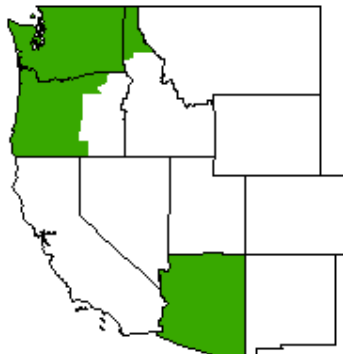


Pacific Northwest & Arizona Marketing Areas



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James R. Daugherty
 Market Administrator

July 2006

MARKET SUMMARIES FOR JUNE 2006

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

Pacific Northwest

Producers delivered a total of 662.5 million pounds of milk to the market during June. Daily deliveries averaged 22.1 million pounds, down 4.6 percent from May. An estimated 833 producers delivered milk to the market during the month. Daily deliveries per producer averaged 26,510 pounds, down 4.2 percent from May.

Class I producer milk during June totaled 184.8 million pounds, 27.9 percent of total producer receipts. Daily usage averaged 6.2 million pounds, down 1.5 percent from May.

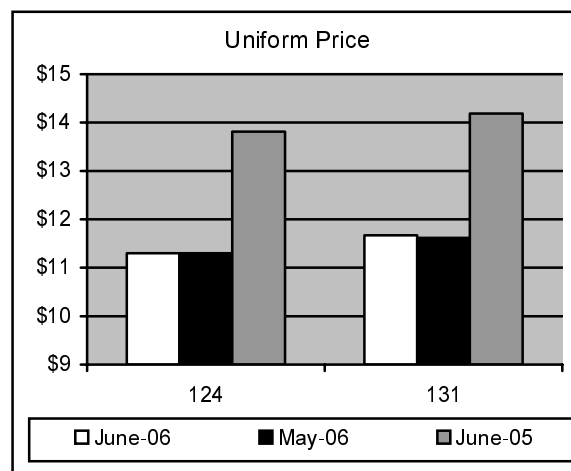
Arizona

Producers delivered a total of 305.9 million pounds of milk to the market during June. Daily deliveries averaged 10.2 million pounds, down 2.9 percent from May.

An estimated 94 producers delivered milk to the market during the month. Daily

deliveries per producer averaged 108,481 pounds, down 2.9 percent from May.

Class I producer milk during June totaled 106.9 million pounds, 34.9 percent of total producer receipts. Daily usage averaged 3.6 million pounds, down 1.0 percent from May. ♦



Federal Order Producer Prices and Component Levels: June 2006

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	11.30	11.67	Butterfat	3.567	3.502
Butterfat 2/	1.2463	1.2540	Protein	3.011	N/A
Protein 2/	2.0790	N/A	Other Solids	5.676	N/A
Other Solids 2/	0.1255	N/A	Nonfat Solids	8.687	N/A
PPD 1/*	0.01	N/A			
Skim 1/	N/A	7.54			

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

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JUNE 2006 CLASS PRICES

June 2006 non-advanced Class Prices were calculated using NASS commodity price surveys from June 3, 10, 17, and 24, 2006. Component prices for the month are \$2.0790 per pound of protein, \$1.2436 per pound of butterfat, \$0.1255 per pound of other solids, and \$0.6753 per pound of nonfat solids.

June 2006 Class III and IV prices at 3.5% butterfat are \$11.29 and \$10.22 per hundredweight, respectively. The June Class III price compared to May is up \$0.46. The Class III price is \$2.63 lower than June 2005. The Class III price at 3.67% butterfat is \$1.59 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.2506 per pound. Class I skim and butterfat and Class II skim prices for June 2006 were announced on May 19, 2006. The Class II price at 3.5% butterfat is \$11.00 for June 2006.

FINAL: NASS COMMODITY PRICES

	May	June	Change
Cheese*	\$1.1694	\$1.2166	\$0.0472
Butter	\$1.1635	\$1.1513	-\$0.0122
Nonfat Dry Milk	\$0.8288	\$0.8221	-\$0.0067
Whey	\$0.2805	\$0.2808	\$0.0003

* 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 3.93 cents between the June 17 and the July 15 surveys, to \$1.1623 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a decrease of 4.20 cents to \$1.1670 per pound.

The NASS butter price showed a net decrease of 2.17 cents between the weeks ending June 17 and July 15 from \$1.1484 per pound to \$1.1267 per pound.

