The Market Administrator's Report

Pacific Northwest & Arizona Marketing Areas

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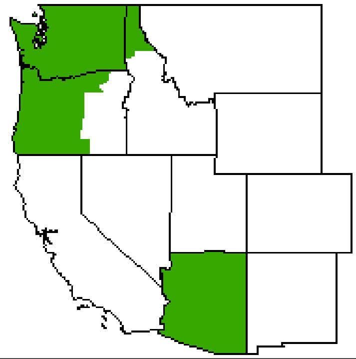

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May 2009

MARKET SUMMARIES FOR APRIL 2009

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

Pacific Northwest

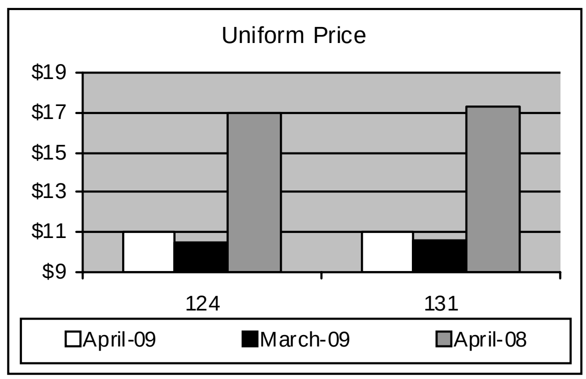
Producers delivered a total of 562.6 million pounds of milk to the market during April. Daily deliveries averaged 18.8 million pounds, down 5.5 percent from March. An estimated 536 producers delivered milk to the market during the month. Daily deliveries per producer averaged 34,990 pounds, up 14.8 percent from March.

Class I producer milk during April totaled 186.1 million pounds, 33.1 percent of total producer receipts. Daily usage averaged 6.2 million pounds, up 0.6 percent from March.

Arizona

Producers delivered a total of 373.9 million pounds of milk to the market during April. Daily deliveries averaged 12.5 million pounds, down 0.1 percent from March. An estimated 100 producers delivered milk to the market during the month. Daily deliveries per producer averaged 124,623 pounds, down 0.1 percent from March.

Class I producer milk during April totaled 120.7 million pounds, 32.3 percent of total producer receipts. Daily usage averaged 4.0 million pounds, up 0.8 percent from March. ♦



Federal Order Producer Prices and Component Levels: April 2009

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	11.01	11.06	Butterfat	3.668	3.435
Butterfat 2/	1.2049	1.2007	Protein	3.057	N/A
Protein 2/	2.2009	N/A	Other Solids	5.678	N/A
Other Solids 2/	(0.0043)	N/A	Nonfat Solids	8.735	N/A
PPD 1/*	0.23	N/A			
Skim 1/	N/A	7.11			

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

APRIL 2009 CLASS PRICES

April 2009 non-advanced Class Prices were calculated using NASS commodity price surveys from April 4, 11, 18 and 25, 2009. Component prices for the month are $2.2009 per pound of protein, $1.2049 per pound of butterfat, negative $0.0043 per pound of other solids, and $0.6452 per pound of nonfat solids.

April 2009 Class III and IV prices at 3.5% butterfat are $10.78 and $9.82 per hundredweight, respectively. The April Class III price compared to March is up $0.34. The Class III price is $5.98 lower than in April 2008.

Class II butterfat was announced at $1.2119 per pound. Class I skim and butterfat and Class II skim prices for April 2009 were announced on March 20, 2009. The Class II price at 3.5% butterfat is $10.49 for April 2009.

FINAL: NASS COMMODITY PRICES

	March	April	Change
Cheese*	$1.2611	$1.2771	$0.0160
Butter	$1.1289	$1.1665	$0.0376
Nonfat Dry Milk	$0.8166	$0.8195	$0.0029
Whey	$0.1662	$0.1949	$0.0287

* 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 for 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 11.07 cents between the April 11 and the May 16 surveys, to $1.1654 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a decrease of 19.24 cents to $1.1064 per pound.

