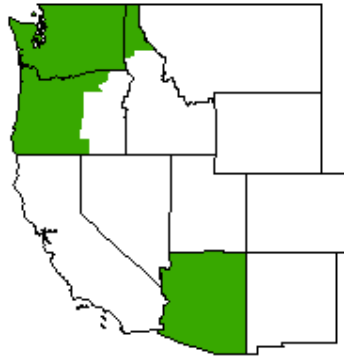


Pacific Northwest & Arizona Marketing Areas



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



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

James R. Daugherty
 Market Administrator

July 2007

MARKET SUMMARIES FOR JUNE 2007

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

Pacific Northwest

Producers delivered a total of 577.1 million pounds of milk to the market during June. Daily deliveries averaged 19.2 million pounds, up 0.7 percent from May. An estimated 698 producers delivered milk to the market during the month. Daily deliveries per producer averaged 27,561 pounds, up 0.7 percent from May.

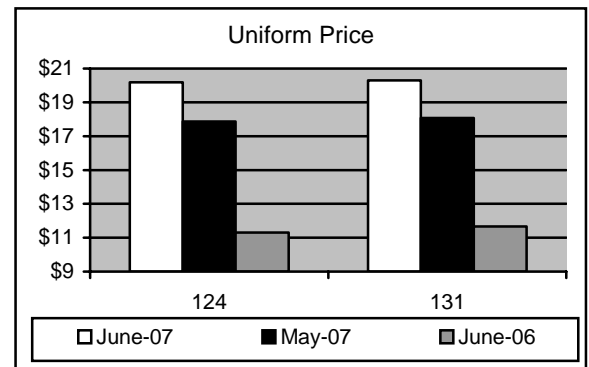
Class I producer milk during June totaled 176.7 million pounds, 30.6 percent of total producer receipts. Daily usage averaged 5.9 million pounds, down 4.6 percent from May.

Arizona

Producers delivered a total of 322.9 million pounds of milk to the market during June. Daily deliveries averaged 10.8 million

pounds, down 3.6 percent from May. An estimated 92 producers delivered milk to the market during the month. Daily deliveries per producer averaged 116,986 pounds, down 3.6 percent from May.

Class I producer milk during June totaled 107.8 million pounds, 33.4 percent of total producer receipts. Daily usage averaged 3.6 million pounds, down 5.5 percent from May. ♦



Federal Order Producer Prices and Component Levels: June 2007

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	20.19	20.30	Butterfat	3.603	3.540
Butterfat 2/	1.6457	1.6328	Protein	3.017	N/A
Protein 2/	3.7059	N/A	Other Solids	5.726	N/A
Other Solids 2/	0.5831	N/A	Nonfat Solids	8.742	N/A
PPD 1/*	0.02	N/A			
Skim 1/	N/A	15.11			

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

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JUNE 2007 CLASS PRICES

June 2007 non-advanced Class Prices were calculated using NASS commodity price surveys from June 2, 9, 16 and 23, 2007. Component prices for the month are \$3.7059 per pound of protein, \$1.6457 per pound of butterfat, \$0.5831 per pound of other solids, and \$1.7268 per pound of nonfat solids.

June 2007 Class III and IV prices at 3.5% butterfat are \$20.17 and \$20.76 per hundredweight, respectively. The June Class III price compared to May is up \$2.57; the Class IV price is up \$2.28. The Class III price is \$8.88 higher than in June 2006 and the Class IV price is \$10.54 higher. The Class III price at 3.67% butterfat is \$10.52 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.6527 per pound. Class I skim and butterfat and Class II skim prices for June 2007 were announced on May 18, 2007. The Class II price at 3.5% butterfat is \$18.89 for June 2007.

FINAL: NASS COMMODITY PRICES

	May	June	Change
Cheese*	\$1.5946	\$1.8561	\$0.2615
Butter	\$1.4290	\$1.4916	\$0.0626
Nonfat Dry Milk	\$1.6670	\$1.9012	\$0.2342
Whey	\$0.7578	\$0.7617	\$0.0039

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed net increases in price received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net increase of 13.37 cents between the June 16 and the July 14 surveys, to \$1.9957 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a net increase of 6.66 cents to \$1.9800 per pound.

The NASS butter price showed a net decrease of 4.82 cents between the weeks ending June 16 and July 14 from \$1.4971 per pound to \$1.4489 per pound.

