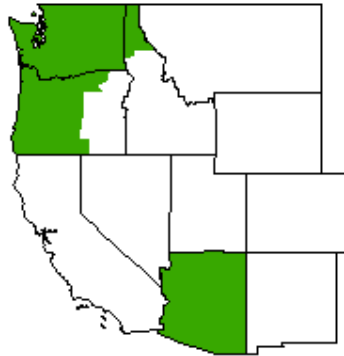


Pacific Northwest & Arizona Marketing Areas



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August 2007

MARKET SUMMARIES FOR JULY 2007

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

Pacific Northwest

Producers delivered a total of 589.6 million pounds of milk to the market during July. Daily deliveries averaged 19.0 million pounds, down 1.1 percent from June. An estimated 693 producers delivered milk to the market during the month. Daily deliveries per producer averaged 27,443 pounds, down 1.1 percent from June.

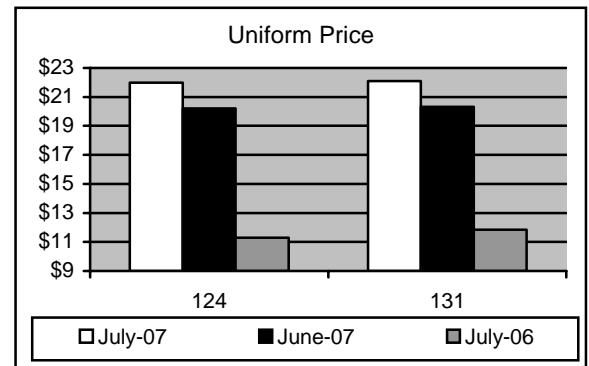
Class I producer milk during July totaled 177.5 million pounds, 30.1 percent of total producer receipts. Daily usage averaged 5.7 million pounds, down 2.8 percent from June.

Arizona

Producers delivered a total of 310.5 million pounds of milk to the market during July. Daily deliveries averaged 10.0 million pounds, down 6.9 percent from June.

An estimated 93 producers delivered milk to the market during the month. Daily deliveries per producer averaged 107,701 pounds, down 6.9 percent from June.

Class I producer milk during July totaled 106.8 million pounds, 34.4 percent of total producer receipts. Daily usage averaged 3.4 million pounds, down 4.1 percent from June. ♦



Federal Order Producer Prices and Component Levels: July 2007

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	21.98	22.09	Butterfat	3.606	3.534
Butterfat 2/	1.6110	1.6300	Protein	2.984	N/A
Protein 2/	4.2068	N/A	Other Solids	5.725	N/A
Other Solids 2/	0.5534	N/A	Nonfat Solids	8.709	N/A
PPD 1/*	0.60	N/A			
Skim 1/	N/A	16.98			

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

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JULY 2007 CLASS PRICES

July 2007 non-advanced Class Prices were calculated using NASS commodity price surveys from June 30, July 7, 14, 21 and 28, 2007. Component prices for the month are \$4.2068 per pound of protein, \$1.6110 per pound of butterfat, \$0.5534 per pound of other solids, and \$1.8424 per pound of nonfat solids.

July 2007 Class III and IV prices at 3.5% butterfat are \$21.38 and \$21.64 per hundredweight, respectively. The July Class III price compared to June is up \$1.21; the Class IV price is up \$0.88. The Class III price is \$10.46 higher than in July 2006 and the Class IV price is \$11.43 higher. The Class III price at 3.67% butterfat is \$11.72 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.6180 per pound. Class I skim and butterfat and Class II skim prices for July 2007 were announced on June 22, 2007. The Class II price at 3.5% butterfat is \$21.40 for July 2007.

FINAL: NASS COMMODITY PRICES

	June	July	Change
Cheese*	\$1.8561	\$2.0002	\$0.1441
Butter	\$1.4916	\$1.4627	-\$0.0289
Nonfat Dry Milk	\$1.9012	\$2.0180	\$0.1168
Whey	\$0.7617	\$0.7329	-\$0.0288

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed decreases in price received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 10.66 cents between the July 14 and the August 11 surveys, to \$1.8891 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a decrease of 10.75 cents to \$1.8725 per pound.

The NASS butter price showed a net increase of 3.10 cents between the weeks ending July 14 and August 11 from \$1.4489 per pound to \$1.4799 per pound.

The NASS nonfat dry milk showed a net increase of 1.64 cents since mid-July to \$2.0497 per pound.