The NASS butter price showed a net increase of 5.78 cents between the weeks ending April 11 and May 16 from $1.1575 per pound to $1.2153 per pound.

The NASS nonfat dry milk showed a net increase of 1.47 cents since mid-April to $0.8349 per pound. The average price for NASS whey showed an increase of 4.16 cents since mid-April to $0.2347 per pound. ♦

JUNE'S CLASS I PRICE ANNOUNCEMENT

On May 22, the June 2009 Class I price was announced at $11.98 for the Pacific Northwest Order and $12.43 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of May 9 and 16.

The June Class III and IV advance skim prices are $5.66 and $5.91 per hundredweight, respectively. The butterfat portion of the Class I mover increased 4.98 cents from $1.2019 to $1.2517 per pound.

The June 2009 Class II skim and nonfat solids prices were also announced on May 22. The skim price is $6.61 per hundredweight, and the nonfat solids price is $0.7344 pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	May	June	Change
Cheese*	$1.3030	$1.1562	-$0.1468
Butter	$1.1640	$1.2051	$0.0411
Nonfat Dry Milk	$0.8181	$0.8314	$0.0133
Whey	$0.1852	$0.2323	$0.0471

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

ERS OUTLOOK: HERD LIQUIDATION, ALREADY UNDERWAY, TO ACCELERATE LATER IN 2009; RECOVERY EXPECTED IN 2010

The prospect of high feed prices and low milk prices is expected to continue to pressure dairy herd contraction for the balance of 2009 and throughout 2010. The calculated milk-feed price ratio stands at 1.55 and is expected to show only modest improvement in 2010. Consequently, the U.S. dairy herd is forecast to contract to an average of 8.95 million cows in 2010 following a retrenchment to an average 9.18 million cows this year. The 2.5-percent contraction forecast for 2010 exceeds the 1.5-percent contraction expected in 2009. According to the March *Milk Production* report, the total number of milk cows in the United States fell below the number on farms in 2008 by 8,000 head. Thus, the bulk of the herd contraction will likely occur in the second half of 2009 and into 2010. The Cooperatives Working Together program will likely remove slightly over 100,000 cows from the nation's herd, with actual liquidation occurring over the summer.

Production per cow is expected to be weak for the balance of 2009, averaging a quarter percent year-over-year rise, adjusted for leap year. However by 2010, a rebound is forecast as the remaining cows will be more productive, and a slight improvement in the milk-feed price ratio may encourage feeding a higher quality ration. The year-over-year increase in output per cow is forecast to climb by over 2 percent next year. First-quarter cow slaughter was 17.4 percent above first-quarter 2008, but in recent weeks the rate has fallen to about 5 percent ahead of the year earlier level. Herd liquidation will likely pick up steam in the third and fourth quarters of 2009 and continue into next year. Milk production in 2009 is projected to decline to 187.7 billion pounds and to 186.8 billion pounds in 2010 as herd liquidation trumps output per cow increases.

Weakness in domestic demand, combined with a significant drop in exports, is the factor underlying low milk and dairy product prices. Milk equivalent exports on a fats basis totaled 8.8 billion pounds in 2008, the projected total for 2009 is 3.7 billion pounds, and USDA forecasts for 2010 exports are 3.8 billion pounds. The equivalent totals on a skims/solids basis are 26.6 billion pounds actual in 2008 and an estimated 15.3 and 22.0 billion pounds in 2009 and 2010, respectively. USDA projects 2009 exports of cheese, nonfat dry milk, and butter to trail 2008. Whey is the only exception. The sharp downturn in exports has led to greater supplies of milk and dairy products that must clear the domestic market. This year's domestic commercial use is projected to rise by 1.4 percent from last year to 186.8 billion pounds, with lower prices for dairy products prompting additional use. In 2010, domestic commercial use is expected to be flat as tighter milk supplies and improving demand boost product prices.