The NASS nonfat dry milk showed a net increase of 1.05 cent since mid-June to \$0.8305 per pound. The average price for NASS whey showed a net decrease of 0.05 cent since mid-June to \$0.2809 per pound. ♦

AUGUST'S CLASS I PRICE ANNOUNCEMENT

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

The August Class III and IV advance skim prices are \$6.96 and \$6.12 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 2.76 cents from \$1.2430 to \$1.2154 per pound.

The August 2006 Class II skim and nonfat solids prices were also announced on July 21. The skim price is \$6.82 per hundredweight, and the nonfat solids price is \$0.7578 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	July	August	Change
Cheese*	\$1.2218	\$1.1858	-\$0.0360
Butter	\$1.1508	\$1.1278	-\$0.0230
Nonfat Dry Milk	\$0.8205	\$0.8268	\$0.0063
Whey	\$0.2817	\$0.2796	-\$0.0021

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

USDA ISSUES NOTICE OF INTENT TO RECONVENE NATIONAL PUBLIC HEARING TO AMEND CLASS III AND IV MILK PRICE FORMULAS

On June 27, 2006, the U. S. Department of Agriculture announced its intent to reconvene a national public hearing to amend the Class III and Class IV price formulas. USDA will reconvene the national hearing, originally held January 24-27, 2006, in Alexandria, Virginia, to assure that any changes to manufacturing allowance factors used in Federal order Class III and Class IV product price formulas are appropriate and reflective of manufacturing costs. USDA also welcomes additional proposals addressing the Federal order Class III and Class IV price formulas for further consideration in the reconvened hearing. The additional proposals are due on or before September 30, 2006.

The notice of intent to reconvene the hearing was published as a proposed rule in the June 28 Federal Register. Copies of the notice may be obtained from the USDA/AMS/Dairy Programs,

STOP 0231 - Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231. The notice is available on AMS' web site: www.ams.usda.gov/dairy.

The notice of intent and additional information is also available from the market administrator offices.



PRODUCERS AND PRODUCER MILK BY ORDER, STATE, AND COUNTY, MAY 2006

During the month of May 2006, a total of 930 producers, on a combined basis, were associated with the Pacific Northwest and Arizona Orders. These producers delivered a total of 1.0 billion pounds of milk to the markets during the month. The tables below and on page 4 contain information on 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. ◆

Producer Milk By State and Federal Order May 2005 and 2006

FO 1/	State	2005		2006	
		Prod.	Lbs. 2/	Prod.	Lbs. 2/
124	CA	6	4.1	5	4.0
124	ID	35	15.5	59	73.3
124	OR	282	138.1	267	165.1
124	WA	531	471.5	505	474.9
FO 124 Total 3/		854	629.2	836	717.3
131	AZ/CA	88	267.0	94	325.4
Total 3/		942	895.9	930	1,042.8

1/ Federal order number. Federal Order 124 is the Pacific Northwest Order. Federal Order 131 is the Arizona Order. 2/ Million pounds. 3/ May not add due to rounding.

FIRST HALF U.S. MILK PRODUCTION UP 3.7 PERCENT

Milk production for the first six months of 2006 was up 3.7 percent for the U.S. and up 4.2 percent for the top 23 states compared with 2005, on a daily basis. The table to the right shows data for 2006 for the selected states with comparisons to year-ago levels.

Milk production for June 2006 was up 1.4 percent for the United States compared with June 2005. United States milk production for June 2006 equaled 15,303 million pounds, 216 million pounds more than last June. For the top 23 states, milk production was up 1.9 percent from June 2005. The table below shows comparisons to year-ago levels.



Milk Production January through June 2005-06

	2005	2006 1/	% Change
	-- million pounds --		
Arizona	1,963	2,107	7.34%
California	18,814	19,600	4.18%
Idaho	4,897	5,297	8.17%
Minnesota	4,183	4,245	1.48%
New Mexico	3,400	3,915	15.15%
New York	6,051	6,190	2.30%
Oregon	1,152	1,113	-3.39%
Washington	2,812	2,760	-1.85%
Wisconsin	11,397	11,766	3.24%
23 States	81,196	84,579	4.17%
U.S.	89,181	92,449	3.66%

See footnotes below.