The NASS nonfat dry milk showed an increase of 12.47 cents since mid-June to \$2.0389 per pound.

The average price for NASS whey showed a net decrease of 2.73 cents since mid-June to \$0.7345 per pound. ♦

AUGUST'S CLASS I PRICE ANNOUNCEMENT

On July 20, the August 2007 Class I price was announced at \$23.66 for the Pacific Northwest Order and \$24.11 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of July 7 and 14.

The August Class III and IV advance skim prices are \$16.58 and \$16.74 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 6.98 cents from \$1.6708 to \$1.6010 per pound.

The August 2007 Class II skim and nonfat solids prices were also announced on July 20. The skim price is \$17.44 per hundredweight, and the nonfat solids price is \$1.9378 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	July	August	Change
Cheese*	\$1.8555	\$2.0188	\$0.1633
Butter	\$1.5125	\$1.4544	-\$0.0581
Nonfat Dry Milk	\$1.9084	\$2.0358	\$0.1274
Whey	\$0.7595	\$0.7428	-\$0.0167

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

USDA ISSUES INTERIM FINAL RULE ESTABLISHING A DAIRY PRODUCT MANDATORY REPORTING PROGRAM

Washington, D.C., June 28, 2007 – The U. S. Department of Agriculture today issued an interim final rule establishing a Dairy Product Mandatory Reporting Program as required by law. The Dairy Market Enhancement Act of 2000, and certain provisions of the 2002 Farm Bill amend the Agricultural Marketing Act of 1946 to establish the program.

The mandatory reporting program will provide timely, accurate, and reliable market information to facilitate more informed marketing decisions and promote competition in the dairy product manufacturing industry. The program will: (1) Require persons engaged in manufacturing dairy products to report certain information including the price, quantity, and moisture content where applicable, of dairy products sold by the manufacturer; and (2) Require persons storing

dairy products to report information on the quantity of dairy products stored. Under the interim final rule, USDA's National Agricultural Statistics Service (NASS) will collect the information. Any manufacturer that processes and markets less than 1 million pounds of dairy products per year is exempt from the reporting requirements.

USDA's Agricultural Marketing Service (AMS) will implement a plan to verify the price information submitted to NASS. AMS will visit butter, nonfat dry milk, cheese and dry whey manufacturers that file reports. AMS will verify that eligible sales transactions agree with information reported to NASS and will check for eligible sales transactions that were not reported.

The interim final rule will be published in a future issue of the Federal Register. Public comments are due 60 days after publication in the Federal Register. Comments may be filed by visiting www.regulations.gov. USDA will issue a final rule once public comments have been received.

For additional information about the decision contact:

John R. Mengel, Chief Economist
USDA/AMS/Dairy Programs
1400 Independence Ave, SW, STOP- 0229
Washington, DC 20250-0229
Tel. (202) 720-7091;
email: John.Mengel@usda.gov ♦

NASS: DAIRY PRODUCTS PRICES SPECIAL REPORT

On June 28, 2007, the National Agricultural Statistics Service (NASS) released a special report on revisions made to Nonfat Dry Milk prices. The text of the special report is reproduced below. The data presented in the special report can be found at:

<http://usda.mannlib.cornell.edu/usda/current/DairProdPrSpR/DairProdPrSpR-06-28-2007.pdf>.

A summary of the special report from the perspective of Federal Milk Marketing Orders follows on page 4. Additional information is provided on how to understand the revisions in the context of a dairy farmer whose milk is associated with the Pacific Northwest and Arizona Orders on page 5.

Nonfat Dry Milk Revisions

After NASS confirmed an error in industry reporting of nonfat dry milk data, NASS issued revisions on April 13, 2007 to previously published data for the weeks of March 31, March 24, and March 17. To determine the extent of the misreporting, NASS subsequently conducted a special data validation of all qualifying nonfat dry milk plants for the period covering April 29, 2006 to April 14, 2007. As of the date of this publication, NASS has contacted all plants with sales of nonfat dry milk in order to review reporting criteria, verify previously reported data, and make any necessary revisions.

During the verification process, five firms made revisions to previously reported price and volume data for nonfat dry milk. These changes are included in this report. The revisions resulted in changes ranging from -0.8 to 8.5 cents per pound in the NASS-reported weekly average price of nonfat dry milk.