Although increasing through the year, most product prices are expected to remain below last year for the balance of 2009. An upturn is not likely until 2010. Cheese prices are expected to average $1.245 to $1.295 per pound in 2009. Prices for cheese have been close to support levels in recent weeks, but prices are expected to strengthen through 2010. The average price is forecast at $1.545 to $1.645 in 2010. For butter, the 2009 prices are expected to average $1.165 to $1.245 per pound for the year. In 2010, prices could rise to average $1.430 to $1.560 per pound.

NDM prices have suffered most, with the loss of export markets and prices reflecting that fact. NDM prices are expected to average 83 to 87 cents per pound this year and 97.5 cents to $1.045 per pound next year. Whey prices show some recovery as exports have improved lately and will average 19.5 to 22.5 cents a pound in 2009 and likely rise to 24.0 to 27.0 cents a pound in 2010.

These lower product prices will translate to lower milk prices compared with 2008, with some recovery expected in 2010. The Class IV price is projected to average $9.95 to $10.55 per cwt this year and $12.30 to $13.40 per cwt next year. The Class III price is forecast to average $10.55 to $11.05 per cwt this year and to rise to $13.80 to $14.80 per cwt next year. The all milk price is projected to be $11.85 to $12.35 per cwt in 2009 and to climb to $14.70 to $15.70 per cwt in 2010. ♦

USDA TO CONDUCT FIRST WIDE-SCALE SURVEY OF ORGANIC AGRICULTURE: HOW IT IS CHANGING THE FACE OF U.S. AGRICULTURE

On April 23, 2009, USDA announced that this spring, the agency will conduct the first-ever, wide-scale survey of organic farming in the United States, Agriculture Secretary Tom Vilsack said today, to find out how the growth of organic farming is changing the face of U.S. agriculture.

"The Organic Production Survey is a direct response to the growing interest in organics among consumers, farmers, and businesses," said Vilsack. "This is an opportunity for organic producers to share their voices and help ensure the continued growth and sustainability of organic farming in the United States."

2007 Census of Agriculture counted more than 20,000 U.S. farms engaged in organic production.

The survey will look at many aspects of organic farming during the 2008 calendar year – from production and marketing practices, to income and expenses. It will focus not only on operations that are currently engaged in organic production, but also on those making the transition to organic agriculture.

The results will help shape future decisions regarding farm policy, funding allocations, availability of goods and services, community development and other key issues. In addition, the information can help producers make informed decisions about the future of their own farming operations.

USDA's National Agricultural Statistics Service (NASS) will mail the survey in early May to all known organic producers in the United States, who are asked to respond by June 17. NASS will publish results in winter 2009.

Participants can mail back their forms or complete the survey online at www.agcensus.usda.gov. Survey participants are guaranteed by law (Title 7, U.S. Code) that their individual information will be kept confidential. NASS uses the information only for statistical purposes and publishes data only in tabulated totals.

For more information about the Organic Production Survey, visit www.agcensus.usda.gov or call (800) 727-9540. ♦

NASS TO RELEASE CENSUS OF AGRICULTURE DATA BY WATERSHED

The National Agricultural Statistics Service (NASS) will release results of the 2007 Census of Agriculture summarized by watershed on May 29 at 3:00 p.m. EDT. This will mark the first time that census data will be available at the watershed level.

Data in the 2007 Census of Agriculture Watersheds publication will be available by the 6 digit Hydrologic Unit Code (HUC), or watershed, as defined by the U.S. Geological Survey. Additionally, this publication will include watershed data from the 2002 Census of Agriculture to demonstrate the changes in land use, production practices and livestock distribution in the past five years.

For more information about the Census of Agriculture or to access the watershed publication once it is released, visit www.agcensus.usda.gov. ♦

Source: Issued May 20, 2009 by the Agricultural Statistics Board of the U.S. Department of Agriculture, National Agricultural Statistics Service. For information, contact Mark Aitken at (202) 720-9525.

