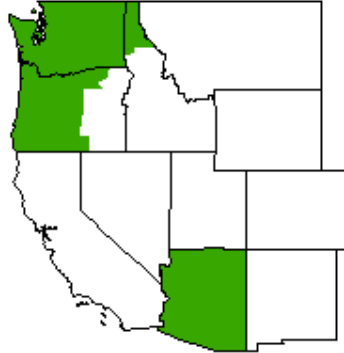


Pacific Northwest & Arizona Marketing Areas



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James R. Daugherty
 Market Administrator

June 2007

MARKET SUMMARIES FOR MAY 2007

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

Pacific Northwest

Producers delivered a total of 592.5 million pounds of milk to the market during May. Daily deliveries averaged 19.1 million pounds, down 0.3 percent from April. An estimated 715 producers delivered milk to the market during the month. Daily deliveries per producer averaged 26,730 pounds, down 0.3 percent from April.

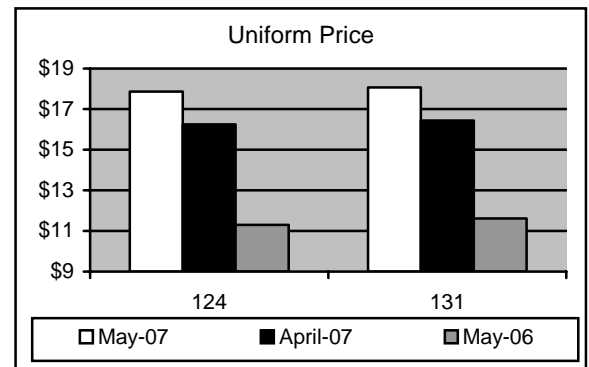
Class I producer milk during May totaled 191.5 million pounds, 32.3 percent of total producer receipts. Daily usage averaged 6.2 million pounds, up 0.5 percent from April.

Arizona

Producers delivered a total of 346.0 million pounds of milk to the market during May. Daily deliveries averaged 11.2 million pounds, down 2.1 percent from April. An

estimated 92 producers delivered milk to the market during the month. Daily deliveries per producer averaged 121,303 pounds, down 2.1 percent from April.

Class I producer milk during May totaled 117.9 million pounds, 34.1 percent of total producer receipts. Daily usage averaged 3.8 million pounds, down 0.6 percent from April. ♦



Federal Order Producer Prices and Component Levels: May 2007

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	17.87	18.07	Butterfat	3.628	3.524
Butterfat 2/	1.5706	1.5509	Protein	3.047	N/A
Protein 2/	2.9424	N/A	Other Solids	5.717	N/A
Other Solids 2/	0.5791	N/A	Nonfat Solids	8.765	N/A
PPD 1/*	0.27	N/A			
Skim 1/	N/A	13.10			

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

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MAY 2007 CLASS PRICES

May 2007 non-advanced Class Prices were calculated using NASS commodity price surveys from May 5, 12, 19 and 26, 2007. Component prices for the month are \$2.9424 per pound of protein, \$1.5706 per pound of butterfat, \$0.5791 per pound of other solids, and \$1.4949 per pound of nonfat solids.

May 2007 Class III and IV prices at 3.5% butterfat are \$17.60 and \$18.48 per hundredweight, respectively. The May Class III price compared to April is up \$1.51; the Class IV price is up \$2.36. The Class III price is \$6.77 higher than in May 2006 and the Class IV price is \$8.15 higher. The Class III price at 3.67% butterfat is \$7.94 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.5776 per pound. Class I skim and butterfat and Class II skim prices for May 2007 were announced on April 20, 2007. The Class II price at 3.5% butterfat is \$16.62 for May 2007.

FINAL: NASS COMMODITY PRICES

	April	May	Change
Cheese*	\$1.4296	\$1.5946	\$0.1650
Butter	\$1.3416	\$1.4290	\$0.0874
Nonfat Dry Milk	\$1.4354	\$1.6670	\$0.2316
Whey	\$0.7789	\$0.7578	-\$0.0211

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed increases in price received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed an increase of 23.58 cents between the May 19 and the June 16 surveys, to \$1.8620 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed an increase of 29.47 cents to \$1.9151 per pound.

The NASS butter price showed a net increase of 8.00 cents between the weeks ending May 19 and June 16 from \$1.4272 per pound to \$1.5072 per pound.

The NASS nonfat dry milk showed a net increase of 23.84 cents since mid-May to \$1.9082 per pound.