The Dairy Market Enhancement Act of 2000, U.S. Code Title 7, Section 1627, requires mandatory reporting of the price, quantity, and moisture content of butter, nonfat dry milk, cheddar cheese, and dry whey. Dairy products prices data, collected weekly by NASS, are used by USDA to assist in the determination of the fair market value of raw milk. These data are also used to implement the National Dairy Support Program.

Each week, NASS surveys plants that produce and sell more than one million pounds of nonfat dry milk annually. Specific, detailed criteria must be met for sales to qualify as usable data. Reporting rules were established to allow standard price discovery that best reflects current market conditions.

At the end of this publication are details on what information is included and excluded from the weekly reporting process of nonfat dry milk. ♦

Source: National Agricultural Statistics Service (NASS), U.S. Department of Agriculture. For information on Dairy Products Prices Special Report call Charmaine Wilson at 202-690-2168, office hours 7:00 a.m. to 4:30 p.m. ET.

**IMPACTS OF NASS NONFAT DRY MILK PRICE
AND SALES VOLUME REVISIONS
ON FEDERAL ORDER PRICES**

On June 28, 2007, USDA National Agricultural Statistics Service (NASS) published revised prices and sales volumes for nonfat dry milk (NFDM) for the weeks ending April 29, 2006, through April 14, 2007. NFDM prices as reported by NASS are used to calculate nonfat solids pricing factors used in Federal order formulas. These formulas set minimum classified prices that handlers must pay for milk pooled in the Federal order system. This report provides the impacts that these revisions would have had for the Federal order system. The following bullet points and tables highlight the differences. The full report can be found at: http://www.ams.usda.gov/dyfmoms/mib/NASS_Price_Issue_Publication_revised_2007-7-2.pdf.

- The revised data provided by NASS cover a period of 51 weeks and would have affected the minimum Federal order milk prices announced by AMS over 14 months.
- The total classified value of milk regulated under the Federal milk marketing order (FMMO) program for the period covered by the NASS revision was understated by \$50 million, or about 0.025 percent. On a per hundredweight basis, the value was understated an average of \$0.04.
- Only the skim milk values of Class II products

(such as yogurt, ice cream, and cottage cheese) and Class IV products (such as butter, nonfat dry milk, and skim milk powders) were affected.

- Class I (bottled milk) and Class III (cheese) milk values were not affected. No butterfat values were affected in any class.
- The three FMMO markets with the greatest understatement of total classified value were the Northeast, the Mideast, and the Central markets.
- The two FMMO markets with the greatest understatement in classified value per hundredweight were the Pacific Northwest and the Arizona markets.
- Impact in a market depends on the total volume of milk regulated and the proportion of milk in the market that is Class II and Class IV.
- The average change in the 2-week price of NFDM used in advanced Class II price calculations is an increase of \$0.0218 per pound. The changes range from a decrease of \$0.0032 to an increase of \$0.0754 per pound. The average decrease in volume for the two-week period is 8.6 million pounds, ranging from 250,000 to 14 million pounds.
- With respect to the 4- or 5- week NFDM prices used in Class IV pricing, the average revision is an increase of \$0.0193 per pound.

**Impacts of NASS Nonfat Dry Milk Price and Sales Volume Revisions on Federal Order Prices
Change in Classified Value by Market, April 2006-May 2007**

Marketing Order	Total Receipts		Total Change	
	(pounds)	(dollars)	(dollars)	(dollars/cwt)
Northeast	26,207,099,258	11,560,613		\$0.04
Appalachian	7,217,642,433	2,997,602		\$0.04
Southeast	9,346,736,677	2,676,221		\$0.03
Florida	3,732,974,652	769,212		\$0.02
Mideast	19,765,200,494	8,018,463		\$0.04
Upper Midwest	30,740,868,826	4,746,736		\$0.02
Central	14,682,769,571	6,337,677		\$0.04
Southwest	13,164,669,265	4,889,276		\$0.04
Arizona	4,227,309,502	2,366,580		\$0.06
Pacific Northwest	8,650,140,605	5,419,840		\$0.06
All Markets Combined	137,735,411,283	49,782,219		\$0.04

MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST				ARIZONA 2/			
	Jun 2007	May 2007	Jun 2006	May 2006	Jun 2007	May 2007	Jun 2006	May 2006
Minimum Class Prices (3.5% B.F.)								
Class I Milk (\$/cwt.)	\$19.74	\$17.82	\$12.65	\$12.87	\$20.19	\$18.27	\$13.10	\$13.32
Class II Milk (\$/cwt.)	18.89	16.62	11.00	11.13	18.89	16.62	11.00	11.13
Class III Milk (\$/cwt.)	20.17	17.60	11.29	10.83	20.17	17.60	11.29	10.83
Class IV Milk (\$/cwt.)	20.76	18.48	10.22	10.33	20.76	18.48	10.22	10.33
Producer Prices								
Producer Price Differential (\$/cwt.)	\$ 0.02	\$ 0.27	\$ 0.01	\$ 0.47	+	+	+	+
Butterfat (\$/pound)	1.6457	1.5706	1.2436	1.2582	+	+	+	+
Protein (\$/pound)	3.7059	2.9424	2.0790	1.9115	+	+	+	+
Other Solids (\$/pound)	0.5831	0.5791	0.1255	0.1251	+	+	+	+
Uniform Skim Price (\$/cwt.)	+	+	+	+	15.11	13.10	7.54	7.47
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.6328	1.5509	1.2540	1.2597
Statistical Uniform Price (\$/cwt.)	\$20.19	\$17.87	\$11.30	\$11.30	\$20.30	\$18.07	\$11.67	\$11.62
Producer Data								
Number of Producers	698 *	698	821	836	92 *	92	97	94
Avg. Daily Production (lbs.)	27,561 *	27,381	26,897	27,681	116,986 *	121,303	105,126	111,683
Number of Handlers								
Pool Handlers	28	28	28	28	7	7	7	7
Producer-Handlers	6 *	6	6	6	1 *	1	1	1
Other Plants w/ Class I Use	24 *	24	23	24	20 *	20	22	25
Producer Milk Ratios								
Class I	30.62%	32.33%	27.89%	27.04%	33.40%	34.07%	34.93%	34.27%
Class II	8.42%	8.75%	6.54%	5.77%	10.24%	9.70%	8.11%	7.35%
Class III	29.82%	30.28%	27.92%	31.29%	25.47%	28.13%	34.17%	32.85%
Class IV	31.14%	28.64%	37.65%	35.90%	30.89%	28.10%	22.79%	25.53%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

	May 2007	Apr 2007	May 2006	Apr 2006	May 2007	Apr 2007	May 2006	Apr 2006
Producer-Handler Data								
Production	28,572,174	27,189,987	21,590,880	20,762,120	R	R	R	R
Class I Use	22,096,426	24,027,464	17,632,381	17,267,456	R	R	R	R
% Class I Use	77.34%	88.37%	81.67%	83.17%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	169,572,079	162,550,806	172,959,252	161,752,659	96,401,081	95,483,536	98,466,898	93,116,559
By Producer-Handlers	7,894,382	8,082,664	8,417,105	7,966,771	1/	1/	1/	1/
By Other Plants	4,627,169 *	4,071,170	3,778,352	3,653,975	5,696,721 *	4,444,709	5,451,664	11,719,567
Total	182,093,630	174,704,640	185,154,709	173,373,405	102,097,802	99,928,245	103,918,562	104,836,126