Milk Production June 2005-06

	2005	2006 1/	% Change
	-- million pounds --		
Arizona	316	338	6.96%
California	3,182	3,200	0.57%
Idaho	857	923	7.70%
Minnesota	701	698	-0.43%
New Mexico	598	675	12.88%
New York	1,029	1,022	-0.68%
Oregon	195	188	-3.59%
Washington	474	465	-1.90%
Wisconsin	1,964	1,983	0.97%
23 States	13,755	14,011	1.86%
U.S.	15,087	15,303	1.43%

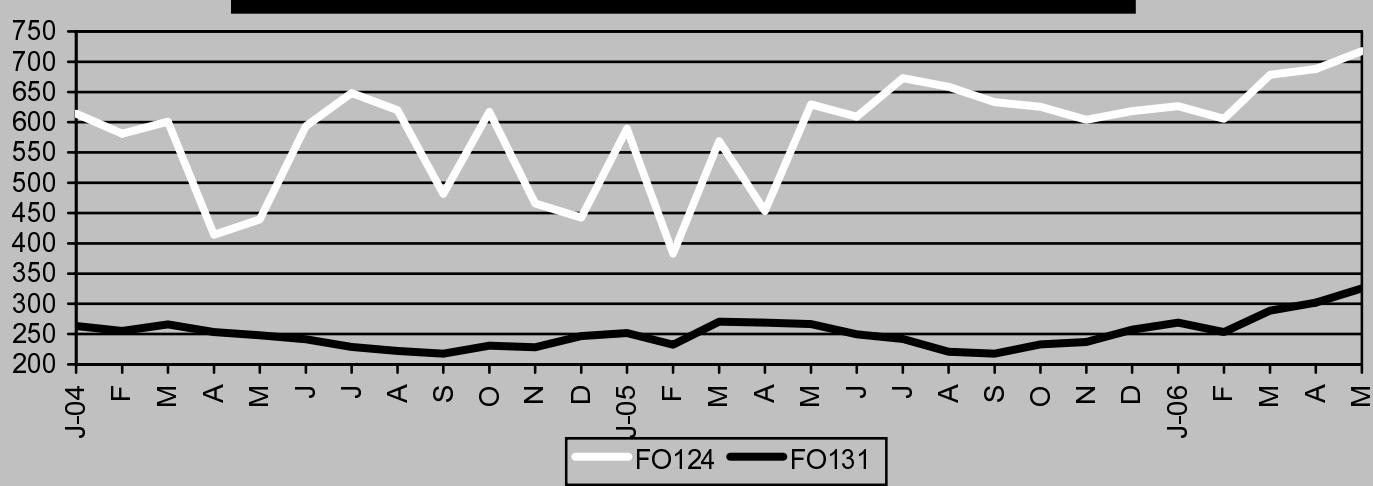
Source: National Agricultural Statistics Service.

1/ June 2006 is preliminary.