The average price for NASS whey showed a decrease of 10.12 cents since mid-July to \$0.6333 per pound. ♦

SEPTEMBER'S CLASS I PRICE ANNOUNCEMENT

On August 17, the September 2007 Class I price was announced at \$23.81 for the Pacific Northwest Order and \$24.26 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of August 4 and 11.

The September Class III and IV advance skim prices are \$14.68 and \$16.76 per hundredweight, respectively. The butterfat portion of the Class I mover increased 3.72 cents from \$1.6010 to \$1.6382 per pound.

The September 2007 Class II skim and nonfat solids prices were also announced on August 17. The skim price is \$17.46 per hundredweight, and the nonfat solids price is \$1.9400 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	August	September	Change
Cheese*	\$2.0188	\$1.9014	-\$0.1174
Butter	\$1.4544	\$1.4854	\$0.0310
Nonfat Dry Milk	\$2.0358	\$2.0383	\$0.0025
Whey	\$0.7428	\$0.6429	-\$0.0999

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

PROPOSAL TO EXPAND THE PACIFIC NORTHWEST MARKETING AREA: REQUEST FOR ADDITIONAL PROPOSALS

On August 17, 2007, Dairy Programs announced that it is seeking additional proposals after receiving a request to expand the Pacific Northwest marketing area and modify certain provisions of the order. More information can be obtained at: http://www.ams.usda.gov/dairy/pnw_expansion/pnw_prop_expansion.htm. ♦

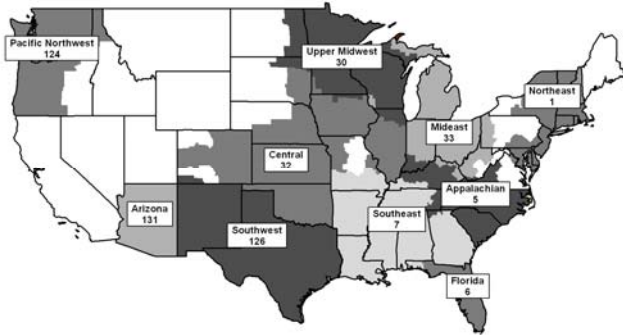
(Continued from Page 8)

- Regulates the minimum price paid to dairy farmers for Grade A milk in a specified marketing area.
- Requires that payments for milk be "pooled" and paid to individual dairy farmers or cooperative associations of dairy farmers on the basis of an average or uniform price for Grade A milk. In some orders, including the Pacific Northwest,

minimum price levels are based partially on values of milk components.

What areas are covered by Federal milk orders?

The map below shows the area covered by the current 10 Federal milk orders. There are also a number of State milk orders covering much of the area not covered by Federal milk orders. Many of the State milk order provisions provide similar functions to Federal milk orders. The largest State milk order is California.



What is the purpose of Federal milk orders?

Federal milk orders:

- Assist farmers in developing steady, dependable markets.
- Help correct conditions that result in price instability and disorderly marketing.
- Assure dairy farmers a minimum price for their milk that takes into consideration the economic conditions throughout the year.

Several characteristics of milk make milk marketing inherently unstable. For example, milk is:

- Highly perishable and must be moved promptly to market.
- Produced every day of the year and farmers must continue shipping it to market, even when market prices are not satisfactory.
- Seasonal in production - more milk is produced in the spring and less in the fall. Therefore, in any market, when there is enough milk in the fall to meet the fluid (bottling) needs of the market, there is too much milk for that market's fluid needs in the spring. The demand for fluid milk varies some from season to season, but varies considerably day to day. Because of its perishable nature, milk cannot be stored to balance the peaks and troughs of supply.

The industry, therefore, must continually produce an oversupply or reserve to make sure

there will be enough fluid milk at all times for the day-to-day needs of consumers. Reserve milk that is not needed for fluid use is manufactured into storable dairy products. But milk used in these products generally returns a lower price to producers than milk used for fluid purposes. Producers, therefore, are interested in getting as much of their milk as possible into the higher-valued fluid uses, and, in the absence of regulation, often make uneconomic price concessions to achieve that end. Destructive competition between dairy farmers for access to the higher-valued fluid (Class I) market is one of the things that Federal orders help to mitigate. ♦

PRODUCERS AND PRODUCER MILK BY ORDER, STATE, AND COUNTY, MAY 2007

During the month of May 2007, a total of 790 producers, on a combined basis, were associated with the Pacific Northwest and Arizona Orders. These producers delivered a total of 0.93 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. Eligible milk not pooled in May 2007 may bias some comparisons. 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. ♦