* 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 2007	May 2007	Jun 2006	May 2006	Jun 2007	May 2007	Jun 2006	May 2006	
TOTAL PRODUCER MILK	577,124,445	592,475,826	662,476,437	717,385,029	322,882,131	345,957,022	305,917,685	325,444,557	
RECEIPTS FROM OTHER SOURCES	52,429,408	51,487,184	20,101,353	19,198,248	10,424,512	7,550,467	24,409,686	34,857,977	
OPENING INVENTORY	31,347,960	33,007,654	31,598,267	37,091,066	18,583,300	18,766,827	20,206,976	21,116,124	
TOTAL TO BE ACCOUNTED FOR	660,901,813	676,970,664	714,176,057	773,674,343	351,889,943	372,274,316	350,534,347	381,418,658	
UTILIZATION OF RECEIPTS									
Whole milk	32,402,142	33,148,255	32,659,694	33,671,669	27,507,565	28,315,837	28,527,583	29,240,686	
Flavored milk & milk drinks	8,487,080	12,990,778	9,828,145	13,199,163	2,804,091	6,234,552	3,345,341	6,203,742	
2% milk	27,218,171	65,956,147	67,220,937	68,275,943	34,477,796	35,464,956	30,544,361	37,066,648	
1% milk	64,119,963	27,979,049	25,465,519	27,677,965	11,615,924	13,244,615	11,384,418	12,554,051	
Skim milk	25,284,145	28,180,486	27,667,244	28,662,247	11,834,804	12,663,684	16,249,964	12,898,354	
Buttermilk	1,152,324	1,317,364	1,398,482	1,472,265	443,003	477,437	427,658	503,417	
CLASS I ROUTE DISP. IN AREA.	158,663,825	169,572,079	164,240,021	172,959,252	88,683,183	96,401,081	90,479,325	98,466,898	
Class I dispositions out of area	16,986,487	18,766,497	16,279,169	15,375,459	19,606,252	20,068,070	14,125,804	14,224,049	
Other Class I usage	19,567,009	20,243,073	20,961,357	19,500,156	12,569,454	12,425,729	11,141,448	8,697,394	
TOTAL CLASS I USE.	195,217,321	208,581,649	201,480,547	207,834,867	120,858,889	128,894,880	115,746,577	121,388,341	
TOTAL CLASS II USE	55,485,529	59,537,902	52,403,728	49,967,162	34,663,285	35,798,980	26,131,693	24,767,563	
TOTAL CLASS III USE	188,825,771	196,450,429	185,621,824	229,140,542	83,152,474	98,385,721	105,091,660	107,256,303	
TOTAL CLASS IV USE	221,373,192	212,400,684	274,669,958	286,731,772	113,215,295	109,194,735	103,564,417	128,006,451	
TOTAL ACCOUNTED FOR	660,901,813	676,970,664	714,176,057	773,674,343	351,889,943	372,274,316	350,534,347	381,418,658	
CLASSIFICATION OF RECEIPTS									
Producer milk:	Class I	176,748,978	191,516,277	184,796,123	193,948,844	107,842,189	117,887,992	106,854,165	111,550,332
	Class II	48,585,229	51,850,008	43,315,203	41,421,024	33,068,435	33,546,624	24,799,447	23,919,296
	Class III	172,095,697	179,419,886	184,931,159	224,500,635	82,228,550	97,313,722	104,538,703	106,904,795
	Class IV	179,694,541	169,689,655	249,433,952	257,514,526	99,742,957	97,208,684	69,725,370	83,070,134
Other receipts:	Class I	18,468,343	17,065,372	16,684,424	13,886,023	29,007,812	26,317,294	44,616,662	55,974,101
	Class II	6,900,300	7,687,894	9,088,525	8,546,138	1/	1/	1/	1/
	Class III	16,730,074	17,030,543	690,665	4,639,907	1/	1/	1/	1/
	Class IV	41,678,651	42,711,029	25,236,006	29,217,246	1/	1/	1/	1/
Avg. daily producer receipts		19,237,482	19,112,123	22,082,548	23,141,453	10,762,738	11,159,904	10,197,256	10,498,212
Change From Previous Year		-12.88%	-17.41%	8.78%	14.01%	5.55%	6.30%	22.58%	22.03%
Avg. daily Class I use		6,507,244	6,728,440	6,716,018	6,704,351	4,028,630	4,157,899	3,858,219	3,915,753
Change From Previous Year		-3.11%	0.36%	10.41%	6.05%	4.42%	6.18%	39.58%	43.53%

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 2007
- June 2007 Class Prices
- Class I Price for August 2007
- USDA Issues Interim Final Rule Establishing A Dairy Product Mandatory Reporting Program
- NASS: Dairy Products Prices Special Report
- Impacts of NASS Nonfat Dry Milk Price and Sales Volume Revisions on Federal Order Prices
- Estimating the Impact of NASS Nonfat Dry Milk Price and Sales Volume Revisions on Dairy Farmers Associated with the Pacific Northwest and Arizona Orders
- Attention: AMS Website Visitors

ATTENTION: AMS WEBSITE VISITORS**IMPORTANT NOTICE**

At the end of July, the look, feel, and organization of the AMS website will change. The new site will contain all the information housed on the current site and more! PLEASE TAKE NOTE! If you have URLs from our current site bookmarked, they will change and will have to be reset. Thank you for your patience as we continue to work toward bringing you AMS information in the most timely and efficient manner. If you have any questions about this migration, please visit our Web Migration Questions Page at <http://www.ams.usda.gov/migrationqanda.htm> or contact the AMS Webmaster at amswebmaster@usda.gov.