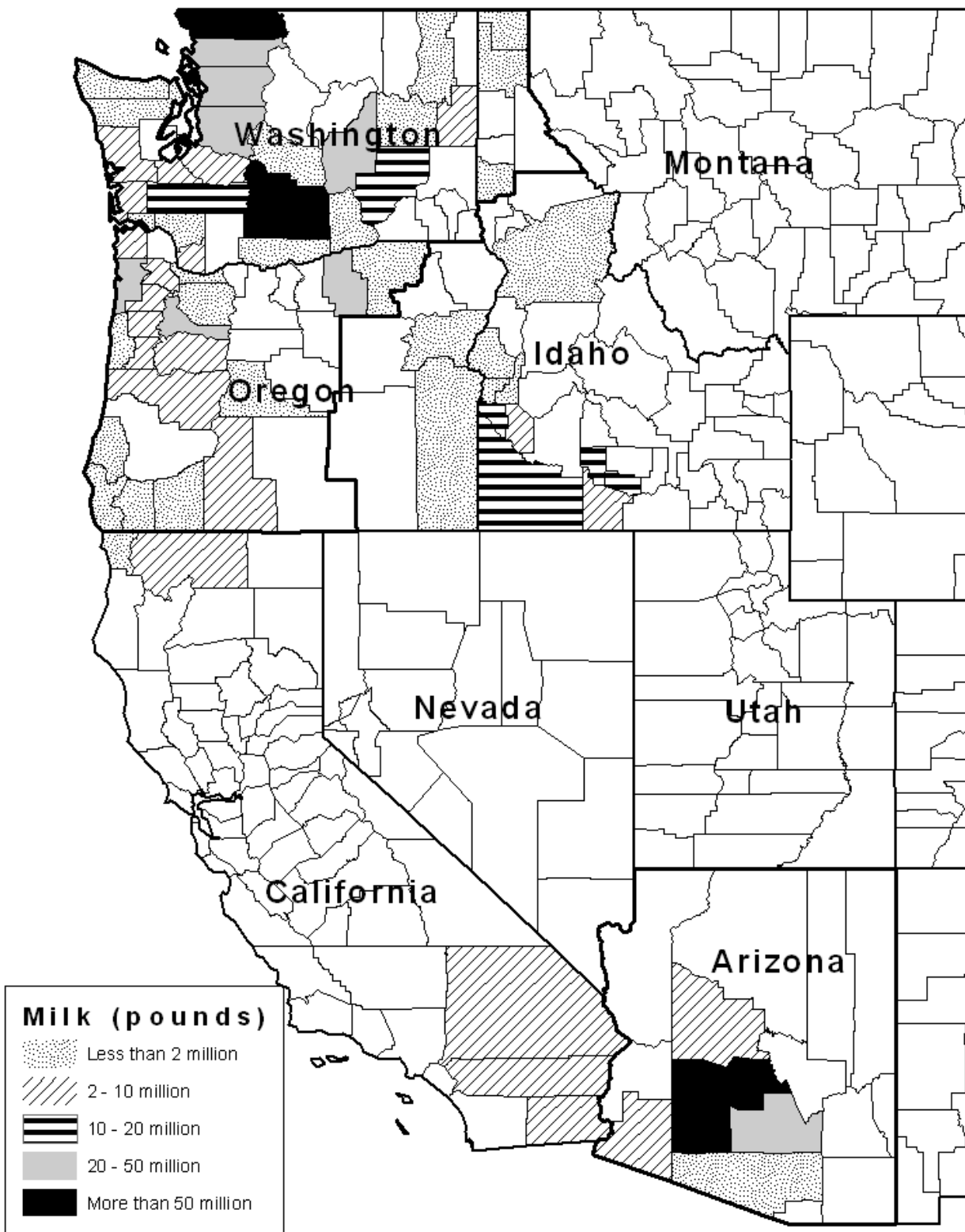
Number of Producers and Pounds of Milk: By Order, State, and County, May 2006

State	County	Producers	Milk	State	County	Producers	Milk
Arizona Order				Pacific Northwest Order (Continued)			
Arizona				Idaho			
	Maricopa	72	256,895,497		Bonner & Boundary	3	393,249
	Pima, Pinal, Yavapai, Yuma (& Imperial, Riverside & San Bernardino, CA)	22	68,549,060		Idaho & Latah	5	660,651
	Total Arizona	94	325,444,557		Ada, Canyon, Gem, Payette & Washington	38	24,496,514
Pacific Northwest Order					Gooding, Jerome, Owyhee & Twin Falls	13	47,708,504
Washington					Total Idaho	59	73,258,918
	Adams	11	13,473,132	Oregon			
	Clallam & Jefferson	5	1,206,451		Benton & Lincoln	5	3,658,789
	Clark & Cowlitz	11	8,321,920		Clackamas & Multnomah	11	1,327,924
	Franklin	7	19,017,091		Clatsop	6	2,247,441
	Grant & Kittitas	26	28,020,200		Coos & Curry	9	2,080,809
	Grays Harbor	11	2,354,745		Deschutes	3	532,728
	King	32	25,193,343		Josephine	3	1,610,496
	Klickitat & Benton	5	2,999,266		Klamath & Jackson	8	6,458,511
	Lewis	40	13,579,736		Lane	6	5,136,070
	Lincoln & Spokane	14	2,289,801		Linn	8	6,209,091
	Pacific	10	2,992,381		Malheur & Baker	11	2,373,209
	Pierce	6	3,853,714		Marion	32	28,241,321
	Skagit	40	28,449,097		Morrow & Umatilla	4	34,700,493
	Snohomish & Island	37	25,205,097		Polk	5	9,003,039
	Stevens	12	1,563,812		Tillamook	131	47,608,288
	Thurston	9	7,720,738		Washington	19	6,170,706
	Wahkiakum	4	745,126		Yamhill	6	7,789,751
	Whatcom	153	104,454,988		Total Oregon	267	165,148,666
	Yakima	72	183,452,770	Total Pacific Northwest Order			
	Total Washington	505	474,893,408		Total Arizona Order	94	325,444,557
California					Total	930	1,042,769,093
	Del Norte & Siskiyou	5	4,023,544				
	Total California	5	4,023,544				

Pacific Northwest (FO124) and Arizona (FO131) Producer Milk Pooled January 2004 - May 2006 (million pounds)