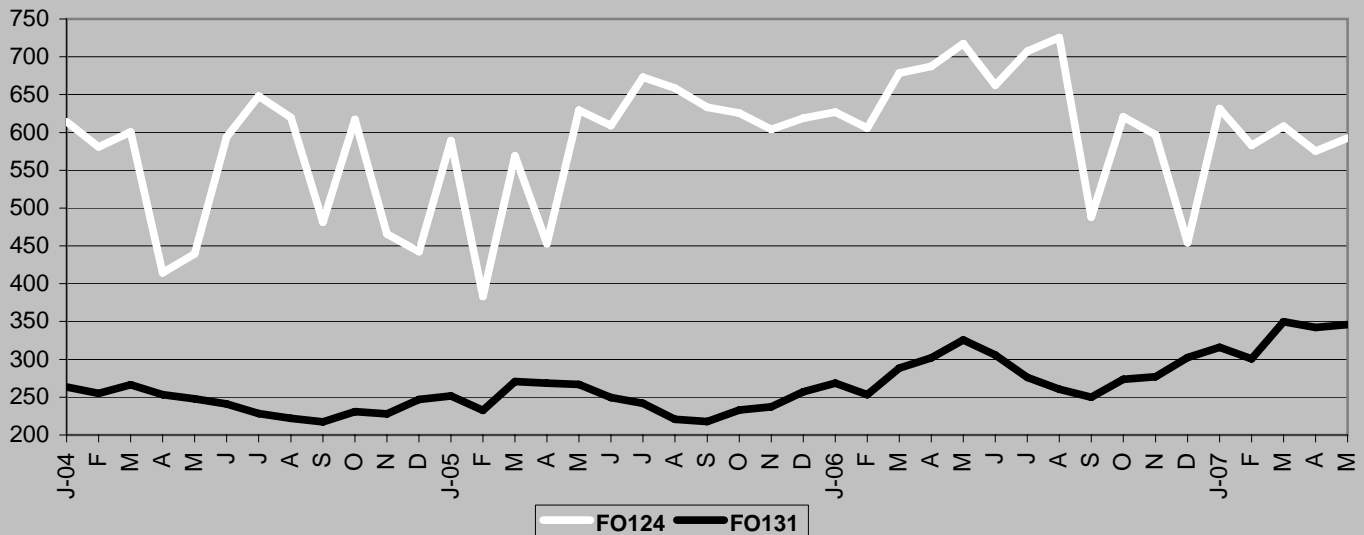
Producer Milk By State and Federal Order May 2006 and 2007					
FO 1/	State	2006		2007	
		Prod.	Lbs. 2/	Prod.	Lbs. 2/
124	CA	5	4.0	3	1.3
124	ID	59	73.3	8	1.1
124	OR	267	165.1	233	125.0
124	WA	505	474.9	454	465.1
FO 124 Total 3/		836	717.3	698	592.5
131	AZ/CA	94	325.4	92	346.0
Total 3/		930	1,042.8	790	938.4

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.