The average price for NASS whey showed a net increase of 0.82 cent since mid-May to \$0.7619 per pound. ♦

JULY'S CLASS I PRICE ANNOUNCEMENT

On June 22, the July 2007 Class I price was announced at \$22.81 for the Pacific Northwest Order and \$23.26 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of June 9 and 16.

The July Class III and IV advance skim prices are \$14.83 and \$15.61 per hundredweight, respectively. The butterfat portion of the Class I mover increased 12.42 cents from \$1.5466 to \$1.6708 per pound.

The July 2007 Class II skim and nonfat solids prices were also announced on June 22. The skim price is \$16.31 per hundredweight, and the nonfat solids price is \$1.8122 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	June	July	Change
Cheese*	\$1.5333	\$1.8555	\$0.3222
Butter	\$1.4090	\$1.5125	\$0.1035
Nonfat Dry Milk	\$1.6024	\$1.9084	\$0.3060
Whey	\$0.7623	\$0.7595	-\$0.0028

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

AMS, DAIRY PROGRAMS ANNOUNCES NEW CHIEF OF MARKET INFORMATION

Erin Morris joined the Agricultural Marketing Services Dairy Programs, effective May 27, 2007, as the new Chief of the Market Information Branch. Erin comes from the AMS Livestock and Seed Program's Livestock and Grain Market News Branch where she served as their Assistant Branch Chief since 2003 and, since January, as their Acting Chief. In those roles she was responsible for overseeing the Agency's market reporting of livestock, grain, meat, wool, and mohair.

Over the past several years, Erin has been the primary person responsible for the administration of the Livestock Mandatory Reporting program and has led the Agency's efforts to re-establish the regulation for the program, which was reauthorized in October 2006. Erin also helped establish the Livestock and Grain Market News Branch web portal that provides users with direct access to the

Market News database of historical information and allows them to choose the format they receive the data. Livestock and Grain Market News publishes over 900 daily, weekly, and monthly reports and is the Agency's largest Market News program.

Erin has been with the Agency for approximately 9 years in a variety of roles. Earlier in her career she served as the Agency's primary representative responsible for implementing the mandatory country of origin labeling program for fish and shellfish and she has also spent time in both the Livestock and Seed Program's Commodity Procurement Branch as a marketing specialist and their Marketing Programs Branch overseeing the Pork Research and Promotion Program.

Prior to joining the Federal government, Erin worked in the foodservice distribution industry and was employed by one of the largest foodservice distributors in the country. Erin is a native of San Antonio, Texas, and graduate of Texas A&M University, where she majored in Animal Science.



OVER-ORDER CHARGES ON PRODUCER MILK

In the December 2006 Market Administrator's Report, it was noted that the Market Information Branch (MIB) of USDA's Dairy Programs had recently added a new section to the price information on its Milk Marketing Order Statistics (MMOS) website. The new section contains various Over-Order Prices Reports. Three over-order price data series are reported: Announced Cooperative Class I Prices; Mailbox Prices; and the new Over-Order Prices. This article provides a general description of over-order prices. The MIB continues to welcome comments and suggestions for improvements to the items carried on its MMOS web site.

AMS, Dairy Programs has begun publishing monthly information on over-order charges beginning with January 2007 but also including annual information dating back to 2004. A description of the reports from which this data is drawn can be found below and is drawn from the

Dairy Programs Web site at:

http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cm_p_pr.htm.

Over-order charge data for January 2007 is described in the last section of this article and is shown in tabular form on page 5. This data is expected to be published regularly in Dairy Market News (DMN) and data for January 2007 appeared in the DMN publication for May 21 - 25, 2007, Volume 74, Report 21, which can be found at: <http://www.ams.usda.gov/dairy/mncs/DY20070525WWeeklyreport.pdf>.

Over-Order Price Report - Description

The Over-Order Price Report is one of the data series of over-order price information collected by Dairy Programs via the administration of the Federal milk order (FMO) program. See Over-Order Prices - Description.

This data series contains detailed information on the over-order charges paid by milk processors regulated under the Federal milk order (FMO) program for raw milk used in each of the four classes of milk utilization. This information is obtained from the price lists issued by cooperatives/pricing agencies which include all the credits that milk processors can earn, billing statements of the cooperatives/pricing agencies, and producer payrolls. The data series includes prices paid by milk processors who buy raw milk from independent dairy farmers (those not members of cooperatives). As such, this data series covers all of the milk that is priced under the order during the month.