AGRICULTURE CENSUS DATA NOW AVAILABLE BY CONGRESSIONAL DISTRICT

On May 8, 2009, USDA announced that information from the 2007 Census of Agriculture is now available at the congressional district level in online profiles published the National Agricultural Statistics Service (NASS).

"The new congressional district profiles provide a snapshot of agriculture at a local level," said NASS Deputy Administrator Carol House. "This information will help elected officials make decisions based on current and accurate information and they are a useful tool for farmers and others interested in American agriculture at the local level."

The congressional district profiles show changes in key areas since the last census was taken in 2002. They include data on such things as the number of farms and acres in farmland, the demographics of local farmers, livestock inventory and crop production, and total sales of agricultural products.

The Census of Agriculture, conducted every five years, is a complete count of the nation's farms and ranches and the people who operate them. It provides the only source of uniform, comprehensive agricultural data for every county in the nation. For more information about the Census and to access the congressional district profiles, visit www.agcensus.usda.gov or call (800) 727-9540.

"Once again, we would like to thank our nation's farmers for doing their part in providing this useful information," said House. "Together, we're offering a true picture of American agriculture and providing the resources needed to ensure its sustainability and growth." ♦

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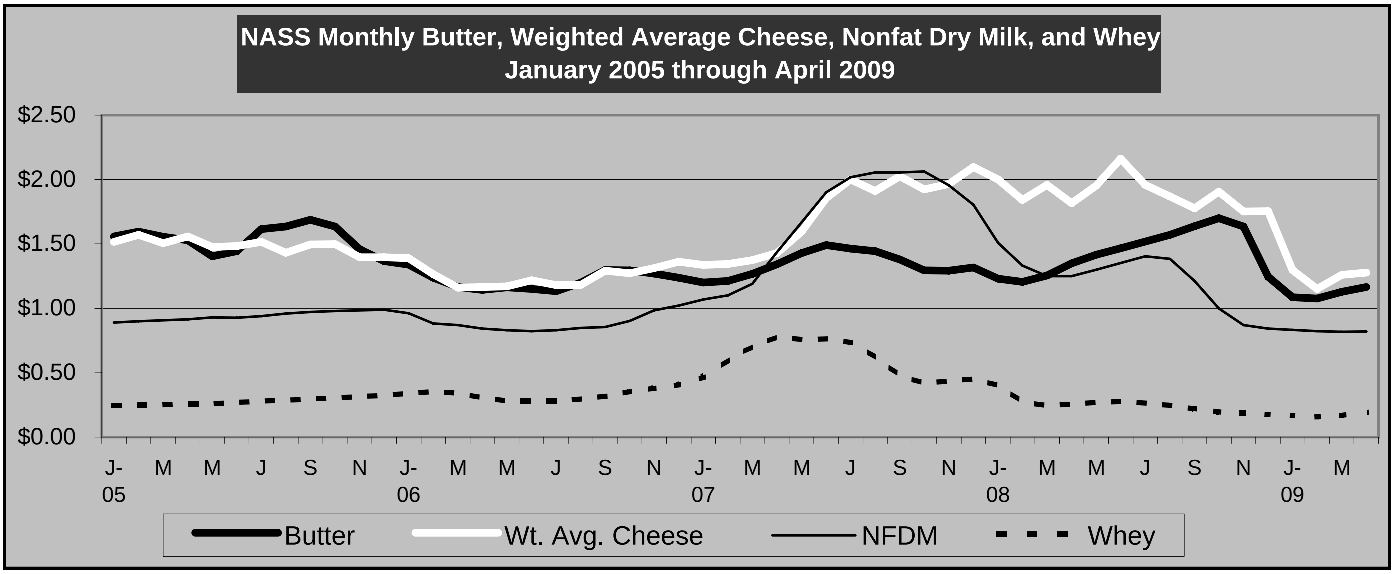
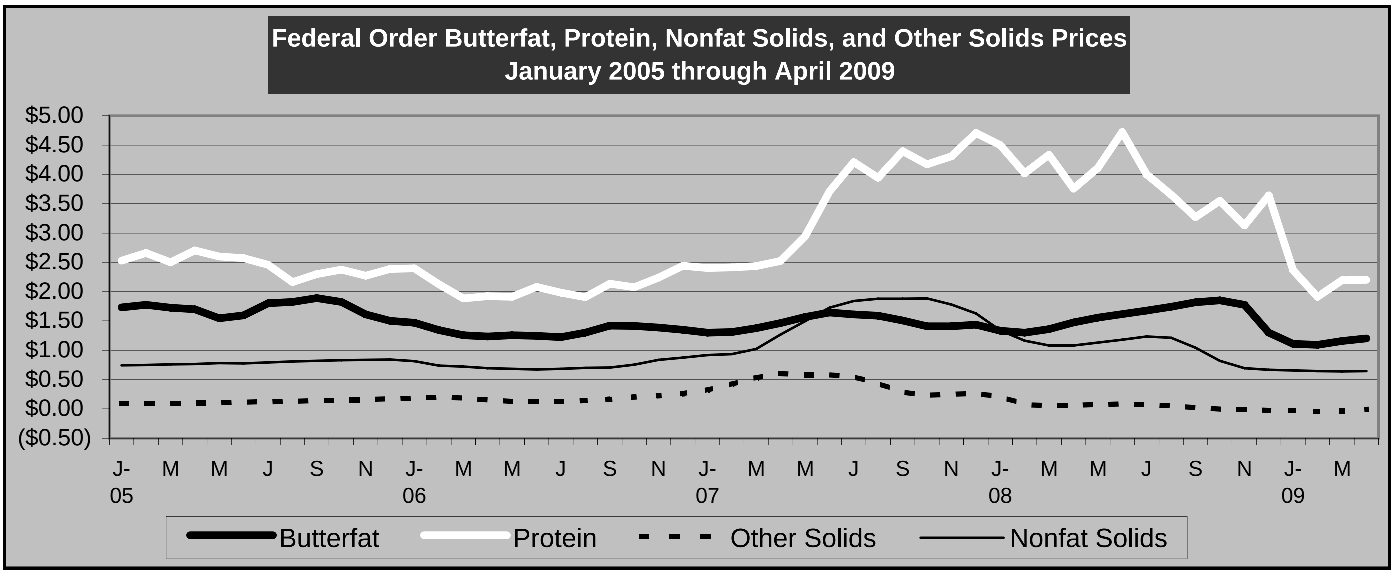
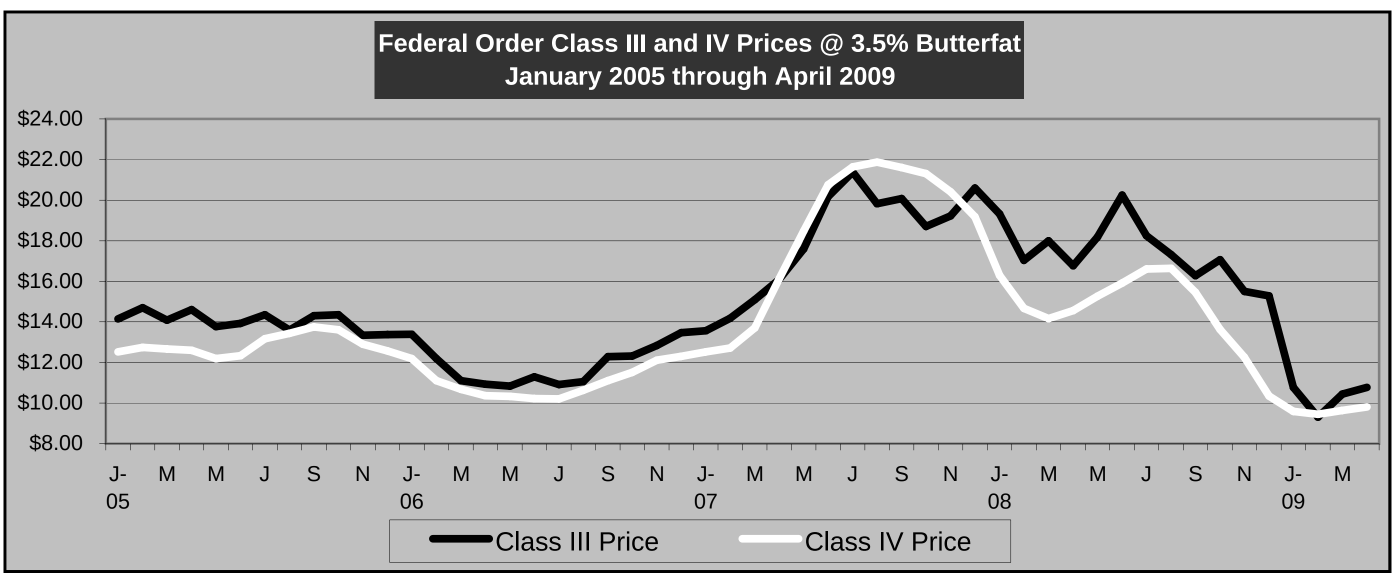
Following the deadline for corrections to the transcript is the deadline for filing post-hearing briefs, which can be within 60 days after the end of the hearing and ahs been set at July, 17, 2009, 4:30 pm EDT. A major deadline under the supplemental rules is the issuance of the recommended decision or tentative final decision which is within 90 days after the deadline for filing briefs.