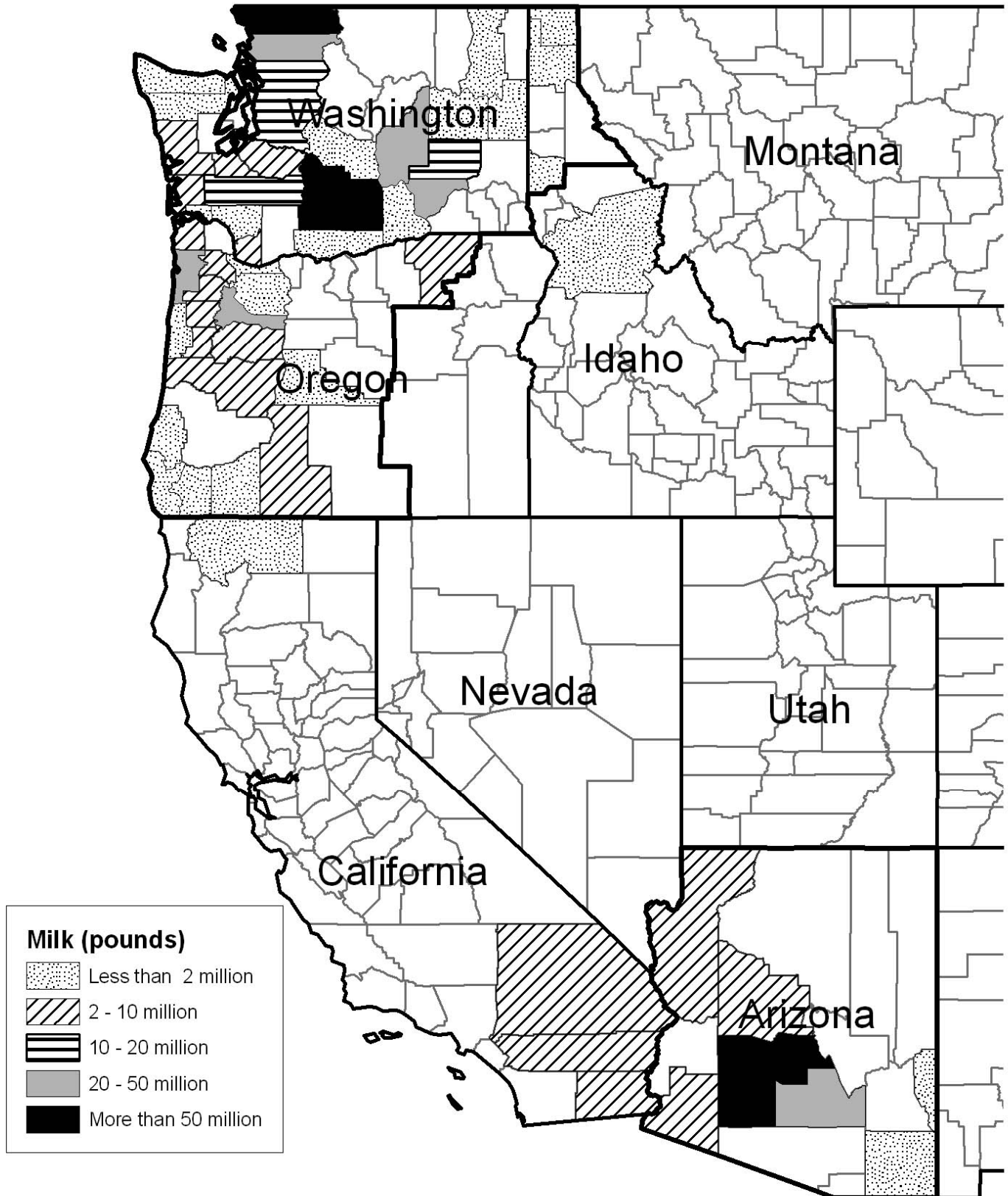
Number of Producers and Pounds of Milk: By Order, State, and County, May 2007

State	County	Producers	Milk	State	County	Producers	Milk
Arizona Order				Pacific Northwest Order (Continued)			
Arizona				California			
	Maricopa	69	273,371,446		Siskiyou	3	1,347,498
	Cochise, Greenlee & Pinal	12	42,616,997	Total California			
	Mohave, Yavapai & Yuma, AZ and Imperial, Riverside, & San Bernardino, CA	11	29,968,579			3	1,347,498
Total Arizona		92	345,957,022	Idaho			
Pacific Northwest Order				Oregon			
Washington					Benton & Lincoln	4	2,811,565
	Adams	11	14,494,954		Clackamas & Multnomah	9	1,310,906
	Clallam & Jefferson	3	1,170,585		Clatsop	5	2,175,208
	Clark & Cowlitz	9	8,034,078		Coos, Curry & Josephine	10	2,520,452
	Franklin	8	22,452,171		Deschutes, Jackson & Klamath	7	5,310,663
	Grant & Kittitas	25	40,117,718		Lane	6	4,672,025
	Grays Harbor	10	2,815,368		Linn	6	5,237,727
	King	31	16,824,614		Marion	30	26,466,444
	Klickitat & Benton	5	2,890,906		Polk	5	8,573,385
	Lewis	33	11,483,013		Tillamook	125	48,368,288
	Lincoln & Spokane	11	2,014,231		Umatilla	3	3,232,918
	Pacific	9	2,699,364		Washington	17	5,728,043
	Pierce	4	2,211,361		Yamhill	6	8,562,428
	Skagit	31	24,137,883	Total Oregon			
	Snohomish & Island	32	20,242,972			233	124,970,052
	Stevens	8	1,209,590	Total Pacific Northwest Order			
	Thurston	10	8,652,503			698	592,476,219
	Wahkiakum	4	776,697	Total Arizona Order			
	Whatcom	139	97,235,170			92	345,957,022
	Yakima	71	185,644,540	Total			
Total Washington		454	465,107,718			790	938,433,241