The FMO market administrators collect the information for their order(s) and aggregate the data into a summary report that covers all of the milk priced under the order. These reports are submitted to the Market Information Branch (MIB) in Dairy Programs headquarters office at the end of the following month; January price information submitted on February 28th. The MIB develops a summary report for all the orders and calculates FMO system-wide information; this report is published on the Dairy Programs Milk Marketing Order Statistics web site.

The Over-Order Price Report contains the following statistics for those orders for which the data are available or for which the data are not administratively confidential. For each of the four classes of milk utilization: the range of over-order

charges; the weighted average over-order charge on the total volume of milk that carried a charge; the proportion of all the milk that carried a charge; the weighted average over-order charge on all the milk, including milk for which there was no over-order charge; and, the proportion that the all-milk over-order charge is of the minimum FMO price. Also included is information on the weighted average over-order charge for all four classes combined, the proportion of the milk priced under the order that carried an over-order charge, and the proportion that the all-classes charge is of the FMO uniform price.

The following Over-Order Price Reports are carried on the web site: current month information, generally available around the end of the second following month (January data at end of March); monthly information for the current year to date; and, annual information for 2004 to date.

Over-Order Prices - Description

Federal milk orders (FMO) establish minimum class prices that regulated handlers (milk processors) pay for raw milk. See Class and Producer Prices and Component Prices. The sellers of raw milk, dairy farmers (producers) or their cooperative representatives, can bargain with regulated handlers to sell milk at prices higher than the FMO minimums. These higher than minimum prices are called over-order prices and the difference between the prices are called over-order charges or over-order payments. Sometimes the over-order price is referred to as the effective price.

Over-order charges for the most part reimburse cooperatives for services performed for fluid milk processors. Cooperatives have been taking on more of the milk marketing functions that previously were performed by processors. For example, cooperatives have been assuming functions in assembly and disposition of raw milk supplies, and maintaining producer payrolls. Cooperatives have to cover the costs of these services by either charging processors over-order prices or by paying their producer-members prices that are lower than order blend (uniform) minimums.

The services that cooperatives provide focus on dairy farmers, on milk processors, or on the overall performance of the market. Services performed by cooperatives that benefit producer-members include such things as checking weights and tests, providing field service that results in milk quality

improvement, guaranteeing a market and payment, providing market information via member magazines, purchasing feed, equipment and supplies in bulk to lower input costs, and offering low cost financing and insurance. Those services that benefit milk processors include providing milk in a given quantity, at specified milk component contents, at a specified time and location, preparing and mailing producer payments, and providing field service and quality control. Services which benefit the entire market include weekend and seasonal balancing of milk supplies, sales promotion, preparing testimony for legislative and regulatory hearings, and conducting informational, educational, and research activities.

To a lesser extent, over-order charges can result from market power, generally attained through marketing agencies in common, which can be used to obtain additional revenue not associated with services.

Dairy Programs, via the administration of the FMO program, collects and publishes three over-order price information data series – Announced Cooperative Class I Prices, the Over-Order Price Report, and Mailbox Prices. Each of these is described below.

Over-order Charges for January 2007

For January 2007, the all areas combined average over-order charge on producer milk used in Class I was \$1.67 per cwt., down 4 cents from the December 2006 average (See table on page 5). 93 percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.61 in the Pacific Northwest to \$3.36 in Florida.

For producer milk used in the other three classes, the all areas combined average over-order charges and proportions of milk carrying a charge were: for Class II, \$1.04 per cwt., 81%; for Class III, \$0.19 per cwt., 26%; for Class IV, \$0.21 per cwt., 47%.

(Continued on Page 8)

OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION, BY FEDERAL MILK ORDER MARKETING AREA, JANUARY 2007 1/

Federal Milk Order Marketing Area 2/	Order Number	Over-Order Charge on Total:				Average All Classes 4/
		Class I Milk	Class II Milk	Class III Milk 3/	Class IV Milk 3/	
----- \$/Cwt. -----						
Appalachian	5	2.17	0.86	0.04	0.06	1.63
Southeast	7	2.19	1.70	0.19	0.50	1.55
Florida	6	3.36	1.15	0.62	0.06	2.89
Mideast	33	1.34	1.20	0.71	0.50	1.04
Upper Midwest	30	1.71	1.03	0.01	0.01	0.31
Central	32	1.45	0.90	0.64	0.35	0.95
Southwest	126	1.24	0.83	0.14	0.38	0.69
Pacific Northwest	124	0.61	0.58	0.06	0.09	0.28
All Areas Combined 5/		1.67	1.04	0.19	0.21	0.82

1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.