For those interested in following the post-hearing process, more information can be obtained by following the links either on the Dairy Programs website (Find Dairy Federal Rulemaking) or on the Market Administrator's website. The Market Administrator's office will make every effort to keep the Current News section of the MA website up-to-date as publications become available. Current news can be found at: http://www.fmmaseattle.com/currentnews.htm. ♦


NASS Monthly Butter, Weighted Average Cheese, Nonfat Dry Milk, and Whey
January 2005 through April 2009
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
J-05 M M J S N J-06 M M J S N J-07 M M J S N J-08 M M J S N J-09 M
Butter
Wt. Avg. Cheese
NFDM
Whey


Federal Order Butterfat, Protein, Nonfat Solids, and Other Solids Prices
January 2005 through April 2009
$5.00
$4.50
$4.00
$3.50
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
($0.50)
J-05 M M J S N J-06 M M J S N J-07 M M J S N J-08 M M J S N J-09 M
Butterfat
Protein
Other Solids
Nonfat Solids


Federal Order Class III and IV Prices @ 3.5% Butterfat
January 2005 through April 2009
$24.00
$22.00
$20.00
$18.00
$16.00
$14.00
$12.00
$10.00
$8.00
J-05 M M J S N J-06 M M J S N J-07 M M J S N J-08 M M J S N J-09 M
Class III Price
Class IV Price

MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	Pacific Northwest Apr 2009	Pacific Northwest Mar 2009	Pacific Northwest Apr 2008	Pacific Northwest Mar 2008	Arizona Apr 2009	Arizona Mar 2009	Arizona Apr 2008	Arizona Mar 2008
Class I Milk ($/cwt.)	$12.26	$11.33	$20.51	$18.60	$12.71	$11.78	$20.96	$19.05
Class II Milk ($/cwt.)	10.49	10.36	15.29	15.63	10.49	10.36	15.29	15.63
Class III Milk ($/cwt.)	10.78	10.44	16.76	18.00	10.78	10.44	16.76	18.00
Class IV Milk ($/cwt.)	9.82	9.64	14.56	14.17	9.82	9.64	14.56	14.17
Producer Prices								
Producer Price Differential ($/cwt.)	$ 0.23	$ 0.04	$ 0.19	$(2.06)	+	+	+	+
Butterfat ($/pound)	1.2049	1.1594	1.4748	1.3604	+	+	+	+
Protein ($/pound)	2.2009	2.1973	3.7579	4.3331	+	+	+	+
Other Solids ($/pound)	(0.0043)	(0.0339)	0.0622	0.0493	+	+	+	+
Uniform Skim Price ($/cwt.) . . .	+	+	+	+	7.11	6.83	12.62	12.55
Uniform Butterfat Price ($/pound)	+	+	+	+	1.2007	1.1532	1.4580	1.3575
Statistical Uniform Price ($/cwt.) . .	$11.01	$10.48	$16.95	$15.94	$11.06	$10.63	$17.28	$16.86
Producer Data								
Number of Producers	536 *	651	685	528	100 *	100	96	96
Avg. Daily Production (lbs.) . . .	34,990 *	30,492	31,424	30,895	124,623 *	124,745	129,412	128,016
Number of Handlers								
Pool Handlers	26	27	27	26	7	7	7	7
Producer-Handlers	6 *	6	6	6	0 *	0	0	0
Other Plants w/ Class I Use . . .	20 *	20	24	23	23 *	23	23	22
Producer Milk Ratios								
Class I	33.08%	31.07%	29.56%	37.67%	32.28%	32.00%	31.56%	31.24%
Class II	6.90%	7.20%	6.14%	7.97%	7.13%	7.87%	6.16%	5.38%
Class III	31.33%	36.26%	30.61%	7.54%	24.19%	26.98%	26.00%	27.87%
Class IV	28.69%	25.47%	33.69%	46.82%	36.40%	33.15%	36.28%	35.51%

\+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Pacific Northwest Mar 2009	Pacific Northwest Feb 2009	Pacific Northwest Mar 2008	Pacific Northwest Feb 2008	Arizona Mar 2009	Arizona Feb 2009	Arizona Mar 2008	Arizona Feb 2008
Production	30,337,835	26,857,302	28,617,649	25,946,633	R	R	R	R
Class I Use	23,549,920	21,162,454	23,092,910	20,270,061	R	R	R	R
% Class I Use	77.63%	78.80%	80.69%	78.12%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	169,465,034	160,011,583	171,613,772	161,277,838	96,171,581	92,432,022	95,601,280	94,485,391
By Producer-Handlers	7,398,374	6,234,484	6,214,944	5,516,919	0	0	0	0
By Other Plants	6,281,646 *	6,479,274	7,687,931	6,326,046	5,693,027 *	4,243,545	5,250,631	4,499,994
Total	183,145,054	172,725,341	185,516,647	173,120,803	101,864,608	96,675,567	100,851,911	98,985,385

* Preliminary. R = Restricted. Not included.