**Pacific Northwest (FO124) and Arizona (FO131) Producer Milk Pooled
January 2004 - May 2007 (million pounds)**



Pounds of Producer Milk by County, May 2007



MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST				ARIZONA 2/			
	Jul 2007	Jun 2007	Jul 2006	Jun 2006	Jul 2007	Jun 2007	Jul 2006	Jun 2006
Class I Milk (\$/cwt.)	\$22.81	\$19.74	\$13.24	\$12.65	\$23.26	\$20.19	\$13.69	\$13.10
Class II Milk (\$/cwt.)	21.40	18.89	10.83	11.00	21.40	18.89	10.83	11.00
Class III Milk (\$/cwt.)	21.38	20.17	10.92	11.29	21.38	20.17	10.92	11.29
Class IV Milk (\$/cwt.)	21.64	20.76	10.21	10.22	21.64	20.76	10.21	10.22
Producer Prices								
Producer Price Differential (\$/cwt.)	\$ 0.60	\$ 0.02	\$ 0.37	\$ 0.01	+	+	+	+
Butterfat (\$/pound)	1.6110	1.6457	1.2228	1.2436	+	+	+	+
Protein (\$/pound)	4.2068	3.7059	1.9807	2.0790	+	+	+	+
Other Solids (\$/pound)	0.5534	0.5831	0.1257	0.1255	+	+	+	+
Uniform Skim Price (\$/cwt.) . . .	+	+	+	+	16.98	15.11	7.80	7.54
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.6300	1.6328	1.2350	1.2540
Statistical Uniform Price (\$/cwt.) . .	\$21.98	\$20.19	\$11.29	\$11.30	\$22.09	\$20.30	\$11.85	\$11.67
Producer Data								
Number of Producers	693 *	693	821	821	93 *	93	95	97
Avg. Daily Production (lbs.)	27,443 *	27,760	27,788	26,897	107,701 *	115,728	93,832	105,126
Number of Handlers								
Pool Handlers	27	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	23	21 *	21	21	22
Producer Milk Ratios								
Class I	30.10%	30.62%	24.24%	27.89%	34.41%	33.40%	37.91%	34.93%
Class II	7.56%	8.42%	6.10%	6.54%	10.93%	10.24%	9.03%	8.11%
Class III	31.47%	29.82%	31.37%	27.92%	29.77%	25.47%	35.31%	34.17%
Class IV	30.87%	31.14%	38.29%	37.65%	24.89%	30.89%	17.75%	22.79%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Jun 2007	May 2007	Jun 2006	May 2006	Jun 2007	May 2007	Jun 2006	May 2006
Production	27,577,549	28,572,174	21,264,420	21,590,880	R	R	R	R
Class I Use	21,096,217	22,096,426	17,441,730	17,632,381	R	R	R	R
% Class I Use	76.50%	77.34%	82.02%	81.67%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	158,663,825	169,572,079	164,240,021	172,959,252	88,683,183	96,401,081	90,479,325	98,466,898
By Producer-Handlers	6,422,022	7,894,382	7,839,310	8,417,105	1/	1/	1/	1/
By Other Plants	4,686,491 *	4,627,169	3,455,142	3,778,352	5,572,316 *	5,696,721	4,210,607	5,451,664
Total	169,772,338	182,093,630	175,534,473	185,154,709	94,255,499	102,097,802	94,689,932	103,918,562