2/ Information is available for all Federal milk marketing areas except the Northeast. See 5/.

3/ In some marketing areas, a large portion of the milk used in either Class III or Class IV is processed in cooperative owned plants for which an over-order price is not charged.

4/ Figures are weighted averages of the individual Class over-order charges on total producer milk used in all classes combined.

5/ Figures are weighted averages of the individual marketing area data; includes information for the Arizona order which is administratively confidential.

Source: AMS, Dairy Programs.

MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST				ARIZONA 2/			
	May 2007	Apr 2007	May 2006	Apr 2006	May 2007	Apr 2007	May 2006	Apr 2006
Class I Milk (\$/cwt.)	\$17.82	\$16.90	\$12.87	\$13.12	\$18.27	\$17.35	\$13.32	\$13.57
Class II Milk (\$/cwt.)	16.62	14.51	11.13	11.37	16.62	14.51	11.13	11.37
Class III Milk (\$/cwt.)	17.60	16.09	10.83	10.93	17.60	16.09	10.83	10.93
Class IV Milk (\$/cwt.)	18.48	16.12	10.33	10.36	18.48	16.12	10.33	10.36
Producer Prices								
Producer Price Differential (\$/cwt.)	\$ 0.27	\$ 0.15	\$ 0.47	\$ 0.42	+	+	+	+
Butterfat (\$/pound)	1.5706	1.4657	1.2582	1.2343	+	+	+	+
Protein (\$/pound)	2.9424	2.5212	1.9115	1.9238	+	+	+	+
Other Solids (\$/pound)	0.5791	0.6008	0.1251	0.1508	+	+	+	+
Uniform Skim Price (\$/cwt.)	+	+	+	+	13.10	11.74	7.47	7.56
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.5509	1.4570	1.2597	1.2469
Statistical Uniform Price (\$/cwt.)	\$17.87	\$16.24	\$11.30	\$11.35	\$18.07	\$16.43	\$11.62	\$11.66
Producer Data								
Number of Producers	715 *	715	836	840	92 *	92	94	93
Avg. Daily Production (lbs.)	26,730 *	26,818	27,681	27,284	121,303 *	123,951	111,683	108,265
Number of Handlers								
Pool Handlers	28	28	28	28	7	7	7	6
Producer-Handlers	6 *	6	6	7	1 *	1	1	2
Other Plants w/ Class I Use	23 *	23	24	23	19 *	19	25	27
Producer Milk Ratios								
Class I	32.33%	32.06%	27.04%	25.84%	34.07%	33.55%	34.27%	32.26%
Class II	8.75%	8.59%	5.77%	5.71%	9.70%	9.32%	7.35%	7.76%
Class III	30.28%	29.00%	31.29%	30.95%	28.13%	29.44%	32.85%	32.85%
Class IV	28.64%	30.35%	35.90%	37.50%	28.10%	27.69%	25.53%	27.13%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Apr 2007	Mar 2007	Apr 2006	Mar 2006	Apr 2007	Mar 2007	Apr 2006	Mar 2006
Production	27,189,987	27,360,907	20,762,120	36,427,239	R	R	R	R
Class I Use	24,027,464	23,480,540	17,267,456	30,441,934	R	R	R	R
% Class I Use	88.37%	85.82%	83.17%	83.57%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	162,550,806	171,612,589	161,752,659	165,013,407	95,483,536	100,840,122	93,116,559	87,052,566
By Producer-Handlers	8,082,664	8,052,626	7,966,771	18,846,481	1/	1/	1/	1/
By Other Plants	4,071,170 *	4,647,667	3,653,975	4,353,328	4,444,709 *	4,750,087	11,719,567	28,799,294
Total	174,704,640	184,312,882	173,373,405	188,213,216	99,928,245	105,590,209	104,836,126	115,851,860