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST				ARIZONA			
	Apr 2009	Mar 2009	Apr 2008	Mar 2008	Apr 2009	Mar 2009	Apr 2008	Mar 2008
TOTAL PRODUCER MILK	562,644,722	615,364,582	645,769,597	505,682,550	373,867,836	386,710,929	372,706,693	380,976,503
RECEIPTS FROM OTHER SOURCES	44,286,398	38,004,028	37,914,153	32,674,438	7,207,343	5,992,382	13,035,212	20,601,719
OPENING INVENTORY	27,632,694	28,273,456	34,135,988	32,097,301	20,379,139	22,787,950	24,691,459	18,229,887
TOTAL TO BE ACCOUNTED FOR	634,563,814	681,642,066	717,819,738	570,454,289	401,454,318	415,491,261	410,433,364	419,808,109
UTILIZATION OF RECEIPTS								
Whole milk	31,903,647	32,808,271	30,448,311	31,099,736	23,918,215	25,044,123	24,563,589	25,198,757
Flavored milk & milk drinks	13,566,109	13,240,473	12,942,230	13,006,513	6,634,760	6,271,912	7,080,047	5,638,396
2% milk	67,548,006	69,708,653	67,680,891	69,335,727	37,086,758	38,579,515	36,169,206	37,001,054
1% milk	27,236,736	26,853,001	27,176,383	27,879,483	14,686,984	14,606,833	13,671,077	13,628,564
Skim milk	27,872,126	28,346,946	28,042,223	28,702,919	13,370,225	14,248,186	13,434,263	13,607,591
Buttermilk	1,338,410	1,382,016	1,363,588	1,589,394	474,639	514,549	456,929	526,918
CLASS I ROUTE DISP. IN AREA . .	169,465,034	172,339,360	167,653,626	171,613,772	96,171,581	99,265,118	95,375,111	95,601,280
Class I dispositions out of area . . .	17,757,859	18,860,625	20,041,559	19,047,934	21,680,467	23,945,058	22,449,222	22,929,010
Other Class I usage	17,269,145	16,938,999	18,022,885	18,768,473	13,300,037	10,365,180	11,141,211	11,078,047
TOTAL CLASS I USE	204,492,038	208,138,984	205,718,070	209,430,179	131,152,085	133,575,356	128,965,544	129,608,337
TOTAL CLASS II USE	46,017,604	52,765,728	48,036,310	46,695,689	27,457,943	31,475,667	23,827,833	21,409,346
TOTAL CLASS III USE	187,851,471	235,151,354	206,871,831	38,139,887	90,485,234	104,331,344	96,927,901	106,433,263
TOTAL CLASS IV USE	196,202,701	185,586,000	257,193,527	276,188,534	152,359,056	146,108,894	160,712,086	162,357,163
TOTAL ACCOUNTED FOR	634,563,814	681,642,066	717,819,738	570,454,289	401,454,318	415,491,261	410,433,364	419,808,109
CLASSIFICATION OF RECEIPTS								
Producer milk: Class I . .	186,140,294	191,219,656	190,930,025	190,456,153	120,667,532	123,730,634	117,637,357	119,021,409
Class II .	38,827,545	44,330,171	39,625,222	40,323,140	26,666,552	30,418,140	22,949,522	20,486,965
Class III .	176,275,672	223,102,106	197,674,687	38,139,887	90,430,472	104,331,344	96,920,402	106,173,983
Class IV .	161,401,211	156,712,649	217,539,663	236,763,370	136,103,280	128,230,811	135,199,412	135,294,146
Other receipts: Class I .	18,351,744	16,919,328	14,788,045	18,974,026	27,586,482	28,780,332	37,726,671	38,831,606
Class II .	7,190,059	8,435,557	8,334,362	6,372,549	1/	1/	1/	1/
Class III .	11,575,799	12,049,248	9,197,144	0	1/	1/	1/	1/
Class IV .	34,801,490	28,873,351	39,730,590	39,425,164	1/	1/	1/	1/
Avg. daily producer receipts	18,754,824	19,850,470	21,525,653	16,312,340	12,462,261	12,474,546	12,423,556	12,289,565
Change From Previous Year . .	-12.87%	21.69%	12.26%	-16.89%	0.31%	1.51%	8.94%	8.97%
Avg. daily Class I use	6,816,401	6,714,161	6,857,269	6,755,812	4,371,736	4,308,882	4,298,851	4,180,914
Change From Previous Year . .	-0.60%	-0.62%	3.15%	-0.01%	1.70%	3.06%	2.20%	-2.20%

1/ Restricted - Included with Class I.

HIGHLIGHTS THIS ISSUE:

PUBLIC HEARING CONCLUDES ON PROPOSED AMENDMENTS TO THE PRODUCER-HANDLER AND EXEMPT PLANT PROVISIONS IN ALL FEDERAL MILK MARKETING ORDERS

A national public hearing was held on May 4-8, 11-15, and 18-19, 2009, to consider and take evidence on proposals seeking to amend or remove the producer-handler provisions and revise the exempt plant provisions applicable to all Federal milk marketing orders. Additionally, a proposal seeking to amend the orders to include provisions related to individual handler pools was considered as an alternative to the producer-handler provisions. The hearing is the first hearing held under the Supplemental Rules of Practice which are available at: http://www.regulations.gov/fdmspublic/component/main?main=DocketDetail&d=AMS-DA-07-0069.

The next step in the hearing process is the deadline for corrections to the transcript which is 30 days after the transcript is available.

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