discussion surrounding the issue since the standards were implemented in October 2002. The ANPR also contains questions that interested parties might consider for making formal comments. The comment period is open for 60 days, ending June 12.

The ANPR may be accessed on the NOP website at www.ams.usda.gov/nop under Today's News for April 10. ♦