* 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/				
	May 2007	Apr. 2007	May 2006	Apr 2006	May 2007	Apr 2007	May 2006	Apr 2006	
TOTAL PRODUCER MILK	592,475,826	575,246,077	717,385,029	687,563,752	345,957,022	342,105,524	325,444,557	302,058,032	
RECEIPTS FROM OTHER SOURCES	51,487,184	39,077,589	19,198,248	16,835,742	7,550,467	8,832,776	34,857,977	26,803,722	
OPENING INVENTORY	33,007,654	34,036,534	37,091,066	33,169,769	18,766,827	21,246,198	21,116,124	18,444,514	
TOTAL TO BE ACCOUNTED FOR	676,970,664	648,360,200	773,674,343	737,569,263	372,274,316	372,184,498	381,418,658	347,306,268	
UTILIZATION OF RECEIPTS									
Whole milk	33,148,255	31,625,052	33,671,669	31,536,123	28,315,837	27,244,973	29,240,686	27,566,662	
Flavored milk & milk drinks	12,990,778	11,979,088	13,199,163	11,986,923	6,234,552	6,934,262	6,203,742	6,047,853	
2% milk	65,956,147	63,891,360	68,275,943	64,434,202	35,464,956	34,473,859	37,066,648	34,631,700	
1% milk	27,979,049	26,797,358	27,677,965	25,645,443	13,244,615	12,912,062	12,554,051	11,949,891	
Skim milk	28,180,486	26,924,918	28,662,247	26,803,074	12,663,684	13,430,217	12,898,354	12,449,141	
Buttermilk	1,317,364	1,333,030	1,472,265	1,346,894	477,437	488,163	503,417	471,312	
CLASS I ROUTE DISP. IN AREA. . .	169,572,079	162,550,806	172,959,252	161,752,659	96,401,081	95,483,536	98,466,898	93,116,559	
Class I dispositions out of area . . .	18,766,497	16,457,482	15,375,459	14,779,063	20,068,070	20,478,639	14,224,049	5,153,668	
Other Class I usage	20,243,073	20,422,869	19,500,156	17,894,122	12,425,729	10,232,190	8,697,394	9,522,376	
TOTAL CLASS I USE.	208,581,649	199,431,157	207,834,867	194,425,844	128,894,880	126,194,365	121,388,341	107,792,603	
TOTAL CLASS II USE	59,537,902	56,233,651	49,967,162	45,769,675	35,798,980	33,256,953	24,767,563	24,830,663	
TOTAL CLASS III USE	196,450,429	185,683,949	229,140,542	216,719,991	98,385,721	101,410,251	107,256,303	99,223,760	
TOTAL CLASS IV USE	212,400,684	207,011,443	286,731,772	280,653,753	109,194,735	111,322,929	128,006,451	115,459,242	
TOTAL ACCOUNTED FOR	676,970,664	648,360,200	773,674,343	737,569,263	372,274,316	372,184,498	381,418,658	347,306,268	
CLASSIFICATION OF RECEIPTS									
Producer milk:	Class I	191,516,277	184,455,211	193,948,844	177,663,015	117,887,992	114,765,680	111,550,332	97,454,966
	Class II	51,850,008	49,398,445	41,421,024	39,249,171	33,546,624	31,894,485	23,919,296	23,439,586
	Class III	179,419,886	166,804,253	224,500,635	212,827,723	97,313,722	100,705,092	106,904,795	99,223,760
	Class IV	169,689,655	174,588,168	257,514,526	257,823,843	97,208,684	94,740,267	83,070,134	81,939,720
Other receipts:	Class I	17,065,372	14,975,946	13,886,023	16,762,829	26,317,294	30,078,974	55,974,101	45,248,236
	Class II	7,687,894	6,835,206	8,546,138	6,520,504	1/	1/	1/	1/
	Class III	17,030,543	18,879,696	4,639,907	3,892,268	1/	1/	1/	1/
	Class IV	42,711,029	32,423,275	29,217,246	22,829,910	1/	1/	1/	1/
Avg. daily producer receipts		19,112,123	19,174,869	23,141,453	22,918,792	11,159,904	11,403,517	10,498,212	10,068,601
Change From Previous Year		-17.41%	-16.34%	14.01%	51.77%	6.30%	13.26%	22.03%	12.42%
Avg. daily Class I use		6,728,440	6,647,705	6,704,351	6,480,861	4,157,899	4,206,479	3,915,753	3,593,087
Change From Previous Year		0.36%	2.57%	6.05%	1.16%	6.18%	17.07%	43.53%	18.60%

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 May 2007
- May 2007 Class Prices
- Class I Price for July 2007
- AMS, Dairy Programs Announces New Chief Of Market Information
- Over-Order Charges On Producer Milk
 - Over-Order Price Report – Description
 - Over-Order Prices – Description
 - Over-order Charges for January 2007

(Continued from Page 4)

The average over-order charge on producer milk used in all classes combined for all areas combined was \$0.82 per cwt. and ranged from \$0.28 in the Pacific Northwest to \$2.89 in Florida. 58 percent of total producer milk carried an over-order charge. ♦

Source: AMS, Dairy Programs.