Pounds of Producer Milk by County, May 2006



MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST				ARIZONA 2/			
	Jun 2006	May 2006	Jun 2005	May 2005	Jun 2006	May 2006	Jun 2005	May 2005
Minimum Class Prices (3.5% B.F.)								
Class I Milk (\$/cwt.)	\$12.65	\$12.87	\$15.52	\$16.70	\$13.10	\$13.32	\$15.97	\$17.15
Class II Milk (\$/cwt.)	11.00	11.13	13.06	12.78	11.00	11.13	13.06	12.78
Class III Milk (\$/cwt.)	11.29	10.83	13.92	13.77	11.29	10.83	13.92	13.77
Class IV Milk (\$/cwt.)	10.22	10.33	12.33	12.20	10.22	10.33	12.33	12.20
Producer Prices								
Producer Price Differential (\$/cwt.)	\$ 0.01	\$ 0.47	\$(0.11)	\$ 0.21	+	+	+	+
Butterfat (\$/pound)	1.2436	1.2582	1.5932	1.5475	+	+	+	+
Protein (\$/pound)	2.0790	1.9115	2.5741	2.5965	+	+	+	+
Other Solids (\$/pound)	0.1255	0.1251	0.1139	0.1043	+	+	+	+
Uniform Skim Price (\$/cwt.)	+	+	+	+	7.54	7.47	8.94	9.00
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.2540	1.2597	1.5885	1.5784
Statistical Uniform Price (\$/cwt.) . .	\$11.30	\$11.30	\$13.81	\$13.98	\$11.67	\$11.62	\$14.19	\$14.21
Producer Data								
Number of Producers	833 *	836	851	855	94 *	94	87	88
Avg. Daily Production (lbs.)	26,510 *	27,681	23,854	23,740	108,481 *	111,683	95,621	97,761
Number of Handlers								
Pool Handlers	28	28	27	27	7	7	5	5
Producer-Handlers	6 *	6	9	9	1 *	1	3	3
Other Plants w/ Class I Use	24 *	24	21	20	25 *	25	29	30
Producer Milk Ratios								
Class I	27.89%	27.04%	27.08%	28.66%	34.93%	34.27%	30.48%	28.52%
Class II	6.54%	5.77%	7.36%	6.75%	8.11%	7.35%	11.48%	11.74%
Class III	27.92%	31.29%	29.31%	29.40%	34.17%	32.85%	37.03%	38.03%
Class IV	37.65%	35.90%	36.25%	35.19%	22.79%	25.53%	21.01%	21.71%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

	May 2006	Apr 2006	May 2005	Apr 2005	May 2006	Apr 2006	May 2005	Apr 2005
Producer-Handler Data								
Production	21,590,880	20,762,120	33,794,660	32,538,944	R	R	R	R
Class I Use	17,632,381	17,267,456	26,989,780	26,313,051	R	R	R	R
% Class I Use	81.67%	83.17%	79.86%	80.87%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	172,959,252	161,752,659	156,390,962	154,504,025	98,466,898	93,116,559	73,956,954	77,977,837
By Producer-Handlers	8,417,105	7,966,771	20,712,589	19,274,853	1/	1/	1/	1/
By Other Plants	3,778,352 *	3,653,975	2,742,834	2,881,662	5,451,664 *	11,719,567	27,667,539	28,208,334
Total	185,154,709	173,373,405	179,846,385	176,660,540	103,918,562	104,836,126	101,624,493	106,186,171