* 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/				
	Jul 2007	Jun 2007	Jul 2006	Jun 2006	Jul 2007	Jun 2007	Jul 2006	Jun 2006	
TOTAL PRODUCER MILK	589,556,323	577,124,445	707,227,782	662,476,437	310,501,278	322,882,131	276,335,324	305,917,685	
RECEIPTS FROM OTHER SOURCES	45,331,284	52,429,408	20,171,198	20,101,353	23,280,003	10,424,512	21,906,479	24,409,686	
OPENING INVENTORY	31,438,273	31,347,960	30,654,796	31,598,267	20,834,593	18,583,300	17,725,144	20,206,976	
TOTAL TO BE ACCOUNTED FOR	666,325,880	660,901,813	758,053,776	714,176,057	354,615,874	351,889,943	315,966,947	350,534,347	
UTILIZATION OF RECEIPTS									
Whole milk	32,797,558	32,402,142	32,910,072	32,659,694	26,910,078	27,507,565	29,985,023	28,527,583	
Flavored milk & milk drinks	6,707,570	8,487,080	5,954,171	9,828,145	2,419,036	2,804,091	2,811,854	3,345,341	
2% milk	64,419,103	27,218,171	66,245,871	67,220,937	33,935,331	34,477,796	36,279,190	30,544,361	
1% milk	24,829,640	64,119,963	24,237,916	25,465,519	12,220,126	11,615,924	11,286,514	11,384,418	
Skim milk	26,971,719	25,284,145	26,765,636	27,667,244	10,816,360	11,834,804	12,169,007	16,249,964	
Buttermilk	1,481,161	1,152,324	1,480,747	1,398,482	455,562	443,003	441,913	427,658	
CLASS I ROUTE DISP. IN AREA.	157,206,751	158,663,825	157,594,413	164,240,021	86,756,493	88,683,183	92,973,501	90,479,325	
Class I dispositions out of area	17,933,449	16,986,487	12,621,791	16,279,169	21,321,256	19,606,252	14,160,786	14,125,804	
Other Class I usage	18,187,856	19,567,009	18,278,225	20,961,357	11,515,814	12,569,454	8,304,047	11,141,448	
TOTAL CLASS I USE.	193,328,056	195,217,321	188,494,429	201,480,547	119,593,563	120,858,889	115,438,334	115,746,577	
TOTAL CLASS II USE	51,365,963	55,485,529	48,078,728	52,403,728	34,909,442	34,663,285	25,945,657	26,131,693	
TOTAL CLASS III USE	203,990,378	188,825,771	229,469,076	185,621,824	93,598,323	83,152,474	98,718,275	105,091,660	
TOTAL CLASS IV USE	217,641,483	221,373,192	292,011,543	274,669,958	106,514,546	113,215,295	75,864,681	103,564,417	
TOTAL ACCOUNTED FOR	666,325,880	660,901,813	758,053,776	714,176,057	354,615,874	351,889,943	315,966,947	350,534,347	
CLASSIFICATION OF RECEIPTS									
Producer milk:	Class I	177,475,258	176,748,978	171,442,820	184,796,123	106,845,592	107,842,189	104,721,239	106,854,165
	Class II	44,567,579	48,585,229	43,141,992	43,315,203	33,924,751	33,068,435	24,966,422	24,799,447
	Class III	185,544,880	172,095,697	221,845,328	184,931,159	92,439,893	82,228,550	97,584,890	104,538,703
	Class IV	181,968,606	179,694,541	270,797,642	249,433,952	77,291,042	99,742,957	49,062,773	69,725,370
Other receipts:	Class I	15,852,798	18,468,343	17,051,609	16,684,424	44,114,596	29,007,812	39,631,623	44,616,662
	Class II	6,798,384	6,900,300	4,936,736	9,088,525	1/	1/	1/	1/
	Class III	18,445,498	16,730,074	7,623,748	690,665	1/	1/	1/	1/
	Class IV	35,672,877	41,678,651	21,213,901	25,236,006	1/	1/	1/	1/
Avg. daily producer receipts		19,017,946	19,237,482	22,813,799	22,082,548	10,016,170	10,762,738	8,914,043	10,197,256
Change From Previous Year		-16.64%	-12.88%	5.09%	8.78%	12.36%	5.55%	14.34%	22.58%
Avg. daily Class I use		6,236,389	6,507,244	6,080,465	6,716,018	3,857,857	4,028,630	3,723,817	3,858,219
Change From Previous Year		2.56%	-3.11%	3.47%	10.41%	3.60%	4.42%	33.85%	39.58%

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 July 2007
- July 2007 Class Prices
- Class I Price for September 2007
- Proposal to Expand the Pacific Northwest Marketing Area: Request for Additional Proposals
- Producers And Producer Milk By Order, State, And County, May 2007
- Federal Milk Marketing Orders: What Do They Really Do? (Part I)

**FEDERAL MILK MARKETING ORDERS:
WHAT DO THEY REALLY DO? (PART I)**

This article originally appeared in the Upper Midwest Dairy News and is reprinted here with permission for your convenience. Small changes have been made to make the article more relevant to the Pacific Northwest and Arizona Orders and fit in this publication. (Part II of "Federal Milk Orders – What Do They Really Do?" will be published in September 2007.)

Federal milk orders have been in the news a lot recently. A lot of the discussion and debate has taken place recently over the merits of Federal orders. Much of the discussion centers on a few "hot button" issues, and not on the many things orders do, or do not do. Covered here is a discussion of some of the basics on Federal milk orders.

What is a Federal milk order?

A Federal milk order:

- Is a regulation issued by the Secretary of Agriculture, the head of USDA.

(Continued on Page 2)