* 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/			
	Jun 2006	May 2006	Jun 2005	May 2005	Jun 2006	May 2006	Jun 2005	May 2005
TOTAL PRODUCER MILK	662,476,437	717,385,029	608,985,825	629,228,064	305,917,685	325,444,557	249,570,451	266,691,563
RECEIPTS FROM OTHER SOURCES	20,101,353	19,198,248	26,708,409	22,680,707	24,409,686	34,857,977	54,614,114	42,977,397
OPENING INVENTORY	31,598,267	37,091,066	32,997,900	33,770,143	20,206,976	21,116,124	12,589,069	16,548,277
TOTAL TO BE ACCOUNTED FOR	714,176,057	773,674,343	668,692,134	685,678,914	350,534,347	381,418,658	316,773,634	326,217,237
UTILIZATION OF RECEIPTS								
Whole milk	32,659,694	33,671,669	28,874,997	29,183,435	28,527,583	29,240,686	18,380,642	18,646,989
Flavored milk & milk drinks	9,828,145	13,199,163	8,585,347	12,630,037	3,345,341	6,203,742	2,852,063	5,468,726
2% milk	67,220,937	68,275,943	61,780,823	64,066,155	30,544,361	37,066,648	28,908,649	28,952,338
1% milk	25,465,519	27,677,965	22,509,724	23,118,273	11,384,418	12,554,051	9,290,442	10,358,854
Skim milk	27,667,244	28,662,247	25,098,545	26,058,306	16,249,964	12,898,354	9,454,621	10,075,537
Buttermilk	1,398,482	1,472,265	1,323,129	1,334,756	427,658	503,417	429,599	454,510
CLASS I ROUTE DISP. IN AREA.	164,240,021	172,959,252	148,172,565	156,390,962	90,479,325	98,466,898	69,316,016	73,956,954
Class I dispositions out of area	16,279,169	15,375,459	14,552,278	15,299,055	14,125,804	14,224,049	4,629,469	4,065,916
Other Class I usage	20,961,357	19,500,156	19,750,862	24,295,569	11,141,448	8,697,394	8,977,389	6,550,127
TOTAL CLASS I USE.	201,480,547	207,834,867	182,475,705	195,985,586	115,746,577	121,388,341	82,922,874	84,572,997
TOTAL CLASS II USE	52,403,728	49,967,162	51,546,058	51,923,179	26,131,693	24,767,563	29,770,545	32,255,662
TOTAL CLASS III USE	185,621,824	229,140,542	186,514,337	190,346,682	105,091,660	107,256,303	94,070,958	102,050,867
TOTAL CLASS IV USE	274,669,958	286,731,772	248,156,034	247,423,467	103,564,417	128,006,451	110,009,257	107,337,711
TOTAL ACCOUNTED FOR	714,176,057	773,674,343	668,692,134	685,678,914	350,534,347	381,418,658	316,773,634	326,217,237
CLASSIFICATION OF RECEIPTS								
Producer milk: Class I	184,796,123	193,948,844	164,894,204	180,307,971	106,854,165	111,550,332	76,045,796	76,063,991
Class II	43,315,203	41,421,024	44,827,079	42,483,241	24,799,447	23,919,296	28,662,312	31,305,878
Class III	184,931,159	224,500,635	178,479,533	184,991,646	104,538,703	106,904,795	92,419,947	101,433,512
Class IV	249,433,952	257,514,526	220,785,009	221,445,206	69,725,370	83,070,134	52,442,396	57,888,182
Other receipts: Class I	16,684,424	13,886,023	17,581,501	15,677,615	44,616,662	55,974,101	67,203,183	59,525,674
Class II	9,088,525	8,546,138	6,718,979	9,439,938	1/	1/	1/	1/
Class III	690,665	4,639,907	8,034,804	5,355,036	1/	1/	1/	1/
Class IV	25,236,006	29,217,246	27,371,025	25,978,261	1/	1/	1/	1/
Avg. daily producer receipts	22,082,548	23,141,453	20,299,528	20,297,679	10,197,256	10,498,212	8,319,015	8,602,954
Change From Previous Year	8.78%	14.01%	2.58%	43.16%	22.58%	22.03%	3.52%	7.54%
Avg. daily Class I use	6,716,018	6,704,351	6,082,524	6,322,116	3,858,219	3,915,753	2,764,096	2,728,161
Change From Previous Year	10.41%	6.05%	-0.34%	2.09%	39.58%	43.53%	6.43%	2.94%

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 June 2006
- June 2006 Class Prices
- Class I Price for August 2006
- USDA Issues Notice of Intent to Reconvene National Public Hearing to Amend Class III and IV Milk Price Formulas
- Producers And Producer Milk By Order, State, And County, May 2006
- First Half U.S. Milk Production Up 3.7 Percent
- Former Market Administrator Passed Away

**FORMER MARKET ADMINISTRATOR
PASSED AWAY**

Jerry Colburn, former market administrator of the Pacific Northwest and the former Southwestern Idaho-Eastern Oregon Orders, passed away at his home in Buckley, Washington, on June 25, 2006. Jerry started his Federal career as a marketing specialist with the Seattle Market Administrator's office in February of 1960. He served as an assistant to the market administrator from 1975 until 1977 when he then became assistant market administrator. In 1986, Jerry was designated market administrator. Jerry retired from this position in 1994 after completing 34 years of service with the U.S. Department of Agriculture. He is survived by his wife, Carol, and their three children. ♦